



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)

2016
INTERIM 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 interim report (the “**Interim Report**”), and severally and jointly accept responsibility for the truthfulness, accuracy and completeness of the contents therein.

II. Absence of Directors in the Board meeting considering the interim report of the Company

Title of absent Director	Name of absent Director	Explanation on absence of Director	Name of Proxy
Director	Li Hepeng	Due to business engagement	Zhao Yanshui
Director	Xie Donggang	Due to business engagement	Wang Erlong
Independent Director	Wu Tak Lung	Due to business engagement	Yu Zengbiao

III. The Interim Report was unaudited.

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 Interim 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.

Nil

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

Forward-looking statements such as the development strategy and business plan of the Company contained in this Interim 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

CONTENTS

Section I	Definitions	2
Section II	Company Profile	6
Section III	Accounting Data and Financial Indicators Summary	8
Section IV	Report of the Board	11
Section V	Significant Events	35
Section VI	Changes in Shares and Information on Shareholders	61
Section VII	Directors, Supervisors, Senior Management	67
Section VIII	Relevant Information on Bonds of the Company	69
Section IX	Financial Statements Prepared in Accordance With the PRC Accounting Standards for Business Enterprises	75
Section X	Documents Available for Inspection	324

I. DEFINITIONS

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

A Share	ordinary shares as approved by the CSRC which are issued to the PRC domestic investors and qualified foreign investors, traded on the PRC domestic stock exchange, denominated, subscribed for and traded in RMB
agricultural machinery	various machinery used in the crop farming and animal husbandry production, and the primary processing of agricultural and animal products
BOL Financial Leasing	BOL Financial Leasing Co., Ltd. (洛銀金融租賃股份有限公司), an equity participating company of the Company
CBRC	China Banking Regulatory Commission
Changtuo Company	Changtuo Agricultural Machinery Equipment Group Company Limited (長拖農業機械裝備集團有限公司), a controlled subsidiary of the Company
Changxing Company	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	First Tractor Company Limited (第一拖拉機股份有限公司)
controlled subsidiary	a company held as to more than 50% shares or equity interest by the Company, or a company actually controlled by the Company through agreement and arrangement
CSRC	China Securities Regulatory Commission

diesel engine	internal combustion engine that uses diesel as fuel
Group	First Tractor Company Limited and its controlled subsidiaries
H Share	ordinary shares as approved by the CSRC which are issued to foreign investors, and listed with the approval of the Stock Exchange, denominated in RMB, subscribed for and traded in Hong Kong dollars
hi-powered wheeled tractor	wheeled tractor with horsepower of 70 (inclusive) or above
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Jiangyan Power	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	Listing Rules of the Shanghai Stock Exchange (as amended from time to time)
Listing Rules of the Stock Exchange	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
mid-powered wheeled tractor	wheeled tractor with horsepower of 25 (inclusive) to 70
mining truck	non-road vehicle, mainly used to transport the earth-rock and ores, etc. relating to mine engineering
PBOC	the People's Bank of China
power machinery	products including diesel engine and fuel injection pump
PRC	The People's Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

RMB	Renminbi, the lawful currency of the PRC
Shanghai Stock Exchange	the Shanghai Stock Exchange
Sinomach	China National Machinery Industry Corporation (中國機械工業集團有限公司), the ultimate controlling shareholder of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
subsidiary	a subsidiary as defined under the Listing Rules of the Stock Exchange
Tractors Research Company	Luoyang Tractors Research Institute Company Limited (洛陽拖拉機研究所有限公司), a controlled subsidiary of the Company
YTO	YTO Group Corporation (中國一拖集團有限公司), the controlling shareholder of the Company
YTO Diesel Engine	YTO (Luoyang) Diesel Engine Company Limited (一拖(洛陽)柴油機有限公司), a controlled subsidiary of the Company
YTO Finance	China YTO Group Finance Company Limited (中國一拖集團財務有限責任公司), a controlled subsidiary of the Company
YTO Forklift Truck	YTO (Luoyang) Forklift Truck Company Limited (一拖(洛陽)叉車有限公司), a wholly-owned subsidiary of the Company
YTO Foundry	YTO (Luoyang) Foundry Company Limited (一拖(洛陽)鑄造有限公司), a wholly-owned subsidiary of the Company

YTO France	YTO France SAS, a wholly-owned subsidiary of the Company
YTO Fuel Injection Pump	YTO (Luoyang) Fuel Injection Pump Company Limited (一拖(洛陽)燃油噴射有限公司), a controlled subsidiary of the Company
YTO International Trade	YTO International Economy and Trade Company Limited (一拖國際經濟貿易有限公司), a wholly-owned subsidiary of the Company
YTO Shentong	YTO (Luoyang) Shentong Construction Machinery Company Limited (一拖(洛陽)神通工程機械有限公司), a wholly-owned subsidiary of the Company
YTO Transportation	YTO (Luoyang) Transportation Machinery Company Limited (一拖(洛陽)搬運機械有限公司), a controlled subsidiary of the Company
ZF YTO Drive Axle	ZF YTO (Luoyang) Drive Axle Co., Ltd. (采埃孚一拖(洛陽)車橋有限公司), an equity participating company of the Company

II. COMPANY PROFILE

I. INFORMATION OF THE COMPANY

Chinese name of the Company	第一拖拉机股份有限公司
Short name in Chinese	一拖股份
English name of the Company	First Tractor Company Limited
Abbreviation in English	First Tractor
Legal representative of the Company	Zhao Yanshui

II. CONTACT PERSONS AND METHODS

	Secretary to the Board	Representative of Securities Affairs
Name	Yu Lina	Wei Yajun
Contact address	No. 154 Jianshe Road, Luoyang, Henan Province, the PRC	No. 154 Jianshe Road, Luoyang, Henan Province, the PRC
Telephone	(86 379) 64967038	(86 379) 64970213
Facsimile	(86 379) 64967438	(86 379) 64967438
E-mail	yulina@ytogroup.com	weiyajun027@163.com

III. BASIC INFORMATION

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

IV. THE PLACE FOR INFORMATION DISCLOSURE AND DOCUMENTS INSPECTION

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

V. BASIC INFORMATION OF THE COMPANY'S SHARES

Types of share	Stock exchanges for listing	Abbreviated name of shares	Stock code	Abbreviated name of shares before the change
A Share	Shanghai Stock Exchange	一拖股份	601038	/
H Share	Stock Exchange	First Tractor	0038	/

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

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

III. ACCOUNTING DATA AND FINANCIAL INDICATORS SUMMARY

I. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

(I) Key Accounting Data

Unit: Yuan Currency: RMB

Key Accounting Data	For the	For the	Year-on-year
	Reporting Period (January to June)	corresponding period of the last year	increase/ decrease during the Reporting Period (%)
Total operating revenue	5,158,780,013.03	5,708,191,514.51	-9.62
Operating revenue	5,041,260,182.13	5,553,784,520.17	-9.23
Net profit attributable to shareholders of the Company	158,349,583.86	148,644,010.04	6.53
Net profit attributable to shareholders of the Company after deduction of non-recurring items	142,647,691.79	133,246,720.67	7.06
Net cash flows from operating activities	487,141,637.61	256,360,072.95	90.02
	As at the end of the Reporting Period	As at the end of last year	Increase/ decrease as at the end of the Reporting Period compared with the end of last year (%)
Net assets attributable to shareholders of the Company	4,788,702,501.16	4,673,879,851.60	2.46
Total assets	12,661,996,559.97	13,272,449,559.98	-4.60

(II) Key Financial Indicators

Key financial indicators	For the Reporting Period (January to June)	For the corresponding period of last year	Year-on-year increase/ decrease during the Reporting Period (%)
Basic earnings per share (<i>RMB Yuan/share</i>)	0.1590	0.1493	6.50
Diluted earnings per share (<i>RMB Yuan/share</i>)	0.1590	0.1493	6.50
Basic earnings per share after deduction of non-recurring profit or loss items (<i>RMB Yuan/share</i>)	0.1432	0.1338	7.03
Weighted average return on net assets (%)	3.36	3.21	Increased by 0.15 percentage point
Weighted average return on net assets after deduction of non-recurring profit or loss items (%)	3.02	2.88	Increased by 0.14 percentage point

Explanation on the key accounting data and financial indicators of the Company

1. The basic earnings per share and diluted earnings per share showed a year-on-year increase of 6.50%, mainly due to an increase in the net profit attributable to shareholders of the Company during the period.
2. Basic earnings per share after deduction of non-recurring profit or loss items presented a year-on-year increase of 7.03%, mainly due to an increase in the net profit attributable to shareholders of the Company after deduction of non-recurring profit or loss items during the period.

II. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

Unit: Yuan Currency: RMB

Non-recurring Profit or Loss Items	Amounts
Gain or loss from disposal of non-current assets	-198,562.61
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)	11,372,972.87
Profit or loss from debt restructuring	380,988.49
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	7,543,586.43
Non-operating income and expenses other than those stated above	1,889,826.51
Impact on minority interests	-1,534,161.64
Effect of income tax	<u>-3,752,757.98</u>
Total	<u><u>15,701,892.07</u></u>

IV. REPORT OF THE BOARD

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

In the first half of 2016, as affected by the continuing sluggish world economy and global market demand, there was an “L-shaped” macroeconomic trend in the PRC. New norm and features of the economic development has been clearer, with old development drivers transforming towards new ones. Since the beginning of this year and driven by the effective macroeconomic policy of the PRC, the PRC economy and operation has been generally stable.

In the first half of this year, agricultural machinery industry was overall steady, and recognized a principal operating revenue of approximately RMB221.855 billion with a year-on-year increase of approximately 7.5%. Due to factors including the drop in prices of crops, decrease in subsidy for purchase of agricultural machinery and users' hesitation in purchases as a result of the shift to national III engine, demand in the tractor industry was in a downturn. Meanwhile, the trend in transformation and upgrade of the tractor industry became clearer, shaping an apparent trend for transformation from two wheels to four wheels products. In the first half of this year, the aggregate sales volume of the hi-powered and mid-powered wheeled tractors in the industry reached 173,400 units, representing a year-on-year decrease of 11.69%, of which the sales volume of hi-powered wheeled tractors was 76,400 units, representing a year-on-year decrease of 2.44%, the ratio of hi-powered wheeled tractors with horsepower of 100 or above in the sales of hi-powered and mid-powered wheeled tractors had a year-on-year increase of 4.6 percentage points, and the sales volume of mid-powered wheeled tractors was 96,900 units, representing a year-on-year decrease of 17.77%.



Facing the overall downturn in the industry, the Company adhered to the established strategies and directions, focused on the annual operation plan, and firmly carried out the key works in product structure adjustment, transformation and upgrade as well as enhancement in quality and efficiency. As a result, various works were carried out steadily and the business operation kept basically stable in the first half of this year. During the Reporting Period, the Company recorded total operating revenue of RMB5.159 billion, representing a year-on-year decrease of 9.62%; and the net profit attributable to the Company amounted to RMB158 million, representing a year-on-year increase of 6.53%. As the product structure of the Company was constantly optimizing, profitability was enhanced with a year-on-year increase in the consolidated gross profit margin of products of 0.08 percent point. Net inflow of cash flow from operating activities of the Company was RMB487 million, with a year-on-year increase of 90.02%.

Agricultural machinery business

During the Reporting Period, the Company actively followed the trend for higher powered tractors and four wheels products development, continued to optimize the products sales structure and improved product profitability. Based on the foundation from sale of power shifting tractor products last year, the Company further improved its marketing plan and service capability. In the first half of this year, the Company sold 3,225 units of power shifting tractors, representing a year-on-year increase of 1.27 times, which consolidated and improved the market competitiveness of Dongfanghong power shifting products. The Company is well-prepared to fully launch the whole national III engine products and will focus in particular on the demand fluctuation during shifting to national III engine and the changing competitive environment by way of enhancement in end user promotion and channel capability and co-organization of application promotion campaigns with relevant ministries and commissions. In the first half of this year, the Company sold 42,300 units of hi-powered and mid-powered tractors, representing a year-on-year decrease of 9.07% (the level of decline was lower than the industry level, which contributed to a higher market share), while 22,400 units of hi-powered wheeled tractors were sold, representing a year-on-year decrease of 5.65% and 19,700 units of mid-powered wheeled tractors were sold, representing a year-on-year decrease of 12.33%.

Meanwhile, the “Tractor Power System National Key Laboratory” was now formally under construction, which would strongly support further enhancement in the Company’s capability to be an independent innovative enterprise.

Power machinery business

Due to the overall drop in the ancillary markets for dominant products, such as harvesters and hi-powered and mid-powered tractors, the Company sold 85,700 units of diesel engines in aggregate in the first half of this year, representing a year-on-year decrease of 15.1%, while external sales accounted for 56,800 units, representing a year-on-year decrease of 12.1%. Given that there was a decline in sales volume, the Company grasped the opportunities in the tendency of the subsidy policy on purchase of agricultural machinery towards hi-powered agricultural machinery, so as to continue to enhance its sales and marketing capability and optimize its sales structure gradually. There was also a significant year-on-year increase in sales volume of high value added diesel engine products which facilitated enhancement in efficiency and return of the Company.

During the Reporting Period, with the steady progress of the key technologies improvement projects in respect of power machinery business of the Company, the Company completed the installation of auxiliary equipment for the public utilities works of the hi-powered diesel engines project (phase II) and the demonstration on the scheme on upgrade and improvement of LR diesel engines national IV technology. Based on the requirements in products transformation and upgrade, the Company implemented improved internal resources allocation, and YTO Diesel Engine completed the merger and acquisition of YTO (Luoyang) Power Machinery Company Limited, a wholly-owned subsidiary.

Other business

During the Reporting Period, the Company conducted key risk inspection and focused on improving risk prevention and control, and controlling operational risks according to the changes and risk status in the financial market environment while fully utilizing YTO Finance to strengthen centralized management of internal funds and enhance efficiency in the use of funds.



In the first half of 2016, as a result of the improvement in its product sales structure and achievement in cost control, the Company enjoyed improved profitability given overall falling sales. However, as there are adjustments in policy-driven priorities and no significant changes in market environment, the tractor market is expected to remain sluggish in the second half of 2016. The Company will regard the changes in the subsidy policy on purchase of agricultural machinery and implementation of mandatory environmental policy as vital opportunities for accelerating its transformation and upgrade and consolidating its competitive advantages. The Company will adhere to the operating direction of “expand the market with steady growth; improve quality and create new advantages; adjust structure and promote to make transformation; strengthen management and improve efficiency” as adopted at the beginning of the year, so as to take the initiative to solidify advantages in adverse situation. The Company will continue to intensify market development and try its utmost to consolidate and increase the market share of its Dongfanghong products, and speed up adjustment of product mix and transformation and upgrade, enhance the driving force for enterprise development, and speed up the study and domestic application and development of power system technologies in particular in YTO France. The Company will also promote development of key research and development projects such as the development of tractor equipped with continuous variable transmission, so as to continue to consolidate and enhance its industry-leading advantages in product technologies. The Company will continue to take measures to improve management, strive to build a long-term effective mechanism for management improvement, consolidate the foundation for enterprise operations and management, deepen internal control, strengthen risk prevention and control, in order to maintain effective and efficient management and guarantee the quality and efficiency of the Company.

(I) ANALYSIS OF PRINCIPAL BUSINESSES

1. Analysis of Changes in Items of the Financial Statements

(1) Consolidated balance sheet

Unit: Yuan Currency: RMB

Item	For the Reporting Period	As at the beginning of the year	Changes (%)	Explanation
Loans to banks and other financial institutions	300,000,000.00	0.00	N/A	Loans to banks and other financial institutions from YTO Finance as at the end of the period
Financial assets at fair value through profit or loss	146,888,383.56	414,865,981.64	-64.59	Decrease in trust products held by YTO Finance during the period
Advances to suppliers	122,988,075.82	60,933,298.85	101.84	Increase in advances to suppliers for purchase during the period
Interest receivable	8,034,544.85	1,878,611.11	327.69	Increase in interest receivable of YTO Finance during the period
Financial assets purchased with agreement to re-sale	100,484,109.59	899,544,776.20	-88.83	Decrease in financial assets purchased with agreement to re-sale of YTO Finance during the period
Other current assets	862,988,502.63	468,428,422.33	84.23	Increase in wealth management products purchased using short-term idle funds during the period

Item	For the Reporting Period	As at the beginning of the year	Changes (%)	Explanation
Held-to-maturity investments	85,707,703.65	0.00	N/A	Increase in bonds purchased by YTO Finance during the period
Receipts of deposits and deposits from other banks	307,207,659.33	527,213,699.13	-41.73	Decrease in receipts of deposits and deposits from other banks of YTO Finance of during the period
Loans from other banks	0.00	350,000,000.00	-100.00	Repayment of loans from other banks by YTO Finance during the period
Accounts payable	1,915,944,631.34	1,526,746,992.98	25.49	Increase in procurement amount and the settlement thereof not yet due during the period
Advances from customers	197,065,848.31	303,082,198.22	-34.98	Materialization of sales in the period for advances from customers at the end of last year
Interest payable	17,660,468.68	53,716,956.57	-67.12	Payment of interests on the corporate bonds during the period
Dividend payable	39,133,747.57	0.00	N/A	Distribution of dividend for the year of 2015 announced during the period
Long-term loans	18,437,500.00	26,607,000.00	-30.70	Transfer of long-term loans due within one year to current liabilities during the period
Other comprehensive income	4,903,321.62	9,734,262.44	-49.63	Decrease in fair value of available-for-sale financial assets during the period

(2) Consolidated income statement

Unit: Yuan Currency: RMB

Item	For the Reporting Period	For the corresponding period of the previous year	Changes (%)
Total revenue from operations	5,158,780,013.03	5,708,191,514.51	-9.62
Operating revenue	5,041,260,182.13	5,553,784,520.17	-9.23
Operating costs	4,109,134,374.24	4,531,530,237.71	-9.32
Selling costs	266,328,954.70	288,812,474.52	-7.78
Administrative expenses	422,892,390.25	427,437,981.51	-1.06
Finance costs	40,452,792.56	42,207,637.61	-4.16
Research and development expenses	190,476,732.63	185,186,939.65	2.86
Loss in asset impairment	72,263,138.96	140,545,351.72	-48.58
Gain from change in fair value	-442,878.26	4,991,993.93	-108.87
Gain from investment	28,612,715.99	51,984,548.53	-44.96
Non-operating expenses	755,594.73	2,323,130.94	-67.48

Explanation on changes in total revenue from operations, operating revenue and operating costs: Mainly due to the decrease in sales of agricultural machinery products of the Company.

Explanation on change in loss in asset impairment: Decreased by 48.58% as compared with the same period last year, mainly due to the decrease in provision for bad debt as a result of the decrease in accounts receivable of the Company as at the end of the period as compared with the end of the same period last year.

Explanation on change in gain from change in fair value: Decreased by 108.87% as compared with the same period last year, mainly due to the decrease in market value of held-for-trading financial assets held by the Company during the period.

Explanation on change in gain from investment: Decreased by 44.96% as compared with the same period last year, mainly due to the decrease in gain from acquisition or disposal of financial assets of the Company during the period.

Explanation on change in non-operating expenses: Decreased by 67.48% as compared with the same period last year, mainly due to the decrease in the net loss from disposal of fixed assets of the Company during the period.

(3) Consolidated cash flow statement

Unit: Yuan Currency: RMB

Item	For the Reporting Period	For the corresponding period of last year	Changes (%)
Net cash flow from operating activities	487,141,637.61	256,360,072.95	90.02
Net cash flow from investing activities	-336,699,358.99	-665,197,231.67	N/A
Net cash flow from financing activities	-207,611,250.33	28,653,767.33	-824.55

Explanation on change in net cash flow from operating activities: Increased by 90.02% as compared with the same period last year, mainly because the financial assets purchased with agreement to re-sale held by YTO Finance at the beginning of the period was sold during the period.

Explanation on change in net cash flow from investing activities: Decreased by an outflow of RMB328,500,000 as compared with the same period last year, mainly due to the decrease in wealth management products purchased during the period as compared with the same period last year.

Explanation on change in net cash flow from financing activities: Increased by an outflow of RMB236,260,000 as compared with the same period last year, mainly due to the increase in bank loan repayment during the period as compared with the same period last year, and the decrease in cash obtained from loan during the period as compared with the same period last year.

2. Others

(1) Key Financial Ratios

Item	As at the end of the period	As at the beginning of the year	Year-on-year changes
Gearing ratio (%)	56.76	59.32	Decreased by 2.56 percentage points
Current ratio	1.07	1.05	Increased by 0.02
Quick ratio	0.86	0.86	-

(2) Bank Loans

Bank loans of the Group are mainly denominated in RMB, USD and Euro. As at the end of the Reporting Period, bank loans of the Group due within one year amounted to RMB1,680,950,500 in which loans in foreign currency amounted to RMB726,474,700 (mainly in USD and Euro). Bank loans due over one year amounted to RMB18,437,500. Bank loans in fixed rate amounted to RMB1,551,888,000. The Company has good credit ranking and financing ability within and outside the PRC.

(3) Charged Assets

As at the end of the Reporting Period, fixed assets and intangible assets amounting to RMB100,098,100 were charged, and bills receivable amounting to RMB184,475,800 was pledged, by the Group to obtain bank loans of RMB254,475,800 in total.

As at the end of the Reporting Period, the Group obtained bills issued by financial institution amounting to approximately RMB1,067,346,500 in total, which were pledged by bills receivable amounting to RMB230,139,500 and deposits amounting to RMB108,897,000.

(4) **Currency Exchange Risks**

The business of the Company is mainly situated in the PRC and most of the transactions are settled in RMB. However, as the Company has foreign currency loans and its export transactions are settled in foreign currencies (mainly in USD, HKD, Euro, Japanese Yen, Australian dollars, West African CFA franc and South African Rand), exchange rate fluctuations may affect the operating results of the Company.

(II) **ANALYSIS OF INDUSTRY, PRODUCTS OR REGIONAL OPERATION**

1. **Principal Businesses by Industry and by Product**

Unit: 0'000 yuan Currency: RMB

Principal business by industry

By industry	Operating revenue	Operating cost	Gross profit margin (%)	Increase/ decrease in	Increase/ decrease in	Increase/decrease in gross profit margin as compared with last year
				operating revenue as compared with last year (%)	operating cost as compared with last year (%)	
Equipment manufacturing	504,126	410,913	18.49	-9.23	-9.32	Increased by 0.08 percentage point

Principal businesses by products

By products	Operating revenue	Operating cost	Gross profit margin (%)	Increase/decrease in operating revenue as compared with last year (%)	Increase/decrease in operating cost as compared with last year (%)	Increase/decrease in gross profit margin as compared with last year
Agricultural machinery	454,521	390,076	14.18	-8.53	-7.28	Decreased by 1.15 percentage points
Power machinery	132,849	103,749	21.90	3.70	2.81	Increased by 0.67 percentage point
Other machinery	2,258	2,590	-14.70	-32.72	-38.60	Increased by 10.98 percentage points
Inter-segment elimination	-85,502	-85,502	/	/	/	/
Total	504,126	410,913	18.49	-9.23	-9.32	Increased by 0.08 percentage point

2. Principal Businesses by Geographical Location

Unit: 0'000 yuan Currency: RMB

Geographical location	Operating revenue	Increase/decrease in operating revenue as compared with last year (%)
PRC Domestic	490,541.46	-8.78
PRC Overseas	13,584.56	-22.88



(III) ANALYSIS OF CORE COMPETITIVENESS

During the Reporting Period, the core competitiveness of the Company had no material change.

(IV) ANALYSIS OF INVESTMENTS

1. Overall Analysis of External Equity Investments

During the Reporting Period, the Company acquired 6% of the equity interest in YTO Finance held by SINOMACH-HI (Luoyang) Building Machinery Co., Ltd by way of public tender at the final transaction price of RMB42,738,000. Upon completion of the transaction, the Company directly holds 94.6% of the equity interest in YTO Finance.

(1) Investment in securities

Currency: RMB

No.	Security type	Security code	Abbreviation of the security	Initial investment amount (yuan)	Shares held (share)	Book value as at the end of the period (yuan)	As a percentage of the total security investment	Profit/loss during the Reporting Period
							as at the end of the period (%)	(yuan)
1	Stock	601818	CEB	9,560,288.26	2,510,000.00	9,437,600.00	26.22	-765,692.26
2	Stock	601611	NEC	118,389.46	34,118.00	713,748.56	1.98	595,359.10
3	Bond	110033	Guomao CB	2,162,000.00	21,620.00	2,551,592.40	7.09	389,592.40
4	Bond	110034	Jiuzhou CB	1,094,000.00	10,940.00	1,337,524.40	3.72	243,524.40
5	Bond	113009	Guangqi CB	1,358,000.00	13,580.00	1,611,946.00	4.48	253,946.00
6	Bond	128012	Huifeng CB	8,347,000.00	83,470.00	9,021,437.60	25.07	674,437.60
7	Bond	127003	Haiyin CB	886,000.00	8,860.00	886,000.00	2.46	0.00
8	Stock	HK.1140	OP Fin Inv	1,847,450.88	4,580,000.00	5,480,144.04	15.23	-760,596.16
9	Stock	HK.0727	Grownicorp	416,829.31	820,000.00	1,044,235.81	2.90	-56,066.35
10	Stock	HK.2208	Goldwind	565,856.00	93,800.00	844,971.20	2.35	-349,532.68
Other securities investment held as at the end of the period				3,260,488.94	/	3,059,183.55	8.50	127,550.27
Gain/loss in securities investment sold during the Reporting Period				/	/	/	/	2,420,772.51
Total				<u>29,616,302.85</u>	<u>/</u>	<u>35,988,383.56</u>	<u>100.00</u>	<u>2,773,294.83</u>

(2) Equity interests in other listed companies

Unit: Yuan Currency: RMB

Security code	Abbreviation of the security	Initial investment cost	Shareholding	Shareholding	Book value as at the end of the period	Profit/loss	Changes in	Accounting item	Sources of shares
			percentage as at the beginning of the period (%)	percentage as at the end of the period (%)		during the Reporting Period	equity interests during the Reporting Period		
601328	Bank of Communications	10,601,818.18	0.0080	0.0080	33,498,500.00	0.00	-4,096,575.00	Available-for-sale financial assets	Purchase
601818	CEB	24,118,000.00	0.0167	0.0167	29,252,800.00	0.00	-2,800,800.00	Available-for-sale financial assets	Purchase
Total		34,719,818.18	/	/	62,751,300.00	0.00	-6,897,375.00	/	/

(3) Equity interests in financial enterprises

Currency: RMB

Name of the investee	Initial investment amount (yuan)	Shareholding	Shareholding	Book value as at the end of the period (yuan)	Profit/loss	Changes in	Accounting item (yuan)	Sources of shares
		percentage as at the beginning of the period (%)	percentage as at the end of the period (%)		during the Reporting Period (yuan)	equity interests during the Reporting Period (yuan)		
Bank of Luoyang	78,129,341.41	4.89	4.89	78,129,341.41	0.00	0.00	Available-for-sale financial assets	Purchase
BOL Financial Leasing	110,000,000.00	18.34	6.875	110,000,000.00	0.00	0.00	Available-for-sale financial assets	Establishment through investment
Total	188,129,341.41	/	/	188,129,341.41	0.00	0.00	/	/

Explanation on equity interests in financial enterprises: During the Reporting Period, the registered capital of BOL Financial Leasing increased from RMB600,000,000 to RMB1,600,000,000. Investment amount from the Company to BOL Financial Leasing did not increase and shareholding percentage of the Company decreased from 18.34% as at the beginning of the period to 6.875% as at the end of the period.

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

(1) Overall entrusted assets management

On 29 March 2016, as approved at the 3rd meeting of the seventh session of the Board of the Company, the Company might purchase principal-guaranteed short term wealth management products issued by banks using internal idle funds. (For details, please refer to the “Announcement on Purchase of Wealth Management Products using Internal Idle Funds of First Tractor Company Limited” published by the Company on the website of Shanghai Stock Exchange on 30 March 2016, and the overseas regulatory announcement of the Company dated 29 March 2016 published on the website of the Stock Exchange.) During the Reporting Period, purchase of wealth management products of the Company was as follows:

Unit: 0'000 yuan Currency: RMB

Name of the partner	Categories of entrusted assets management products	Amount of entrusted assets management	Commencement date of the entrusted assets management	Expiry date of the entrusted assets management	Calculation method of remuneration	Estimated returns	Actual principal recovered	Actual gains earned	Whether legally obtained	Amount provided for impairment	Whether a connected transaction	Whether involved in litigation	Sources of fund and specify whether financed by proceeds raised	Connected relationship
Luyang Branch of Bank of Pingdingshan (平遥山匯行汾陽分行)	Principal-guaranteed wealth management	5,800.00	2015.8.11	2016.2.4	By agreement	140.63	5,800.00	140.63	Yes	0.00	No	No	No	NI
Luyang Branch of Bank of Pingdingshan (平遥山匯行汾陽分行)	Principal-guaranteed wealth management	6,200.00	2015.8.18	2016.1.6	By agreement	119.75	6,200.00	119.75	Yes	0.00	No	No	No	NI
Luyang Branch of Bank of Pingdingshan (平遥山匯行汾陽分行)	Principal-guaranteed wealth management	6,200.00	2015.9.29	2016.2.25	By agreement	124.02	6,200.00	124.02	Yes	0.00	No	No	No	NI
Luyang Branch of Bank of Pingdingshan (平遥山匯行汾陽分行)	Principal-guaranteed wealth management	20,000.00	2015.11.24	2016.5.25	By agreement	401.09	20,000.00	401.09	Yes	0.00	No	No	No	NI
Jinghua Post Sub-branch of Bank of Communications (胶州半岛支行)	Principal-guaranteed wealth management	20,000.00	2016.3.21	2016.6.21	By agreement	184.00	20,000.00	184.00	Yes	0.00	No	No	No	NI
Jinghua Post Sub-branch of Bank of Communications (胶州半岛支行)	Principal-guaranteed wealth management	20,000.00	2016.4.5	2016.7.6	By agreement	184.00	20,000.00	184.00	Yes	0.00	No	No	No	NI
Jinghua Post Sub-branch of Bank of Communications (胶州半岛支行)	Principal-guaranteed wealth management	20,000.00	2016.4.5	2016.7.6	By agreement	171.40	20,000.00	171.40	Yes	0.00	No	No	No	NI
Jinghua Post Sub-branch of Bank of Communications (胶州半岛支行)	Principal-guaranteed wealth management	20,000.00	2016.5.30	2016.8.30	By agreement	171.40			Yes	0.00	No	No	No	NI
Jinghua Post Sub-branch of Bank of Communications (胶州半岛支行)	Principal-guaranteed wealth management	20,000.00	2016.6.28	2016.9.28	By agreement	168.88			Yes	0.00	No	No	No	NI
Total		138,200.00				1,655.17	992,000.00	1,324.89		0.00				

Cumulative amount of principal and gains overdue (Yan)

0.00

(2) Entrusted loans

On 29 March 2016, as approved by the 3rd meeting of the seventh Board of the Company, the Company agreed to provide entrusted loans to YTO International Trade, YTO Shentong, YTO Transportation and YTO Forklift Truck. (For details, please refer to the “Announcement on Resolutions passed at the Third Meeting of the Seventh Board of First Tractor Company Limited” published by the Company on the website of Shanghai Stock Exchange on 30 March 2016, and the overseas regulatory announcement of the Company dated 29 March 2016 published on the website of the Stock Exchange). During the Reporting Period, details of the entrusted loans provided by the Company to subsidiaries were set out as follows:

Unit: 0'000 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	Whether financed by proceeds raised	Connected relationship	Expected rate of return	Gain/loss
YTO International Trade	21,000.00	One year	4.35%	Production and operation	Secured by assets	No	No	No	No	Internal resources	Wholly-owned subsidiary	913.50	Gain
YTO Shentong	5,100.00	One year	5.655%	Production and operation	Secured by assets	No	No	No	No	Internal resources	Wholly-owned subsidiary	288.41	Gain
YTO Shentong	4,000.00	One year	5.98%	Production and operation	Secured by assets	No	No	No	No	Internal resources	Wholly-owned subsidiary	239.20	Gain
YTO Shentong	850.00	One year	6.31%	Production and operation	Secured by assets	No	No	No	No	Internal resources	Wholly-owned subsidiary	53.64	Gain
YTO Transportation	550.00	One year	5.655%	Production and operation	Secured by assets	No	No	No	No	Internal resources	Controlled	31.10	Gain
YTO Forklift Truck	2,000.00	Two years	6.175%	Production and operation	Secured by assets	No	No	No	No	Internal resources	Wholly-owned subsidiary	247.00	Gain
YTO Forklift Truck	2,100.00	One year	5.655%	Production and operation	Secured by assets	No	No	No	No	Internal resources	Wholly-owned subsidiary	118.76	Gain

(3) Other Investment, Assets Management and Investments in Derivatives

Currency: RMB

Type of investment	Source of funds	Investment amount	Investment term	Type of product	Estimated return/(Loss)	Investment gain/loss/(Loss)	Whether it is involved in any litigation
Held-for-trading financial assets	Internal resources	13,900,000.00	1.5 year	Collective fund and trust scheme	1,459,500.00	0.00	No
Held-for-trading financial assets	Internal resources	27,000,000.00	2 years	Collective fund and trust scheme	3,780,000.00	0.00	No
Held-for-trading financial assets	Internal resources	20,000,000.00	91 days	Collective asset management scheme	259,287.67	0.00	No
Held-for-trading financial assets	Internal resources	10,000,000.00	91 days	Collective asset management scheme	129,643.84	0.00	No
Held-for-trading financial assets	Internal resources	20,000,000.00	180 days	Collective asset management scheme	542,465.75	0.00	No
Held-for-trading financial assets	Internal resources	20,000,000.00	21 days	Collective asset management scheme	48,328.77	0.00	No
Held-to-maturity investment	Internal resources	500,000.00	206 days	Interbank bonds (15 Guoyu Logistics cp001)	/	/	No
Held-to-maturity investment	Internal resources	100,000.00	284 days	Interbank bonds (15 Guoyu Logistics cp002)	/	/	No
Held-to-maturity investment	Internal resources	300,000.00	281 days	Interbank bonds (15 Guoyu Logistics cp002)	/	/	No
Held-to-maturity investment	Internal resources	200,000.00	2 years	Bonds on the Exchange (16 Luo Municipal bonds)	3,000,000.00	108,555.18	No

Note:

1. Nominal value per held-for-trading financial asset is RMB1, and nominal value per held-to-maturity investment is RMB100.
2. In August 2016, the 15 Guoyu Logistics cp001 bond held by YTO Finance, a subsidiary of the Company was due, but the bond issuer failed to repay the principal and interests on schedule. (For details, please refer to the “Announcement on Non-repayment of Debt Obligation of controlled subsidiary when due of First Tractor Company Limited” and the “Supplemental Announcement on Non-repayment of Debt Obligation of controlled subsidiary when due of First Tractor Company Limited” published by the Company on the website of Shanghai Stock Exchange on 11 August and 12 August 2016, and the overseas regulatory announcements of the Company dated 10 August and 11 August 2016 published on the website of the Stock Exchange).

3. Use of proceeds from the fund raised

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

Unit: 0'000 yuan Currency: RMB

Year of fundraising	Fundraising method	Total proceeds raised	Total amount of proceeds raised used for the Reporting Period	Amount of proceeds raised used on an accumulative basis	Total unutilized proceeds raised	Use and place of the unutilized proceeds raised
2012	Initial public offering	81,000.00	65.80	69,215.61	3,408.35	Deposited in the designated bank account for proceeds raised
2013	Corporate bonds	150,000.00	/	150,000.00	0	/
Total	/	231,000.00	65.80	219,215.61	3,408.35	/

Explanation on the overall status of use of proceeds raised

For details, please refer to the “Special report on the deposit and actual use of proceeds raised of the Company in the first half of 2016” published by the Company on the website of Shanghai Stock Exchange and the overseas regulatory announcement of the Company dated 25 August 2016 published on the website of the Stock Exchange.

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

Unit: 0'000 yuan Currency: RMB

Project name	Any changes to the project during the investment Reporting Period	Intended amount of investment proceeds	Investment of		Whether in line with the schedule	Progress of the project	Whether in line			Reason for change and explanation on change of	
			proceeds in this Reporting Period	Accumulative amount of investment proceeds			Return	with the scheduled return	Explanation on failure to be on schedule and return	explanation on proceeds raising procedures	
											Expected return
Hi-powered agricultural diesel engines project	No	26,000.00	-	26,000.00	Yes	Basically completed	/	/	/	/	/
The project on establishment of agricultural assembly in Xinjiang	No	11,000.00	65.80	7,591.65	Yes	Basically completed	/	/	/	/	/
The project on enhancement of the core capability of new wheeled tractors	No	30,000.00	-	30,000.00	Yes	Completed	/	/	/	/	/
The project on capacity enhancement and upgrade of the fuel injection system products	No	10,373.31	-	5,823.96	/	Terminated	/	/	/	/	The project was terminated upon approval at the general meeting of the Company in 2015, and the remaining proceeds was used to supplement working capital.
Total	/	<u>77,373.31</u>	<u>65.80</u>	<u>69,215.61</u>	/	/	/	/	/	/	/

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

For details, please refer to the “Special report on the deposit and actual use of proceeds raised of the Company in the first half of 2016” published by the Company on the website of Shanghai Stock Exchange and the overseas regulatory announcement of the Company dated 25 August 2016 published on the website of the Stock Exchange.

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

There was no change in project intended to be financed by proceeds raised during the Reporting Period.

4. **Analysis of major subsidiaries and equity participating companies**

(1) **Information on major subsidiaries**

Currency: RMB, unless otherwise specified

Name of companies	Registered capital (0'000 Yuan)	Principal business	As at 30 June 2016		For the Reporting Period	
			Total assets (0'000 Yuan)	Net assets (0'000 Yuan)	Operating revenue (0'000 Yuan)	Net profit (0'000 Yuan)
YTO Finance	50,000	Provision of financial services	449,351	74,235	12,545	1,719
YTO Diesel Engine	USD 16,000,000	Manufacture and sale of engines	166,602	96,875	114,039	9,709
Jiangyan Power	20,000	Manufacture and sale of multi-bore medium and small diesel engines and castings	48,838	25,170	19,567	-296
YTO Fuel Injection Pump	16,192	Manufacture and sale of diesel engine products including fuel injection nozzle and pump	31,690	24,025	9,997	374
Tractors Research Company	44,500	Development and research of tractor products	74,090	64,694	10,623	436
YTO International Trade	6,600	International sale of agricultural machineries	74,365	9,094	22,209	-52
YTO France	Euro 34,600,000	Manufacture and sale of agricultural machinery components	24,213	3,315	9,705	-675
YTO Foundry	24,883	Processing and sale of casting, rough and semi-finished products and finished products	30,469	22,013	2,836	-197
Changtuo Company	28,200	Manufacture and sale of agricultural machineries and parts	19,300	8,240	1,232	-1,651
YTO Shentong	5,300	Manufacturing and sale of mining trucks and other agricultural machinery products	6,526	-25,057	690	-1,642
Changxing Company	300	Sale of products including agricultural machineries and parts and diesel engines	86,992	-27,613	310,746	-4,372

(2) Acquisition and disposal of subsidiaries during the Reporting Period

During the Reporting Period, YTO Diesel Engine completed the merger and acquisition of its wholly-owned subsidiary, YTO (Luoyang) Power Machinery Company Limited, and such merger did not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules of the Stock Exchange.

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

Unit: 0'000 yuan 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 Engine	114,039	11,157	9,709
2	YTO Finance	12,545	2,601	1,719
3	YTO Shentong	690	-1,658	-1,642
4	Changtuo Company	1,232	-1,723	-1,651
5	Changxing Company	310,746	-4,140	-4,372

II. PROPOSAL OF PROFIT DISTRIBUTION OR CAPITALIZATION FROM CAPITAL RESERVES

(I) Implementation of or adjustment to the proposal of profit distribution adopted during the Reporting Period

On 27 May 2016, the 2015 Annual General Meeting of the Company considered and approved the profit distribution plan for 2015 to pay RMB0.041 (tax inclusive) per share in cash on the basis of the total share capital of the Company of 995,900,000 shares, amounting to RMB40,831,900 in total. Profit distribution of the Company was completed in July 2016.

(II) Proposed proposal of profit distribution or proposal of capitalization from capital reserves during the Reporting Period

Nil.

Payment of any interim dividend for the six months ended 30 June 2016 was not recommended (2015: Nil).

III. OTHER DISCLOSEABLE EVENTS

(I) THE GROUP'S STAFF, REMUNERATION POLICY AND TRAINING

As at 30 June 2016, the Group had 12,003 employees. During the Reporting Period, the total remuneration paid to employees of the Group was approximately RMB635 million.

During the Reporting Period, staff remuneration was determined by human resources department of the Group according to the established basic salary system of the Company based on the specific posts of the staff with reference to work performance and competence, etc., and paid in a timely manner.

During the Reporting Period, the Group planned multi-tier and cross-system trainings for the staff, in order to improve the abilities and qualities of staff in different level and of different kind, according to the need of their posts and the development of the Company. The Group organized a total of 149 various training including technical, management and operation courses for 6,639 staff.

(II) CONTINGENT LIABILITIES

Save for the contingent events in external guarantees, as of 30 June 2016, the Company had no other material contingent liabilities. For the guarantees of the Company during the Reporting Period, please refer to "Guarantees" in Section V of the Interim Report for details.

V. SIGNIFICANT EVENTS

I. 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*

1. On 25 August 2015, the Deposit Service Agreement entered into by YTO Finance (a controlled subsidiary of the Company) with the connected parties was approved at the twenty-second meeting of the sixth session of the Board of the Company with effect from 1 January 2016. For details, please refer to the “Announcement of Resolutions Passed at the Twenty-second Meeting of the Sixth Session of the Board of First Tractor Company Limited” and the “Announcement on Continuing Connected Transactions of First Tractor Company Limited” published by the Company on the website of Shanghai Stock Exchange on 26 August 2015, and the announcement and the overseas regulatory announcement of the Company published on the website of the Stock Exchange on 25 August 2015. On 29 October 2015, as approved by the first extraordinary general meeting of the Company in 2015, the Material Procurement Agreement, Sale of Goods Agreement, Composite Services Agreement, Properties Lease Agreement, Land Lease Agreement and Energy Procurement Agreement were entered into between the Company and the connected parties for the years from 2016 to 2018; the Technology Services Agreement was entered into between the Company and Tractors Research Company for the years from 2016 to 2018; the Loan Service Agreement, Bills Discounting Service Agreement, Bills Acceptance Service Agreement and Interbank Business Services Agreement were entered into between YTO Finance, a controlled subsidiary of the Company and the connected parties for the years from 2016 to 2018, effective from 1 January 2016. For details, please refer to the “Announcement of First Tractor Company Limited on Continuing Connected Transactions” and “Announcement on the Resolutions Passed at 2015 First Extraordinary General Meeting of First Tractor Company Limited” published on 26 August 2015 and 30 October 2015 respectively on the website of the Shanghai Stock Exchange, and the announcements of the Company dated 25 August 2015 and 29 October 2015 respectively published on the website of Stock Exchange.

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2. On 18 July 2014, the fourteenth meeting of the sixth Board of the Company considered and approved that ZF YTO Drive Axle was established with the joint contributions by the Company and ZF (China) Investment Company Limited, and the Company and ZF YTO Drive Axle executed relevant agreements and documents of technology licensing and plant leasing. For details, please refer to the “Announcement on Resolutions passed at the Fourteenth Meeting of the Sixth Board of First Tractor Company Limited” of the Company published on 19 July 2014 on the website of the Shanghai Stock Exchange, and the announcement of the Company dated 19 July 2014 published on the website of the Stock Exchange.
 3. On 29 May 2015, the 2014 annual general meeting of the Company considered and approved that the Procurement Framework Agreement and its cap amounts, and the Sales Framework Agreement and its cap amounts, entered into between the Company and ZF YTO Drive Axle. For details, please refer to the “Announcement on Daily Connected Transactions of First Tractor Company Limited” and “Announcement of Resolutions Passed at the 2014 Annual General Meeting of First Tractor Company Limited” of the Company published on the website of Shanghai Stock Exchange on 17 February and 30 May 2015 respectively, and the announcements of the Company dated 16 February 2015 and 29 May 2015 respectively published on the website of the Stock Exchange.
 4. On 28 April 2016, the fourth meeting of the seventh session of the Board of the Company considered and approved the Company to enter into the Common Resource Services Agreement with YTO. For details, please refer to the “Announcement on Daily Connected Transactions in Relation to Common Resource Services Agreement of First Tractor Company Limited” of the Company published on 29 April 2016 on the website of Shanghai Stock Exchange, and the announcement of the Company dated 28 April 2016 published on the website of the Stock Exchange.

5. The connected transactions of the Company as at 30 June 2016 were set out below:

Unit: 0'000 yuan Currency: RMB

Connected transactions as defined by Chapter 14A of the Listing Rules of the Stock Exchange and the Listing Rules of Shanghai Stock Exchange:

Number	Connected counter party	Connected relationship	Content of the connected transaction	Pricing principle of the connected transaction	Estimated annual cap for 2016	Actual	Percentage
						amount of the connected transaction from January to June 2016	in the total amount of the same type of transactions (%)
1	YTO	Controlling shareholder	Purchase of raw materials, other industrial equipment, spare parts and other necessities from YTO by the Company	(1) the market price of an independent third party; (2) if there is no market price determined by an independent third party, the transaction price between YTO and its subsidiaries, associates of YTO, Sinomach or the subsidiaries of Sinomach and an independent third party; and (3) if none of the above is applicable, costs plus a percentage mark-up (tax-inclusive), which is not more than 30% (i.e. price = cost x (1 + percentage mark-up)).	50,000	29,037	8.24

Number	Connected counter party	Connected relationship	Content of the connected transaction	Pricing principle of the connected transaction	Estimated	Actual	Percentage
					annual cap for 2016	amount of the connected transaction from January to June 2016	in the total amount of the same type of transactions (%)
2	YTO	Controlling shareholder	Sale of raw materials, components, spare parts, equipment and other necessities by the Company to YTO	(1) the market price of an independent third party; (2) if there is no market price determined by an independent third party, the transaction price between the Group and an independent third party; and (3) if none of the above is applicable, costs plus a percentage mark-up (tax-inclusive), which is not more than 30% (i.e. price = cost x (1 + percentage mark-up)).	35,000	12,578	2.51
3	YTO	Controlling shareholder	Provision of storage and transportation services to the Company and its subsidiaries by YTO	(1) the market price of an independent third party; (2) if there is no market price determined by an independent third party, the transaction price between YTO, its controlled companies and their associates and an independent third party; and (3) if none of the above is applicable, costs plus a percentage mark-up (tax-inclusive), which is not more than 30% (i.e. price = cost x (1 + percentage mark-up)).	14,720	8,820	91.2

Number	Connected counter party	Connected relationship	Content of the connected transaction	Pricing principle of the connected transaction	Estimated annual cap for 2016	Actual	Percentage
						amount of the connected transaction from January to June 2016	in the total amount of the same type of transactions (%)
4	YTO	Controlling shareholder	Provision of energy and related services to the Company and its subsidiaries by YTO	<p>(1) the governmental guidance price;</p> <p>(2) if there is no governmental guidance price, the market price or the transaction price between the Group and an independent third party;</p> <p>(3) if none of the above is applicable, the transaction price between YTO and an independent third party; and</p> <p>(4) if none of the above is applicable, costs plus a percentage mark-up (tax-inclusive), which is not more than 30% (i.e. price = cost x (1 + percentage mark-up)).</p>	18,500	9,540	94.78
5	YTO	Controlling shareholder	Lease of properties by YTO to the Company and its subsidiaries	<p>(1) the transaction price between the lessor and an independent third party; and</p> <p>(2) if the above is not applicable, determined after arm's length negotiation between the parties with reference to the market rent of similar property.</p>	1,500	663	93.29
6	YTO	Controlling shareholder	Lease of lands by YTO to the Company and its subsidiaries	<p>(1) the transaction price between the lessor and an independent third party; and</p> <p>(2) if the above is not applicable, determined after arm's length negotiation between the parties with reference to the market rent of similar property.</p>	1,600	884	100

Number	Connected counter party	Connected relationship	Content of the connected transaction	Pricing principle of the connected transaction	Estimated	Actual	Percentage
					annual cap for 2016	amount of the connected transaction from January to June 2016	in the total amount of the same type of transactions (%)
7	YTO	Controlling shareholder	Provision of deposit services by YTO Finance to YTO	the relevant interest rates prescribed by PBOC.	140,000	68,262	16.81
8	YTO	Controlling shareholder	Provision of loan services by YTO Finance to YTO	<p>(1) the rate prescribed by CBRC or PBOC;</p> <p>(2) if the above rate is not applicable, the rate charged in the same industry in the PRC for the same type and same period of loans by enquiries in the market; and</p> <p>(3) if none of the above is applicable, determined after arm's length negotiation between YTO Finance and (i) YTO; (ii) its controlling companies or entities; (iii) non-wholly-owned subsidiaries of the Company that companies or entities in (i) and (ii) above hold 10% or more voting rights respectively or collectively; and (iv) associates of YTO ("YTO Extended Group") after considering the fair rate offered by the third party on comparable transactions in the same industry, their financial positions and terms and size of the transactions as the main factors.</p>	80,000	60,553	72.52

Number	Connected counter party	Connected relationship	Content of the connected transaction	Pricing principle of the connected transaction	Estimated	Actual	Percentage
					annual cap for 2016	amount of the connected transaction from January to June 2016	in the total amount of the same type of transactions (%)
9	YTO	Controlling shareholder	Provision of bills acceptance services by YTO Finance to YTO	<p>(1) the rate in relation to the same type and same period of bills acceptance services prescribed by CBRC or PBOC;</p> <p>(2) if the above rate is not applicable, the rate charged in applicable industry for the same type and same period of bills acceptance services by enquiries in the market; and</p> <p>(3) if none of the above is applicable, determined after arm's length negotiation between First Tractor Finance and YTO Extended Group after considering the fair rate offered by the third party on the comparable transactions in the same industry, their financial positions and terms and size of the transactions as the main factors.</p>	25,000	19,971	18.95

Number	Connected counter party	Connected relationship	Content of the connected transaction	Pricing principle of the connected transaction	Estimated	Actual	Percentage
					annual cap for 2016	amount of the connected transaction from January to June 2016	in the total amount of the same type of transactions (%)
10	YTO	Controlling shareholder	Provision of bills discounting services by YTO Finance to YTO	<p>(1) the rate in relation to the same type and same period of bills discounting services prescribed by CBRC or PBOC;</p> <p>(2) if the above rate is not applicable (as the rate prescribed by CBRC or PBOC currently is a bills rediscounting rate), the rate charged in applicable industry for the same type and same period of bills discounting services by enquiries in the market; and</p> <p>(3) if none of the above is applicable, determined after arm's length negotiation between First Tractor Finance and YTO Extended Group after considering the fair rate offered by the third party on the comparable transactions in the same industry, their financial positions and terms and size of the transactions as the main factors.</p>	43,000	32,454	35.68

Number	Connected counter party	Connected relationship	Content of the connected transaction	Pricing principle of the connected transaction	Estimated	Actual	Percentage
					annual cap for 2016	amount of the transaction from January to June 2016	in the total amount of the same type of transactions (%)
11	Sinomach Finance Co., Ltd.	Controlled subsidiary of an indirect controlling shareholder	YTO Finance and Sinomach Finance Co., Ltd. provide financing services to each other, including interbank deposits, loans, transfer of credit assets and other interbank business services	<p>(1) based on the SHIBOR announced by Shanghai Interbank Offered Market in the same type and same period of transaction for interbank lending and interbank bond transactions rate for bond transactions conducted between financial institutions (including state-owned commercial banks, joint-equity banks and urban commercial banks);</p> <p>(2) with reference to the deposit rates for the same type and same period of funds announced by other financial institutions (including state-owned commercial banks, joint-equity banks and urban commercial banks) for interbank deposit;</p> <p>(3) with reference to the market price of the target assets in capital financing announced by other financial institutions (including state-owned commercial banks, joint-equity banks and urban commercial banks) for credit asset transfer; and</p> <p>(4) if none of the above is applicable, after arm's length negotiation between the counterparties after considering their financial positions and terms, size and quality of the financial assets.</p>	70,000	15,000	0.83

Number	Connected counter party	Connected relationship	Content of the connected transaction	Pricing principle of the connected transaction	Estimated annual cap for 2016	Actual	Percentage
						amount of the connected transaction from January to June 2016	in the total amount of the same type of transactions (%)
12	YTO	Controlling shareholders	Provision of plant area greening, cleaning, logistical support and other public resources services by YTO to the Company and its subsidiaries	(1) the transaction prices between YTO and independent third parties; and (2) Cost Plus Method, with the percentage mark-up of no more than 10%.	1,000	0	0

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

Number	Connected counterparty	Connected relationship	Content of the connected transaction	Pricing principle of the connected transaction	Estimated	Actual	Percentage
					annual cap for 2016	amount of the connected transaction from January to June 2016	in the total amount of the same type of transactions (%)
13	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	(1) the transaction price between Tractors Research Company and its subsidiaries and an independent third party; and (2) if the above is not applicable, determined after arm's length negotiation between the parties taking into account depreciation of the research and development equipments, cost of research and development staff, testing fee and other costs used in the research and development (for research and development services).	10,450	4,429	100

Connected transactions under the Listing Rules of Shanghai Stock Exchange:

Number	Connected counterparty	Connected relationship	Content of the connected transaction	Pricing principle of the connected transaction	Estimated	Actual	Percentage
					annual cap for 2016	amount of the connected transaction from January to June 2016	in the total amount of the same type of transactions (%)
14	ZF YTO Drive Axle	Associated corporation	Purchase of components such as gears and drive shafts for the production of drive axles by ZF YTO Drive Axle from the Company	Prices of components are determined under negotiations between both parties based on prices of past years, the then prevailing market price and factors such as raw material price fluctuations.	16,000	3,390	0.68
15	ZF YTO Drive Axle	Associated corporation	Sale of goods by ZF YTO Drive Axle to the Company and its branches	Prices of drive axle products are determined under negotiations between both parties based on prices of past years, the then prevailing market price and factors such as raw material price fluctuations. The price of goods sold by ZF YTO Drive Axle to the Company or any of its branches shall not exceed that of the same types of goods sold to ZF Hangzhou.	27,000	13,041	3.70

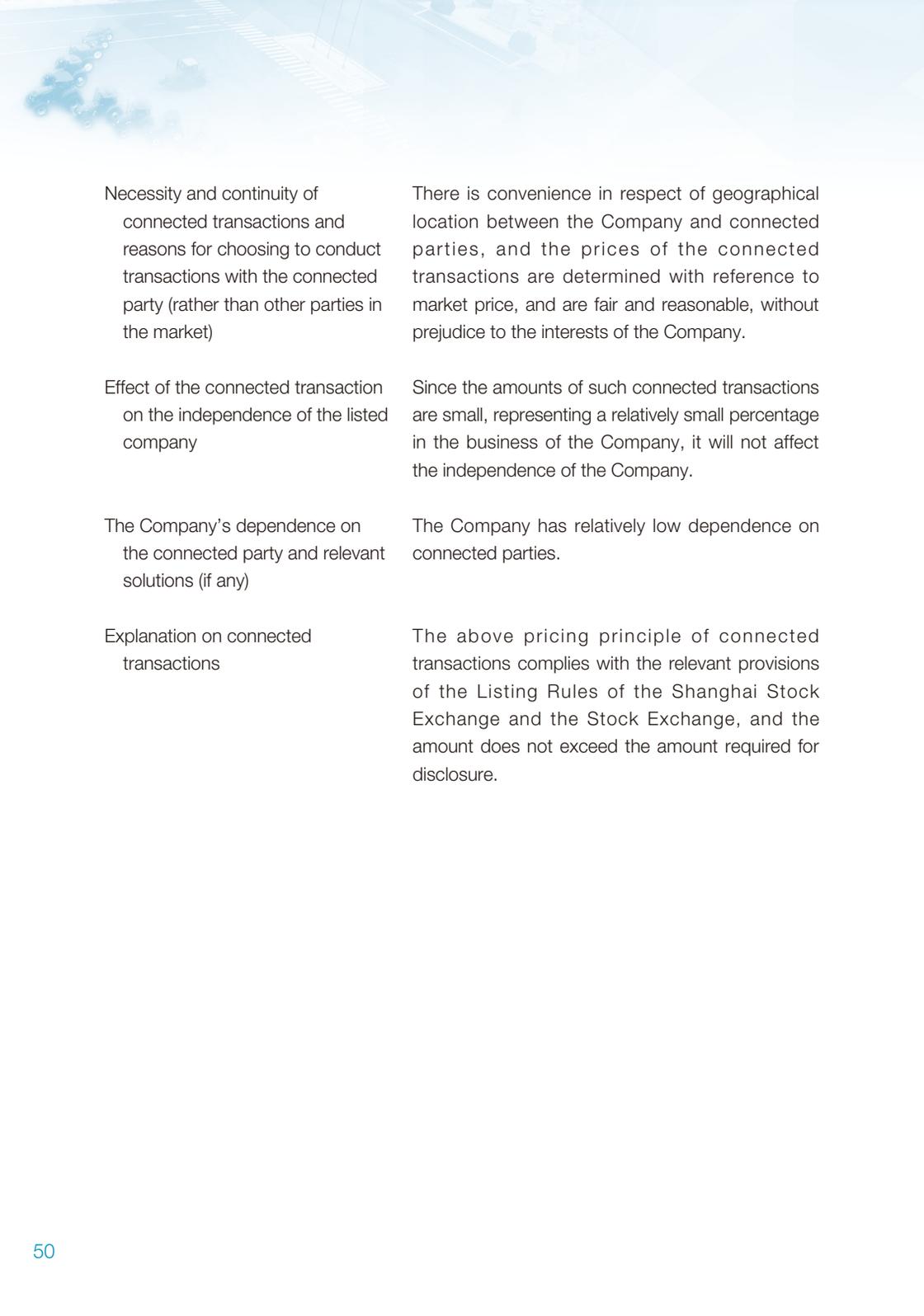
Number	Connected counterparty	Connected relationship	Content of the connected transaction	Pricing principle of the connected transaction	Estimated	Actual	Percentage
					annual cap for 2016	amount of the connected transaction from January to June 2016	in the total amount of the same type of transactions (%)
16	ZF YTO Drive Axle	Associated corporation	Lease of land and properties to ZF YTO Drive Axle by the Company	The annual lease fee of RMB7,744,600 was determined by both parties under market principles and negotiation.	774.46	774.46	70.18
17	ZF YTO Drive Axle	Associated corporation	Authorization of use of drive axle production technologies granted by the Company to ZF YTO Drive Axle for production and installation of existing and future products	ZF YTO Drive Axle shall pay 0.3% of the sales revenue of technologies authorization fee of products applying these technologies to the Company.	180	6	100

2. Matters not disclosed in the provisional announcements

Unit: 0'000 yuan Currency: RMB

Connected Counterparty	Connected Relationship	Type of the connected transaction	Content of the connected transaction	Pricing principle of the connected transaction	Estimated annual cap for connected transaction in 2016	Actual amount of the connected transaction from January to June 2016	Percentage in the total amount of the same type of transactions (%)
YTO	Controlling shareholder	Other inflow	Lease of properties from the Company and its subsidiaries	The PRC State government guidance price; the price of the non-connected transactions between the lessor and the independent third parties; if none of the above is available or applicable, then the price will be determined under arm's length negotiations between the two parties.	250	182	18.62
YTO	Controlling shareholder	Other inflow	Lease of land from the Company and its subsidiaries	The PRC State government guidance price; the price of the non-connected transactions between the lessor and the independent third parties; 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	83.65

Connected Counterparty	Connected Relationship	Type of the connected transaction	Content of the connected transaction	Pricing principle of the connected transaction	Estimated	Actual	Percentage
					annual cap for connected transaction in 2016	amount of the connected transaction from January to June 2016	in the total amount of the same type of transactions (%)
YTO	Controlling shareholder	Provision of services	Provision of process and technical service, calibration and testing service to YTO by the Company	The PRC State government guidance price; the price of the non-connected transactions between the Company and the independent third parties; the price of the reasonable cost of the service provided by the Company with the addition of gross margin of the comparable non-connected transactions; if none of the above is available or applicable, then the price will be determined under arm's length negotiations between the two parties.	410	22	7.05
YTO	Controlling shareholder	Provision of the right to use the patent and trademark, etc.	YTO and its subsidiaries are permitted by the Company to use the Dongfanghong trademark	When YTO and its re-licensed subsidiaries and associated companies' aggregated sale revenue (exclusive of taxes) of trademarked products (excluding products not using the registered trademarks) beyond the group does not exceed RMB5.0 billion (inclusive), 0.2% of aggregated sale revenue (exclusive of taxes) shall be paid; and if the aggregated sale revenue beyond the Group exceeds RMB5.0 billion, the rate shall be 0.15%.	15	0	0
Total				/	875	330	/



Necessity and continuity of connected transactions and reasons for choosing to conduct transactions with the connected party (rather than other parties in the market)

There is convenience in respect of geographical location between the Company and connected parties, and the prices of the connected transactions are determined with reference to market price, and are fair and reasonable, without prejudice to the interests of the Company.

Effect of the connected transaction on the independence of the listed company

Since the amounts of such connected transactions are small, representing a relatively small percentage in the business of the Company, it will not affect the independence of the Company.

The Company's dependence on the connected party and relevant solutions (if any)

The Company has relatively low dependence on connected parties.

Explanation on connected transactions

The above pricing principle of connected transactions complies with the relevant provisions of the Listing Rules of the Shanghai Stock Exchange and the Stock Exchange, and the amount does not exceed the amount required for disclosure.

(II) Connected transactions relating to assets acquisition or disposal

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

The transfer of 6% of the equity interest of YTO Finance held by SINOMACH-HI (Luoyang) Building Machinery Co., Ltd to the Company through public tender constitutes a connected transaction under the Listing Rules, and the Company has applied for a waiver from consideration and disclosure of the connected transactions pursuant to the Listing Rules and the relevant requirements of the “Guidelines of the Shanghai Stock Exchange on Connected Transactions of Listed Companies (《上市公司關聯交易實施指引》)” of the Shanghai Stock Exchange, and obtained the approval from the Shanghai Stock Exchange. The transaction was completed in May 2016.

(III) Amounts due to and from connected parties

1. *Matters which have been disclosed in the provisional announcement without development or changes in subsequent implementation*

Event details

In July 2015, the Company accepted an entrusted loan of RMB700 million provided by YTO, the Company’s controlling shareholder for a term of 1 year.

Query index

For details, please refer to the “Announcement of First Tractor on the Acceptance of Financial Assistance Provided by the Controlling Shareholder” published on 7 July 2015 on Shanghai Stock Exchange, and the overseas regulatory announcement of the Company published on 6 July 2015 on the Stock Exchange.

The aforesaid entrusted loan has become due on 5 July 2016. Upon negotiation by both parties, YTO continued to provide entrusted loan of RMB700 million to the Company on 7 July 2016. For details, please refer to the “Announcement of First Tractor on the Acceptance of Financial Assistance Provided by the Controlling Shareholder” published on 8 July 2016 on the website of the Shanghai Stock Exchange, and the overseas regulatory announcement of the Company dated 7 July 2016 published on the website of the Stock Exchange.

II. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF

1 Custody, contracting and lease matters

(1) Custody

Unit: Yuan Currency: RMB

Name of principal	Name of trustee	Assets in custody	Amounts of assets in custody	Commencement date of custody	End date of custody	Custody income	Recognition basis for custody income	Impact of custody income on the Company	Is it a connected transaction?	Connected relationship
Sinomach	First Tractor	Equity interest	/	7 March 2013	/	/	/	/	Yes	Indirect controlling shareholder

Explanation on custody:

During the Reporting Period, there was no change in the 33.33% equity interest in Changtuo Company held in custody by the Company in favour of Sinomach.

2 Guarantees

Unit: 0'000 yuan Currency: RMB

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

Guarantor	Relationship of the Guarantor with the Beneficiary		Amount of the guarantee	Date of guarantee (Date of agreement)	Type of guarantee	Whether the guarantee is discharged			Whether the guarantee is overdue	Whether there is any counter party guarantee	Whether it is a connected party relationship
	Company	Beneficiary				is	overdue	guarantee			
The Company	Company headquarter	Business dealers of Quanchengtong (全程通)	910.00	2015.07.15	Guarantee with joint liability	No	No	0	Yes	No	No
The Company	Company headquarter	Business dealers of Nongjiwang (農機網)	1,950.00	2016.06.21	Guarantee with joint liability	No	No	0	Yes	No	No
The Company	Company headquarter	Business dealers of Dianpiactong (電票通)	3,400.00	2016.06.01	Guarantee with joint liability	No	No	0	Yes	No	No

Total amount of guarantees provided during the Reporting Period (excluding guarantees provided for subsidiaries)	9,015.00
Total outstanding guarantee amount as at the end of the Reporting Period (A) (excluding guarantees provided for subsidiaries)	6,260.00

Guarantees provided by the Company for its subsidiaries

Total amount of the guarantees provided to subsidiaries during the Reporting Period	6,333.75
Total outstanding guarantee amount of the guarantees provided to subsidiaries as at the end of the Reporting Period (B)	19,962.50

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

Total amount of guarantees (A+B)	26,222.50
Total amount of guarantees as a percentage to the net assets of the Company (%)	5.48

Of which:

Amount of guarantees provided to shareholders, ultimate controller and its connected parties (C)	0
Amount of guarantees directly or indirectly provided for liability of parties with a gearing ratio exceeding 70% (D)	16,962.50
The portion of total amount of guarantee in excess of 50% of the net assets (E)	0
Total amount of the above three categories of guarantees (C+D+E)	16,962.50

III. 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	Term of the undertaking	Is there any deadline for performance?	Is it performed in a timely and strict manner?
Undertaking related to the initial public offering	Solutions to 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.	Long term	No	Yes
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 areas including market share, business opportunity and resources allocation, YTO will voluntarily give up and procure other enterprises controlled by it to give up business competition with the Company.	Long term	No	Yes

Background	Type	Party making the undertaking	Content	Term of the undertaking	Is there any deadline for performance?	Is it performed in a timely and strict manner?
Undertaking related to the initial public offering	Solutions to 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 areas including market share, business opportunity and resources allocation, Sinomach will voluntarily give up and procure other enterprises controlled by it to give up business competition with the Company.	Long term	No	Yes
Undertaking related to the initial public offering	Other	YTO	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.	Long term	No	Yes

Background	Type	Party making the undertaking	Content	Term of the undertaking	Is there any deadline for performance?	Is it performed in a timely and strict manner?
Other undertaking	Other	YTO	YTO continues to perform its duty as a controlling shareholder and support the operation and development of the Company as always, and would not reduce its shareholding in the Company for 6 months since 10 July 2015.	2015.7.10 – 2016.1.09	Yes	Yes

IV. APPOINTMENT OR DISMISSAL OF ACCOUNTING FIRM

During the Reporting Period, the 2015 Annual General Meeting of the Company approved to continue to appoint ShineWing Certified Public Accountants LLP as the auditor for financial statements and internal control of the Company for the year of 2016. The interim financial statements for the year of 2016 of the Company were unaudited.

V. PUNISHMENT ON THE COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS WITH OVER 5% INTERESTS, ULTIMATE CONTROLLERS AND ACQUIRING PARTY AND THE RECTIFICATION THEREOF

During the Reporting Period, none of the Company and its Directors, Supervisors, senior management, shareholders with over 5% interests, ultimate controllers and acquiring party was subject to any investigation, administrative punishments and criticism by the CSRC or public reprimands by any stock exchanges.

VI. CORPORATE GOVERNANCE OF THE COMPANY

(I) Corporate Governance

During the Reporting Period, the Company continued its operation in strict compliance with the “Company Law”, “Securities Law”, “Code of Corporate Governance for Listed Companies” and other laws and regulations of the PRC, as well as the provisions of the listing rules and regulatory requirements of the places where the shares of the Company are listed. There are no significant difference between the actual situation of the Company’s corporate governance and the “Company Law” of the PRC and relevant provisions and requirements of the CSRC and the places where the shares of the Company are listed. The Company did not receive documents relating to administrative actions against the Company taken by the regulatory authorities, nor any requirement of rectification within a prescribed time by the regulatory authorities.

During the Reporting Period, the Company convened one annual general meeting (8 resolutions considered), one class meetings for holders of A Shares and for holders of H Shares each (1 resolution considered at each meeting), three Board meetings (22 resolutions considered), three meetings of the Audit Committee under the Board (12 resolutions considered) and two meetings of the Board of Supervisors (6 resolutions considered). The Company strictly complied with the relevant requirements of the Listing Rules of the Shanghai Stock Exchange, the Listing Rules of the Stock Exchange and the relevant requirements of the Company, thereby timely fulfilling its information disclosure obligation.

During the Reporting Period, under the premise of strict compliance with regulatory rules, the Company timely disclosed its information on a true, accurate and complete basis, adopted a fair and equitable attitude towards the investors in the PRC and Hong Kong and actively communicated with public investors. During the Reporting Period, the Company convened the 2015 results presentation, participated in the roadshow for the companies as the target shares of Shanghai-Hong Kong Stock Connect, organized 14 batches of calls or visits by domestic and foreign institutional investors, and held 19 communication conferences for investors.

(II) Corporate Governance Code

During the Reporting Period, the Company has complied with the principles and most of the code provisions under the “Corporate Governance Code” and “Corporate Governance Report” as set out in Appendix 14 to the Listing Rules of the Stock Exchange, and the Company has amended the Implementation Rules for the Audit Committee of the Board of Directors on 18 January 2016 and re-complied with code provision C.3.3 which sets out that the terms of reference of the audit committee should include certain minimum duties, including code provisions C.3.3(a) to (n). Current governance structure of the Company is in compliance with the corporate governance policy as set out in Appendix 14 to the Listing Rules of the Stock Exchange.

(III) Audit Committee under the Board

The Audit Committee under the Board of the Company consists of 3 Directors, with majority members being independent non-executive Directors and Mr. Wu Tak Lung, an independent non-executive Director of the Company serves as the chairman of the Audit Committee. The composition of the Audit Committee under the Board is in compliance with the provision under Rule 3.21 of the Listing Rules of the Stock Exchange.



During the Reporting Period, three meetings of the Audit Committee under the Board were held, at which the committee considered the resolutions including the annual report and financial statement preparation plan, the annual report, the internal control evaluation report, the implementation of continuing connected transactions for the year 2015, and the appointment of financial auditor and internal control auditor of the Company for the year 2016 and the 2016 first quarterly report. It also exerted the effects of special committees' effective support for the scientific decisions of the Board in terms of resolutions including preparation of annual report, annual financial audit, quarterly financial report, daily connected transactions and implementation of other significant events, which ensured that the special committees of the Board performed their duties and operated effectively pursuant to relevant regulations.

The Audit Committee under the Board has reviewed the Group's 2016 Interim Report prepared in accordance with the PRC Accounting Standards for Business Enterprises and agreed with the financial accounting principles, standards and methods adopted for the preparation of the Group's unaudited interim financial statements for the six months ended 30 June 2016.

(IV) Model Code for Securities Transactions by Directors

The Company has adopted a set of code of conduct regarding securities transactions by Directors and Supervisors on terms not in lower standard than the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") as set out in Appendix 10 to the Listing Rules of the Stock Exchange, and prescribed the "Administrative Measures on Shares Held by the Directors, Supervisors and Senior Management and the Changes Thereof (《董事、監事和高級管理人員所持股份及其變動管理辦法》)". All Directors have confirmed that they have complied with the required standards as set out in the Model Code, the "Administrative Measures on Shares Held by the Directors, Supervisors and Senior Management and the Changes Thereof (《董事、監事和高級管理人員所持股份及其變動管理辦法》)" and the Company's code of conduct in relation to Directors' securities transactions during the Reporting Period.

VI. CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

(I) Changes in shares

1. *Changes in shares*

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

2. *Changes in share capital during the period after the Reporting Period to the date of the interim results announcement (i.e. 25 August 2016) which affect financial indicators such as earnings per share and net assets per share (if any)*

During 19 to 22 July 2016, the Company repurchased, according to the repurchase mandate from the general meeting, 1,230,000 H Shares of the Company through the open market on the Stock Exchange, representing approximately 0.3060% of the total H Shares of the Company and approximately 0.1235% of the total share capital of the Company as at the date of general meeting granting the repurchase mandate. As at the date hereof, such repurchased H Shares were not yet cancelled.

II. SHAREHOLDERS

(I) Total number of shareholders:

Total number of shareholders as at the end of the Reporting Period <i>(shareholder)</i>	36,032 including 35,654 holders of A Shares and 378 holders of H Shares
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Total number of preference shareholders with redeemed voting rights as at the end of the Reporting Period <i>(shareholder)</i>	N/A
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(II) Total number of shareholdings of the top ten shareholders and the top ten shareholders of circulating shares (or shareholders without selling restrictions) as at the end of the Reporting Period

Unit: Share

Shareholdings of the top 10 shareholders

Name of shareholder	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	Pledged or frozen		Nature of shareholder
					Status of shares	Number	
YTO	0	443,910,000	44.57	0	None	0	State-owned legal person
HKSCC NOMINEES LIMITED (Note 1)	-65,999	398,063,399	39.97	0	Unknown	/	Overseas legal person
Zhao Zhenbo (趙振博)	1,800,000	1,800,000	0.18	0	Unknown	/	Domestic natural person
Hong Kong Securities Clearing Company Limited (Note 2)	683,637	1,216,249	0.12	0	Unknown	/	Overseas legal person
Jiao Yanfeng (焦延峰)	-126,000	1,040,000	0.10	0	Unknown	/	Domestic natural person
Ai Zhaoquan (艾照全)	1,037,844	1,037,844	0.10	0	Unknown	/	Domestic natural person
Ye Shiping (葉時平)	969,127	969,127	0.10	0	Unknown	/	Domestic natural person
LIU HON NAM	0	726,000	0.07	0	Unknown	/	Overseas natural persons
Shenzhen Hongta Assets – China Everbright Bank – Hongta Assets Huiyan No. 1 Asset Management Plan (深圳市紅塔資產 — 光大銀行 — 紅塔資產慧眼1號 資產管理計畫)	718,300	718,300	0.07	0	Unknown	/	Others
Bank of China Limited – Changsheng High-end Equipment Manufacturing Flexible Configuration Mixed Securities Investment Fund (中國銀行股份有限公司 — 長盛高端裝備製造靈活 配置混合型證券投資基金)	711,914	711,914	0.07	0	Unknown	/	Others

Shareholdings of top ten shareholders without selling restrictions

Name of shareholder	Number of non-restricted circulating shares held	Number and class of shares	
		Class	Number
YTO	443,910,000	Ordinary shares denominated in RMB	443,910,000
HKSCC NOMINEES LIMITED (Note 1)	398,063,399	Overseas listed foreign shares	398,063,399
Zhao Zhenbo (趙振博)	1,800,000	Ordinary shares denominated in RMB	1,800,000
Hong Kong Securities Clearing Company Limited (Note 2)	1,216,249	Ordinary shares denominated in RMB	1,216,249
Jiao Yanfeng (焦延峰)	1,040,000	Ordinary shares denominated in RMB	1,040,000
Ai Zhaoquan (艾照全)	1,037,844	Ordinary shares denominated in RMB	1,037,844
Ye Shiping (葉時平)	969,127	Ordinary shares denominated in RMB	969,127
LIU HON NAM	726,000	Overseas listed foreign shares	726,000
Shenzhen Hongta Assets – China Everbright Bank – Hongta Assets Huiyan No. 1 Asset Management Plan (深圳市紅塔資產 – 光大銀行 – 紅塔資產慧眼1號資產管理計畫)	718,300	Ordinary shares denominated in RMB	718,300
Bank of China Limited – Changsheng High-end Equipment Manufacturing Flexible Configuration Mixed Securities Investment Fund (中國銀行股份有限公司 – 長盛高端裝備製造靈活配置混合型 證券投資基金)	711,914	Ordinary shares denominated in RMB	711,914

Connection relationship or 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" of the PRC) 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" of the PRC.

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

N/A

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

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

(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 30 June 2016, 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	Nature of Interests	Number of shares held ¹	Number of underlying shares held under equity derivatives ¹	Total number of shares interested ¹	Percentage of the relevant issued class of share capital ¹ (%)	Percentage of the total issued share capital of the Company ¹ (%)	Type of shares
YTO ²	Beneficial owner	Beneficial interest	443,910,000 (L)	/	443,910,000 (L)	74.74 (L)	44.57 (L)	A Share
UBS AG ³	Beneficial owner/ Security interest in shares/interests of controlled corporations	Beneficial interest/ corporate interest	24,464,093 (L) 34,000 (S)	35 (L) 474,000 (S)	24,464,128 (L) 508,000 (S)	6.09 (L) 0.13 (S)	2.46 (L) 0.05 (S)	H Share
UBS Group AG ³	Security interest in shares/interests of controlled corporations	Corporate interest	21,928,216 (L)	1,102,000 (S)	21,928,216 (L) 1,102,000 (S)	5.45 (L) 0.27 (S)	2.20 (L) 0.11 (S)	H Share

Note 1: (L) – Long position, (S) – Short position

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

III. CHANGES IN CONTROLLING SHAREHOLDER AND ULTIMATE CONTROLLER

There were no changes in the controlling shareholder and the ultimate controller of the Company during the Reporting Period.

IV. DETAILS OF PREFERRED SHARES

The Company had no preferred shares during the Reporting Period.

V. 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.

During 19 to 22 July 2016, the Company repurchased, according to the repurchase mandate from the general meeting, 1,230,000 H Shares of the Company through the open market on the Stock Exchange, representing approximately 0.3060% of the total H Shares of the Company and approximately 0.1235% of the total share capital of the Company as at the date of general meeting granting the repurchase mandate. As at the date hereof, such repurchased H Shares were not yet cancelled.

VI. OTHER

The Board meeting and the shareholders' meeting of YTO, the controlling shareholder of the Company convened on 11 January 2016 and 8 April 2016 respectively, considered and approved YTO to reduce its registered capital and repurchase its shares held by the financial shareholders. YTO proposed to reduce its registered capital to repurchase all the equity interest of YTO held by the financial shareholders, China Huarong Asset Management Co., Ltd., China Construction Bank Henan Province Branch and China Orient Asset Management Corporation, and consideration for reduction in registered capital would be paid by A Shares of the Company held by YTO (For details, please refer to the "Indicative Announcement on the Equity Restructuring of the Controlling Shareholder of First Tractor Company Limited" of the Company published on the website of Shanghai Stock Exchange, "China Securities Journal" and "Shanghai Securities News" on 13 January 2016 and 9 April 2016 respectively, and the announcement and the overseas regulatory announcement of the Company published on the website of the Stock Exchange on 12 January 2016 and 8 April 2016 respectively).

VII. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. CHANGE IN SHAREHOLDINGS

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

There was no change in shareholdings of Directors, Supervisors and senior management members during the Reporting Period. During the Reporting Period, the number of H shares held by Mr. Wu Tak Lung, an independent director of the Company, was 10,000 shares and remained unchanged. None of the other Directors, Supervisors and senior management of the Company held the shares of the Company.

II. OTHERS

(I) Directors', Supervisors' and the Company's chief executives' interests and short positions in the shares, underlying shares and debentures of the Company

As at 30 June 2016, the interests and/or short positions of the Directors, Supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of 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, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise, pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in the Listing Rules of the Stock Exchange, to be notified to the Company and the Stock Exchange were as follows:

Name	The Company/ associated corporation	Capacity	Nature of Interests	Number of shares held	Total number of shares interested	Percentage of	Percentage	Type of shares
						the relevant issued class of share capital (%)	of the total issued share capital of the Company (%)	
Wu Tak Lung	The Company	Beneficial owner	Beneficial interest	10,000 (Long position)	10,000 (Long position)	0.0025 (Long position)	0.0010 (Long position)	H Share

Save as disclosed above, none of the Directors, Supervisors or chief executives of the Company, who, as at 30 June 2016, had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise, pursuant to the “Model Code for Securities Transactions by Directors of Listed Issuers”, to be notified to the Company and the Stock Exchange.

VIII. RELEVANT INFORMATION ON CORPORATE BONDS

I. BASIC SITUATION OF THE CORPORATE BONDS

Unit: 0'000 yuan Currency: RMB

Name of bond	Abbreviation	Code	Issue date	Due date	Balance of Bond	Interest rate	The method of repayment of capital with interest	Trading places
Publicly issued corporate bonds of First Tractor Company Limited in 2012 (Tranche I)	12 First Tractor 01	122225	2013.03.04	2018.03.04	80,000	4.80%	Adopting simple annual interest without compound interest nor interest for overdue payment. Interest is paid annually and principal is paid when due. Last interest payment will be paid together with the principal repayment.	Shanghai Stock Exchange
Publicly issued corporate bonds of First Tractor Company Limited in 2012 (Tranche II)	12 First Tractor 02	122253	2013.05.30	2018.05.30	70,000	4.50%	Adopting simple annual interest without compound interest nor interest for overdue payment. Interest is paid annually and principal is paid when due. Last interest payment will be paid together with the principal repayment.	Shanghai Stock Exchange

II. THE CONTACT PERSON AND CONTACT INFORMATION OF THE CORPORATE BOND TRUSTEE AND CONTACT INFORMATION OF THE CREDIT RATING AGENCY

Bond Trustee	Name	Everbright Securities Company Limited
	Office address	No. 1508, Xinzha Road, Jingan District, Shanghai, the PRC
	Contact person	Wang Yasheng
	Phone	021-22169999
Credit Rating Agency	Name	Shanghai Brilliance Credit Rating & Investors Service Company Limited
	Office address	14/F, Huasheng Building, No. 398, Hankou Road, Shanghai, the PRC

III. USE OF FUNDS RAISED BY THE CORPORATE BONDS

According to the “Prospectus for Publicly Issued Corporate Bonds in 2012 (Tranche I)”, the funds raised by the current bonds was proposed to be fully used to supplement working capital and repay bank loans after deducting the issuing expenses. In April 2013, the Company had used RMB700 million of raised funds for repayment of bank loans, and the rest was used to supplement working capital.

According to the “Prospectus for Publicly Issued Corporate Bonds in 2012 (Tranche II)”, the funds raised by the current bonds was proposed to be fully used to supplement working capital after deducting the issuing expenses. In June 2013, the Company had used all of the raised funds to supplement working capital.

IV. THE CREDIT RATING AGENCY OF THE CORPORATE BONDS

During the Reporting Period, based on the comprehensive analysis and evaluation of the Company’s business conditions, industry and other situation, Shanghai Brilliance Credit Rating & Investors Service Company Limited issued the “Track Rating Report on 12 First Tractor 01 and 12 First Tractor 02 of First Tractor Company Limited” on 3 May 2016, whereas the Company’s corporate credit rating was AA+, the credit rating of 12 First Tractor 01 was AA+ and the credit rating of 12 First Tractor 02 was AA+.

V. THE CREDIT INCREASE MECHANISM, REPAYMENT PLAN AND OTHER RELEVANT SITUATION OF THE CORPORATE BONDS DURING THE REPORTING PERIOD

The Company paid the interests for the publicly issued corporate bond in 2012 (Tranche I) and publicly issued corporate bond in 2012 (Tranche II) of the Company for the year of 2015 on 4 March and 30 May 2016 on schedule and in full respectively.

VI. MEETING OF HOLDERS OF CORPORATE BOND

On 24 June 2016, the Company convened the 2016 first meeting of bondholders in respect of the corporate bonds publicly issued in 2012, at which the “Proposal on No Request from Bondholders for Guarantee of the Company” and the “Proposal on Adjustment to the Way of Convening and Voting Method of the Meetings of Bondholders of “12 First Tractor 01” and “12 First Tractor 02”” were considered and approved. (For details, please refer to the “Announcement of Everbright Securities Company Limited in relation to the Results Announcement of the 2016 First Bondholders Meeting for 2012 Corporate Bonds of First Tractor Company Limited” of the Company published on the website of Shanghai Stock Exchange, “China Securities Journal” and “Shanghai Securities News” on 28 June 2016 and the overseas regulatory announcement of the Company published on the website of the Stock Exchange on 27 June 2016.)

VII. SITUATION OF THE PERFORMANCE OF DUTIES OF THE BOND TRUSTEE OF THE COMPANY

During the Reporting Period, the bond trustee, Everbright Securities Company Limited, performed the duties of a bond trustee according to the “Management Method for Corporate Bond Issuance and Transaction”, “Listing Rules of Shanghai Stock Exchange on Corporate Bonds” and “Code of Conduct for Corporate Bond Trustees” of the PRC and other laws and regulations.

VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY AS AT THE END OF THE REPORTING PERIOD AND THE END OF LAST YEAR (OR FOR THE REPORTING PERIOD AND THE CORRESPONDING PERIOD OF LAST YEAR)

Unit: Yuan Currency: RMB

Key indicators	At the end of the Reporting Period	At the end of last year	Increase/decrease as at the end of the Reporting Period as compared with the end of last year (%)
Current ratio	1.07	1.05	1.90
Quick ratio	0.86	0.86	0
Asset-liability ratio	56.76%	59.32%	-4.32
Loan repayment rate	100%	100%	0
			Year-on-year increase/decrease during the Reporting Period as compared with the corresponding period last year (%)
	For the Reporting Period (January to June)	For the corresponding period of last year	
EBITDA interest coverage ratio	7.69	7.20	6.8
Interest coverage rate	100%	100%	0

IX. ASSETS OF THE COMPANY AS AT THE END OF THE REPORTING PERIOD

During the Reporting Period, total assets of the Company decreased by 4.60% as compared with the beginning of the period, mainly due to certain bank loan repayment of the Company during the Reporting Period. Total current assets as at the end of the period amounted to RMB5.84086 billion, decreased by 9.53% as compared with the beginning of the period, and total non-current assets as at the end of the period amounted to RMB6.82114 billion, increased by 0.07% as compared with the beginning of the period.

X. BANK CREDIT OF THE COMPANY DURING THE REPORTING PERIOD

During the Reporting Period, the Company obtained a total of RMB5 billion credit from eight banks including ICBC, China Construction Bank, Agricultural Bank of China, Bank of Communications, HSBC and China Everbright Bank.

XI. FULFILLMENT OF RELEVANT COVENANTS AND UNDERTAKINGS IN THE PROSPECTUS FOR CORPORATE BONDS BY THE COMPANY DURING THE REPORTING PERIOD

Pursuant to the terms on adjustment to the interest rate of corporate bonds and repurchase under the “Prospectus for Public Issue of Corporate Bonds by First Tractor Company Limited in 2012 (Tranche I)” and the “Prospectus for Public Issue of Corporate Bonds by First Tractor Company Limited in 2012 (Tranche II)”, in January and April 2016, the Company issued an announcement on no adjustment to the coupon rates of the “12 First Tractor 01” and “12 First Tractor 02” and the measures for repurchase of bonds, respectively, pursuant to which the coupon rates of the “12 First Tractor 01” and “12 First Tractor 02” will remain unchanged at 4.80% and 4.50% for the last two years in the duration, respectively.

According to the statistical results of the repurchase application of the “12 First Tractor 01” and “12 First Tractor 02” Corporate Bonds as released by the Shanghai Branch of China Securities Depository and Clearing Co., Ltd. in February and May 2016, the repurchase application of “12 First Tractor 01” and “12 First Tractor 02” Corporate Bonds was zero with a repurchase amount of RMB0.



XII. MATERIAL EVENTS OF THE COMPANY AND IMPACT ON OPERATION AND REPAYMENT ABILITY OF THE COMPANY

During the Reporting Period, the Company had good operation and there was no material event that might affect the repayment ability of the Company.

For details of changes in the 15 Guoyu Logistics cp001 held by YTO Finance, a subsidiary of the Company after the Reporting Period, please refer to the “Announcement on Non-repayment of Debt Obligation of controlled subsidiary when due of First Tractor Company Limited” and the “Supplemental Announcement on Non-repayment of Debt Obligation of controlled subsidiary when due of First Tractor Company Limited” published by the Company on the website of Shanghai Stock Exchange on 11 August and 12 August 2016, and the overseas regulatory announcements of the Company dated 10 August and 11 August 2016 published on the website of the Stock Exchange.

IX. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

I. AUDITOR'S REPORT

Applicable Not applicable

II. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

As at 30 June 2016

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Ending balance	Beginning balance
Current assets:			
Cash and cash equivalents	VII. 1	1,778,346,387.08	1,897,794,077.61
Settlement reserves for balance		-	-
Loans to banks and other financial institutions	VII. 2	300,000,000.00	0.00
Financial assets at fair value through profit or loss	VII. 3	146,888,383.56	414,865,981.64
Derivative financial assets			
Notes receivable	VII. 4	576,550,822.50	629,595,676.71
Accounts receivable	VII. 5	730,127,362.71	846,592,058.32
Advances to suppliers	VII. 6	122,988,075.82	60,933,298.85
Premium receivables		-	-
Reinsurance receivables		-	-
Reinsurance contract reserves receivable		-	-
Interest receivable	VII. 7	8,034,544.85	1,878,611.11
Dividend receivable			
Other receivables	VII. 8	69,046,633.15	67,644,192.90
Financial assets purchased with agreement to re-sale	VII. 9	100,484,109.59	899,544,776.20
Inventories	VII. 10	1,145,404,608.11	1,168,906,538.26
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets	VII. 12	862,988,502.63	468,428,422.33
Total current assets		5,840,859,430.00	6,456,183,633.93

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2016

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Ending balance	Beginning balance
Non-current assets:			
Loans and advances to customers	VII. 11	1,878,572,213.03	1,859,617,637.45
Available-for-sale financial assets	VII. 13	250,880,641.41	259,434,541.41
Held-to-maturity investments	VII. 14	85,707,703.65	0.00
Long-term receivables		-	-
Long-term equity investments	VII. 15	148,961,759.31	150,640,194.51
Investment properties		-	-
Fixed assets	VII. 16	2,778,212,121.05	2,866,761,443.98
Construction in progress	VII. 17	619,106,123.88	613,389,411.85
Construction materials		-	-
Disposal of fixed assets		-	-
Productive biological assets		-	-
Oil and gas assets		-	-
Intangible assets	VII. 18	906,591,391.81	922,350,120.29
Research and development expenses		-	-
Goodwill	VII. 19	0.00	0.00
Long-term prepayments	VII. 20	35,483,213.53	34,047,868.91
Deferred tax assets	VII. 21	117,621,962.30	110,024,707.65
Other non-current assets		-	-
Total non-current assets		6,821,137,129.97	6,816,265,926.05
Total assets		12,661,996,559.97	13,272,449,559.98

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2016

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Ending balance	Beginning balance
Current liabilities:			
Short-term loans	VII. 22	1,662,513,030.08	1,938,954,945.26
Borrowings from central bank		-	-
Receipts of deposits and deposits from other banks	VII. 23	307,207,659.33	527,213,699.13
Loans from other banks	VII. 24	0.00	350,000,000.00
Financial liabilities at fair value through profit or loss		-	-
Derivative financial liabilities		-	-
Notes payable	VII. 25	1,067,346,529.84	1,299,804,364.19
Accounts payable	VII. 26	1,915,944,631.34	1,526,746,992.98
Advance from customers	VII. 27	197,065,848.31	303,082,198.22
Funds from selling out and repurchasing financial assets		-	-
Fee and commission payable		-	-
Employee benefits payable	VII. 28	108,263,014.06	102,912,994.81
Taxes payables	VII. 29	-272,949,122.87	-347,088,631.55
Interests payable	VII. 30	17,660,468.68	53,716,956.57
Dividends payable	VII. 31	39,133,747.57	0.00
Other payables	VII. 32	269,835,601.41	242,762,492.73
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	VII. 33	37,820,668.40	32,395,168.40
Other current liabilities	VII. 34	110,546,505.83	98,038,848.99
Total current liabilities		5,460,388,581.98	6,128,540,029.73

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2016

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Ending balance	Beginning balance
Non-current liabilities:			
Long-term loans	VII. 35	18,437,500.00	26,607,000.00
Bonds payable	VII. 36	1,495,459,563.42	1,494,277,758.19
Including: Preference shares		-	-
Perpetual bond		-	-
Long-term payables		-	-
Long-term employee salary payable		-	-
Special payables		-	-
Contingent liabilities		-	-
Deferred income	VII. 37	175,627,234.53	184,932,985.40
Deferred tax liabilities	VII. 21	37,079,668.62	39,507,239.32
Other non-current liabilities		-	-
Total non-current liabilities		1,726,603,966.57	1,745,324,982.91
Total liabilities		7,186,992,548.55	7,873,865,012.64

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2016

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Ending balance	Beginning balance
Shareholders' equity			
Share capital	VII. 38	995,900,000.00	995,900,000.00
Other equity instruments		-	-
Including: Preferred shares		-	-
Perpetual bond		-	-
Capital reserves	VII. 39	2,125,185,588.57	2,124,246,289.70
Less: Treasury shares		-	-
Other comprehensive income	VII. 40	4,903,321.62	9,734,262.44
Special reserves	VII. 41	3,637,992.94	2,441,385.29
Surplus reserves	VII. 42	389,744,226.05	389,744,226.05
General risk reserves	VII. 43	8,819,548.63	8,819,548.63
Retained earnings	VII. 44	1,260,511,823.35	1,142,994,139.49
Total equity attributable to shareholders of the Company		4,788,702,501.16	4,673,879,851.60
Minority interests		686,301,510.26	724,704,695.74
Total shareholders' equity		5,475,004,011.42	5,398,584,547.34
Total liabilities and shareholders' equity		12,661,996,559.97	13,272,449,559.98

Legal representative:
Zhao, Yanshui

Chief financial officer:
Yao, Weidong

Accounting manager:
Zhou, Juan

II. FINANCIAL STATEMENTS (CONTINUED)

BALANCE SHEET OF THE PARENT COMPANY

As at 30 June 2016

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Ending balance	Beginning balance
Current assets:			
Cash and cash equivalents	XVII. 1	2,265,560,536.17	2,641,377,805.70
Financial assets at fair value through profit or loss		-	-
Derivative financial assets		-	-
Notes receivable	XVII. 2	220,977,958.84	160,330,666.21
Accounts receivable	XVII. 3	621,737,022.91	786,820,250.06
Prepayments	XVII. 4	142,658,785.77	125,952,346.17
Interests receivable	XVII. 5	5,953,443.66	5,026,297.48
Dividends receivable	XVII. 6	0.00	4,910,000.00
Other receivables	XVII. 7	22,074,409.43	21,157,333.66
Inventories	XVII. 8	487,869,289.20	635,262,051.21
Assets classified as held for sale		-	-
Non-current assets due within one year		-	-
Other current assets	XVII. 9	1,170,497,403.05	545,688,872.91
Total current assets		4,937,328,849.03	4,926,525,623.40

II. FINANCIAL STATEMENTS (CONTINUED)

BALANCE SHEET OF THE PARENT COMPANY (CONTINUED)

As at 30 June 2016

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Ending balance	Beginning balance
Non-current assets:			
Available-for-sale financial assets	XVII. 10	143,498,500.00	148,318,000.00
Held-to-maturity investments		-	-
Long-term receivables		-	-
Long-term equity investments	XVII. 11	2,808,856,677.44	3,110,401,363.95
Investment properties			
Fixed assets	XVII. 12	1,400,183,304.50	1,452,487,773.35
Construction in progress	XVII. 13	501,064,480.77	494,736,372.32
Construction materials		-	-
Disposal of fixed assets		-	-
Productive biological assets		-	-
Oil and gas assets		-	-
Intangible assets	XVII. 14	561,575,435.60	570,647,987.35
Research and development expenses		-	-
Goodwill		-	-
Long-term deferred expenditures	XVII. 15	33,320,426.62	31,799,571.67
Deferred tax assets	XVII. 16	22,683,680.94	16,464,738.92
Other non-current assets		-	-
Total non-current assets		5,471,182,505.87	5,824,855,807.56
Total assets		10,408,511,354.90	10,751,381,430.96

II. FINANCIAL STATEMENTS (CONTINUED)

BALANCE SHEET OF THE PARENT COMPANY (CONTINUED)

As at 30 June 2016

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Ending balance	Beginning balance
Current liabilities:			
Short-term loans	XVII. 17	1,287,524,320.00	1,953,532,480.00
Financial liabilities at fair value through profit or loss		-	-
Derivative financial liabilities		-	-
Notes payable	XVII. 18	1,103,612,413.36	1,271,660,254.35
Accounts payable	XVII. 19	1,312,867,217.34	1,053,676,797.99
Advance from customers	XVII. 20	102,621,120.43	131,835,905.09
Employee benefits payable	XVII. 21	34,552,443.76	36,318,471.38
Taxes payable	XVII. 22	-247,719,540.43	-306,489,816.89
Interests payable	XVII. 23	15,987,040.85	52,990,678.02
Dividends payables	XVII. 24	39,133,747.57	0.00
Other payables	XVII. 25	146,859,158.61	160,626,647.15
Liabilities classified as held for sale		-	-
Non-current liabilities due within one year	XVII. 26	30,751,500.00	24,882,000.00
Other current liabilities	XVII. 27	54,649,933.32	7,922,339.20
Total current liabilities		3,880,839,354.81	4,386,955,756.29

II. FINANCIAL STATEMENTS (CONTINUED)

BALANCE SHEET OF THE PARENT COMPANY (CONTINUED)

As at 30 June 2016

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Ending balance	Beginning balance
Non-current liabilities:			
Long-term loans	XVII. 28	18,437,500.00	26,607,000.00
Bonds payable	XVII. 29	1,495,459,563.42	1,494,277,758.19
Including: Preferred shares		-	-
Perpetual bond		-	-
Long-term payables		-	-
Long-term employee salary payable		-	-
Special payables		-	-
Contingent liabilities		-	-
Deferred income	XVII. 30	112,015,695.74	119,031,862.41
Deferred tax liabilities	XVII. 16	3,434,502.27	4,157,427.27
Other non-current liabilities		-	-
Total non-current liabilities		1,629,347,261.43	1,644,074,047.87
Total liabilities		5,510,186,616.24	6,031,029,804.16

II. FINANCIAL STATEMENTS (CONTINUED)

BALANCE SHEET OF THE PARENT COMPANY (CONTINUED)

As at 30 June 2016

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Ending balance	Beginning balance
Shareholders' equity:			
Share capital	XVII. 31	995,900,000.00	995,900,000.00
Other equity instruments		-	-
Including: Preference shares		-	-
Perpetual bond		-	-
Capital reserves	XVII. 32	2,018,025,662.91	2,018,025,662.91
Less: Treasury shares		-	-
Other comprehensive income	XVII. 33	19,462,179.55	23,558,754.55
Special reserves	XVII. 34	0.00	0.00
Surplus reserves	XVII. 35	315,250,942.22	315,250,942.22
Retained earnings	XVII. 36	1,549,685,953.98	1,367,616,267.12
Total shareholders' equity		4,898,324,738.66	4,720,351,626.80
Total liabilities and shareholders' equity		10,408,511,354.90	10,751,381,430.96

Legal representative:

Zhao, Yanshui

Chief financial officer:

Yao, Weidong

Accounting manager:

Zhou, Juan

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED INCOME STATEMENT

January – June 2016

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Current period	Last period
I. Total operating revenue		5,158,780,013.03	5,708,191,514.51
Including: Operating revenue	VII. 45	5,041,260,182.13	5,553,784,520.17
Interest income	VII. 46	117,300,250.87	154,161,050.67
Earned insurance premiums		–	–
Fees and commission income	VII. 47	219,580.03	245,943.67
II. Total operating cost		4,975,939,902.34	5,569,548,287.35
Including: Operating cost	VII. 45	4,109,134,374.24	4,531,530,237.71
Interest expenses	VII. 46	52,559,932.21	124,120,897.30
Fees and commission expense	VII. 47	202,887.40	255,445.09
Refunded premiums		–	–
Net amount of compensation payout		–	–
Net amount of reserves for reinsurance contract		–	–
Policy dividend payment		–	–
Reinsurance expenses		–	–
Business taxes and surcharges	VII. 48	12,105,432.02	14,638,261.89
Selling and distribution expenses	VII. 49	266,328,954.70	288,812,474.52
Administrative expenses	VII. 50	422,892,390.25	427,437,981.51
Financial expenses	VII. 51	40,452,792.56	42,207,637.61
Loss on impairment of assets	VII. 52	72,263,138.96	140,545,351.72

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED INCOME STATEMENT

January – June 2016

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Current period	Last period
Add: Gain arising from the changes in fair value (loss listed with "-")	VII. 53	-442,878.26	4,991,993.93
Investment income (Loss listed with "-")	VII. 54	28,612,715.99	51,984,548.53
Including: Income from investments in associates and joint ventures (Loss listed with "-")	VII. 54	8,360,417.05	2,033,301.43
Exchange gain (Loss listed with "-")		-	-
III. Operating profit (Loss listed with "-")		211,009,948.42	195,619,769.62
Add: Non-operating income	VII. 55	14,200,819.99	11,745,539.36
Including: Gain from disposal of non-current assets	VII. 55	329,167.53	599,056.39
Less: Non-operating expenses	VII. 56	755,594.73	2,323,130.94
Including: Loss on disposal of non-current assets	VII. 56	527,730.14	1,508,949.56
IV. Total profit (Loss listed with "-")		224,455,173.68	205,042,178.04
Less: Income tax expenses	VII. 57	58,757,262.37	50,291,121.31
V. Net profit (Net loss listed with "-")		165,697,911.31	154,751,056.73
Net profit attributable to owners of the parent company		158,349,583.86	148,644,010.04
Non-controlling interest		7,348,327.45	6,107,046.69

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED INCOME STATEMENT

January – June 2016

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Current period	Last period
VI. Net other comprehensive income after tax	VII. 58	-4,792,708.40	13,875,813.65
Net other comprehensive income after tax attributable to owners of the parent company	VII. 58	-4,830,940.82	13,780,623.96
(I) Other comprehensive income that can not be reclassified to profit or loss in subsequent periods		-	-
1. Changes in net liabilities or net assets arising from the remeasurement of defined benefit plans		-	-
2. Share of other comprehensive income of investee that will not be subsequently reclassified to profit or loss under equity method		-	-
(II) Other comprehensive income that will be subsequently reclassified to profit or loss	VII. 58	-4,830,940.82	13,780,623.96
1. Share of other comprehensive income of investee that will be subsequently reclassified to profit or loss under equity method		-	-
2. Gains and losses from changes in fair value of available-for-sale financial assets	VII. 58	-6,464,362.91	13,370,052.83
3. Gains and losses from held-to-maturity investment reclassified as available-for-sale financial assets		-	-

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED INCOME STATEMENT

January – June 2016

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Current period	Last period
4. Effective part of hedging gains and losses from cash flows		-	-
5. Exchange differences from retranslation of financial statements	VII. 58	1,633,422.09	410,571.13
6. Others			
Net other comprehensive income after tax attributable to minority interests	VII. 58	38,232.42	95,189.69
VI. Total comprehensive income		160,905,202.91	168,626,870.38
Total comprehensive income attributable to shareholders of the parent company		153,518,643.04	162,424,634.00
Total comprehensive income attributable to minority interests		7,386,559.87	6,202,236.38
VIII. Earnings per share:			
(I) Basic earnings per share (Yuan/share)	XVIII. 2	0.1590	0.1493
(II) Diluted earnings per share (Yuan/share)	XVIII. 2	0.1590	0.1493
		=====	=====

Legal representative:
Zhao, Yanshui

Chief financial officer:
Yao, Weidong

Accounting manager:
Zhou, Juan

II FINANCIAL STATEMENTS (CONTINUED)

INCOME STATEMENT OF THE PARENT COMPANY

January – June 2016

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Current period	Last period
I. Operating revenue	XVII. 37	3,838,744,905.42	4,136,097,006.06
Less: Operating cost	XVII. 37	3,323,149,002.00	3,546,249,014.57
Business taxes and surcharges		1,194,044.22	867,398.40
Selling and distribution expenses		47,354,062.33	45,757,400.81
Administrative expenses		240,642,043.89	274,783,387.69
Financial expenses		17,382,346.56	22,984,634.64
Loss on impairment of assets		7,516,513.62	25,915,396.59
Add: Gain arising from the changes in fair value (Loss listed with “-”)		-	-
Investment income (Loss listed with “-”)	XVII. 38	38,472,089.73	49,437,899.87
Including: Gain from investments in associates and joint ventures (Loss listed with “-”)		8,478,089.73	1,989,556.87
II. Operating profit (Loss listed with “-”)		239,978,982.53	268,977,673.23
Add: Non-operating income		5,275,261.09	4,597,213.28
Including: Gain from disposal of non-current assets		38,410.01	487,538.66
Less: Non-operating expenses		414,375.56	939,353.39
Including: Gain from disposal of non-current assets		414,375.56	663,644.61
III. Total profit (Total loss listed with “-”)		244,839,868.06	272,635,533.12
Less: Income tax expenses		21,938,281.20	27,685,285.01
IV. Net profit (Net loss listed with “-”)		222,901,586.86	244,950,248.11

II. FINANCIAL STATEMENTS (CONTINUED)

INCOME STATEMENT OF THE PARENT COMPANY (CONTINUED)

January – June 2016

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Current period	Last period
V. Net other comprehensive income after tax		-4,096,575.00	10,771,200.00
(I) Other comprehensive income that can not be reclassified to profit or loss in subsequent periods		-	-
1. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans		-	-
2. Share of other comprehensive income of investee that will not be subsequently reclassified to profit or loss under equity method		-	-
(II) Other comprehensive income that will be subsequently reclassified to profit or loss		-4,096,575.00	10,771,200.00
1. Share of other comprehensive income of investee that will be subsequently reclassified to profit or loss under equity method		-	-
2. Gains and losses from changes in fair value of available-for-sale financial assets		-4,096,575.00	10,771,200.00
3. Gains and losses from held-to-maturity investment reclassified as available-for-sale financial assets		-	-

II. FINANCIAL STATEMENTS (CONTINUED)

INCOME STATEMENT OF THE PARENT COMPANY (CONTINUED)

January – June 2016

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Current period	Last period
4. Effective part of hedging gains and losses from cash flows		-	-
5. Exchange differences from retranslation of financial statements		-	-
6. Others		-	-
VI. Total comprehensive income		218,805,011.86	255,721,448.11

Legal representative:

Zhao, Yanshui

Chief financial officer:

Yao, Weidong

Accounting manager:

Zhou, Juan

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED CASH FLOW STATEMENT

January – June 2016

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Current period	Last period
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		5,395,996,826.22	5,649,465,364.78
Net increase in deposits from customers and deposits from other banks		-220,006,039.80	340,563,292.04
Net increase in loans from central bank		-	-
Net increase in loans from other financial institutions		-650,000,000.00	-450,000,000.00
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 or loss		-	-
Cash receipts of interest, fees and commission		111,363,897.16	154,204,633.23
Net increase in placement from banks and other financial institution		-	-
Net increase in sales and repurchase operations		797,369,493.18	-538,236,167.72
Cash received from taxes refund		21,166,012.10	23,161,023.73
Cash received relating to other operating activities	VII. 59	87,361,142.92	68,358,737.02
Sub-total of cash inflows from operating activities		5,543,251,331.78	5,247,516,883.08

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

January – June 2016

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Current period	Last period
Cash paid for goods and services		3,745,481,592.14	3,268,505,005.88
Net increase in loans and disbursement to customers		216,683,409.75	418,495,546.47
Net increase in deposit with central bank and inter-banks		-18,036,491.28	-5,626,900.66
Cash paid for claims of direct insurance contracts		-	-
Cash paid for interest, fee and commission		52,345,292.63	103,421,476.98
Cash paid for dividends of insurance policies		-	-
Cash paid to and on behalf of employees		626,608,804.77	608,412,477.34
Payments of taxes and surcharges		129,962,126.40	140,314,300.91
Cash paid relating to other operating activities	VII. 59	303,064,959.76	457,634,903.21
Sub-total of cash outflows from operating activities		5,056,109,694.17	4,991,156,810.13
Net cash flows from operating activities		487,141,637.61	256,360,072.95

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

January – June 2016

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Current period	Last period
II. Cash flows from investment activities:			
Cash received from return of investments		181,988,598.94	52,877,506.20
Cash received from investments income		31,003,203.83	41,166,643.37
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		932,704.89	167,669,071.81
Net cash received from disposal of subsidiaries and other business units		-	-
Cash received relating to other investing activities	VII. 59	2,700,000.00	2,000,000.00
Sub-total of cash inflows from investing activities		216,624,507.66	263,713,221.38
Cash paid to acquire fixed assets, intangible assets and other long-term assets		90,585,854.65	207,395,497.01
Cash paid for investments		462,738,012.00	721,514,956.04
Net increase in pledged deposits		-	-
Net cash paid to acquire subsidiaries and other business units		-	-
Cash paid relating to other investing activities		-	-
Sub-total of cash outflow from investing activities		553,323,866.65	928,910,453.05
Net cash flows from investing activities		-336,699,358.99	-665,197,231.67

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

January – June 2016

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Current period	Last period
III. Cash flows from financing activities:			
Cash received from investment absorption		-	-
Including: Cash received by subsidiaries from investment absorption of minority interest		-	-
Cash received from loans granted		30,829,380.00	154,231,070.00
Cash received from issue of bonds		-	-
Cash received relating to other financing activities		-	-
		<hr/>	<hr/>
Sub-total of cash inflows from financing activities		30,829,380.00	154,231,070.00
		<hr/>	<hr/>
Cash paid for settlement of borrowings		140,584,960.00	30,234,500.00
Cash paid for dividends, profits appropriation or payments of interest		97,855,670.33	95,342,802.67
Including: Dividends and profits paid to minority interests		2,112,000.00	1,650,000.00
Cash paid relating to other financing activities		-	-
		<hr/>	<hr/>
Sub-total of cash outflows from financing activities		238,440,630.33	125,577,302.67
		<hr/>	<hr/>
Net cash flows from financing activities		-207,611,250.33	28,653,767.33
		<hr/> <hr/>	<hr/> <hr/>

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

January – June 2016

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Current period	Last period
IV. Effect of changes in foreign exchange rate on cash and cash equivalents		3,017,872.87	-3,689,817.63
V. Net increase in cash and cash equivalents		-54,151,098.84	-383,873,209.02
Add: Cash and cash equivalents at the beginning of the reporting period	VII. 60	1,690,285,427.32	1,749,902,168.21
VII. Cash and cash equivalents at the end of the reporting period	VII. 60	<u><u>1,636,134,328.48</u></u>	<u><u>1,366,028,959.19</u></u>

Legal representative:

Zhao, Yanshui

Chief financial officer:

Yao, Weidong

Accounting manager:

Zhou, Juan

II. FINANCIAL STATEMENTS (CONTINUED)

CASH FLOW STATEMENT OF THE PARENT COMPANY

January – June 2016

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Current period	Last period
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		4,105,553,954.11	4,184,779,434.90
Cash received from taxes refund		771,773.10	2,598,710.01
Cash received relating to other operating activities		14,508,502.69	29,842,390.62
		<hr/>	<hr/>
Sub-total of cash inflows from operating activities		4,120,834,229.90	4,217,220,535.53
		<hr/>	<hr/>
Cash paid for goods and services		2,959,449,818.11	2,871,794,435.43
Cash paid to and on behalf of employees		328,314,731.98	295,710,507.13
Payments of taxes and surcharges		32,196,652.41	38,306,419.16
Cash paid relating to other operating activities		420,158,184.16	230,972,706.47
		<hr/>	<hr/>
Sub-total of cash outflows from operating activities		3,740,119,386.66	3,436,784,068.19
		<hr/>	<hr/>
Net cash flows from operating activities		380,714,843.24	780,436,467.34
		<hr/> <hr/>	<hr/> <hr/>

II. FINANCIAL STATEMENTS (CONTINUED)

CASH FLOW STATEMENT OF THE PARENT COMPANY (CONTINUED)

January – June 2016

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Current period	Last period
II. Cash flows from investing activities:			
Cash received from return of investments		448,320,788.24	122,000,000.00
Cash received from investments income		80,691,766.88	32,961,167.38
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		601,785.26	166,743,473.56
Net cash received from disposal of subsidiaries and other business units		-	-
Cash received relating to other investing activities		2,700,000.00	0.00
Sub-total of cash inflows from investing activities		532,314,340.38	321,704,640.94
Cash paid to acquire fixed assets, intangible assets and other long-term assets		53,112,766.34	151,447,023.67
Cash paid for investments		751,738,012.00	753,514,886.92
Net cash paid to acquire subsidiaries and other business units		-	-
Cash paid relating to other investing activities		-	-
Sub-total of cash outflows from investing activities		804,850,778.34	904,961,910.59
Net cash flows from investing activities		-272,536,437.96	-583,257,269.65

II. FINANCIAL STATEMENTS (CONTINUED)

CASH FLOW STATEMENT OF THE PARENT COMPANY (CONTINUED)

January – June 2016

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Current period	Last period
III. Cash flows from financing activities:			
Cash received from investment absorption		-	-
Cash received from loans granted		200,000,000.00	393,370,000.00
Cash received relating to other financing activities		-	-
Sub-total of cash inflows from financing activities		200,000,000.00	393,370,000.00
Cash paid for settlement of borrowings		887,371,760.00	332,746,250.00
Cash paid for dividends, profits appropriation or payments of interest		93,206,571.22	99,254,109.96
Cash paid relating to other financing activities		-	-
Sub-total of cash outflows from financing activities		980,578,331.22	432,000,359.96
Net cash flows from financing activities		-780,578,331.22	-38,630,359.96
IV. Effect of changes in foreign exchange rate on cash and cash equivalents			
		69,154.46	-71,102.46
V. Net increase in cash and cash equivalents			
		-672,330,771.48	158,477,735.27
Add: Cash and cash equivalents at the beginning of the reporting period		2,246,586,151.42	1,398,841,155.04
VII. Cash and cash equivalents at the end of the reporting period			
		1,574,255,379.94	1,557,318,890.31

Legal representative:

Zhao, Yanshui

Chief financial officer:

Yao, Weidong

Accounting manager:

Zhou, Juan

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

January – June 2016

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Equity attributable to the shareholders of the parent company										Total shareholders' equity	
	Other equity instruments		Less:		Current period							
	Preference shares	Perpetual bond	Others	Capital reserves	Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Retained earnings	Minority interests	
I. Ending balance of the last year	995,900,000.00	-	-	2,124,246,293.70	-	9,734,262.44	2,441,362.29	368,744,226.05	8,819,546.63	1,142,994,138.49	724,704,665.74	5,393,594,447.34
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Correction of prior periods errors	-	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
II. Beginning balance of the current year	995,900,000.00	-	-	2,124,246,293.70	-	9,734,262.44	2,441,362.29	368,744,226.05	8,819,546.63	1,142,994,138.49	724,704,665.74	5,393,594,447.34
III. Increase/decrease of the period (Decrease listed with "-")												
(i) Total comprehensive income	-	-	-	938,298.87	-	-4,830,940.82	1,196,607.65	-	-	117,517,683.86	-36,403,185.48	76,419,464.08
(ii) Contribution and withdrawal of capital by shareholders	-	-	-	-	-	-4,830,940.82	-	-	-	153,349,833.86	7,366,559.87	160,905,202.91
1. Common shares contributed by shareholders	-	-	-	938,298.87	-	-	-	-	-	-	-43,677,310.87	-42,738,012.00
2. Capital contributed by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payments recognized in equity	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	938,298.87	-	-	-	-	-	-	-43,677,310.87	-42,738,012.00

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

January – June 2016

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Equity attributable to the shareholders of the parent company											Total shareholders' equity	
	Current period										Total shareholders' equity		
	Share capital	Preference shares	Perpetual bond	Others	Capital reserves	Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves			Retained earnings
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-	-40,831,900.00	-2,112,000.00	-42,943,900.00
1. Appropriation to surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Appropriation to general risk reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Appropriation to equity holders (or shareholders)	-	-	-	-	-	-	-	-	-	-	-40,831,900.00	-2,112,000.00	-42,943,900.00
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Internal transfer within the shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer of capital reserve to share capital (or stock capital)	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer of surplus reserves to share capital (or stock capital)	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves making up of losses	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserves	-	-	-	-	-	-	-	1,196,607.65	-	-	-	-464.48	1,196,173.17
1. Current period appropriation	-	-	-	-	-	-	-	9,242,503.87	-	-	-	616,848.76	9,859,352.63
2. Utilization in the current period	-	-	-	-	-	-	-	-8,045,896.22	-	-	-	-617,283.24	-8,663,179.46
(VI) Others	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Ending balance of the current period	995,900,000.00	-	-	-	2,125,165,563.57	-	4,903,221.62	3,657,992.94	3,687,744,226.05	8,619,546.63	1,280,511,923.95	686,301,510.26	5,475,004,014.42

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

January – June 2016

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Last period												
	Equity attributable to the shareholders of the parent company										Total shareholders' equity		
	Share capital	Preference shares	Other equity instruments	Less:	Capital reserves	Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves		Retained earnings	Minority interests
I. Ending balance of the last year	995,900,000.00	-	-	-	2,124,246,289.70	-	16,295,741.20	0.00	368,972,948.56	7,663,706.66	1,080,369,447.42	727,569,666.64	5,320,826,900.18
Add:	-	-	-	-	-	-	-	-	-	-	-	-	-
(i) Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
(ii) Correction of prior periods errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Beginning balance of the current year	995,900,000.00	-	-	-	2,124,246,289.70	-	16,295,741.20	0.00	368,972,948.56	7,663,706.66	1,080,369,447.42	727,569,666.64	5,320,826,900.18
III. Increase/decrease for the current period (Decrease listed with "-")	-	-	-	-	-	-	-	0.00	-	-	-	289,447.38	111,933,181.38
(i) Total comprehensive income	-	-	-	-	-	-	13,780,629.96	-	-	-	-	6,302,236.38	168,626,870.38
(ii) Contribution and withdrawal of capital by shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Common shares contributed by shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Equity contributed by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payments recognized in equity	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-

II. FINANCIAL STATEMENTS (CONTINUED)

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY

January – June 2016

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Current period										Total shareholders' equity
	Share capital	Preference shares	Perpetual bond	Other equity instruments	Capital reserves	Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	
I. Ending balance of the last year	995,900,000.00	-	-	-	-2,016,025,662.91	-	23,558,754.55	0.00	315,250,942.22	1,367,616,267.12	4,720,351,626.80
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
Correction of prior periods errors	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
II. Beginning balance of the current year	995,900,000.00	-	-	-	-2,016,025,662.91	-	23,558,754.55	0.00	315,250,942.22	1,367,616,267.12	4,720,351,626.80
III. Increase/decrease for the current period (Decrease listed with "+")	-	-	-	-	-	-	-4,096,575.00	0.00	-	182,069,686.86	177,973,111.86
(i) Total comprehensive income	-	-	-	-	-	-	-4,096,575.00	-	-	222,901,586.86	218,805,011.86
(ii) Contribution and withdrawal of capital by shareholders	-	-	-	-	-	-	-	-	-	-	-
1. Common shares contributed by shareholders	-	-	-	-	-	-	-	-	-	-	-
2. Equity contributed by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-
3. State-based payments recognized in equity	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-
(iii) Profit distribution	-	-	-	-	-	-	-	-	-	-40,831,900.00	-40,831,900.00
1. Appropriation to surplus reserves	-	-	-	-	-	-	-	-	-	-40,831,900.00	-40,831,900.00
2. Appropriation to equity holders (or shareholders)	-	-	-	-	-	-	-	-	-	-40,831,900.00	-40,831,900.00
3. Others	-	-	-	-	-	-	-	-	-	-	-

II. FINANCIAL STATEMENTS (CONTINUED)

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

January – June 2016

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Current period										Total shareholders' equity	
	Share capital	Preference shares	Perpetual bond	Other equity instruments	Capital reserves	Treasury shares	Less:	Other comprehensive income	Special reserves	Surplus reserves		Retained earnings
(M) Internal transfer within the shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer of capital reserve to share capital (or stock capital)	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer of surplus reserves to share capital (or stock capital)	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves making up of losses	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(M) Special reserves	-	-	-	-	-	-	-	-	0.00	-	-	0.00
1. Current period appropriation	-	-	-	-	-	-	-	-	3,890,781.76	-	-	3,890,781.76
2. Utilization in the current period	-	-	-	-	-	-	-	-	(3,890,781.76)	-	-	(3,890,781.76)
(M) Others	-	-	-	-	-	-	-	-	-	-	-	-
IV. Ending balance of the current period	995,900,000.00	-	-	-	2,016,025,662.91	-	19,462,179.55	0.00	315,250,942.22	1,549,665,953.86	4,896,324,736.66	

II. FINANCIAL STATEMENTS (CONTINUED)

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

January – June 2016

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Last period										Total shareholders' equity	
	Share capital	Preference shares	Other equity instruments	Perpetual bond	Others	Capital reserves	Treasury shares	Other comprehensive income	Special reserves	Surplus reserves		Retained earnings
I. Ending balance of the last year	985,900,000.00	-	-	-	-	2,019,025,682.91	-	37,536,000.00	0.00	294,479,584.73	1,231,464,769.67	4,577,405,897.31
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Correction of prior periods errors	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
II. Beginning balance of the current year	985,900,000.00	-	-	-	-	2,019,025,682.91	-	37,536,000.00	0.00	294,479,584.73	1,231,464,769.67	4,577,405,897.31
III. Increase/decrease for the current period (Decrease listed with "-")	-	-	-	-	-	-	-	-	0.00	-	194,769,348.11	204,930,348.11
(i) Total comprehensive income	-	-	-	-	-	-	-	10,771,200.00	-	-	244,950,248.11	255,721,448.11
(ii) Contribution and withdrawal of capital by shareholders	-	-	-	-	-	-	-	-	-	-	-	-
1. Common shares contributed by shareholders	-	-	-	-	-	-	-	-	-	-	-	-
2. Equity contributed by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payments recognized in equity	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-

II. FINANCIAL STATEMENTS (CONTINUED)

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

January – June 2016

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Last period							Total shareholders' equity		
	Share capital	Preference shares	Other equity instruments	Capital reserves	Other comprehensive income	Special reserves	Surplus reserves		Retained earnings	
(III) Profit distribution	-	-	-	-	-	-	-	-	-50,790,900.00	-50,790,900.00
1. Appropriation to surplus reserves	-	-	-	-	-	-	-	-	-	-
2. Appropriation to equity holders (for shareholders)	-	-	-	-	-	-	-	-	-50,790,900.00	-50,790,900.00
3. Others	-	-	-	-	-	-	-	-	-	-
(IV) Internal transfer within the shareholders' equity	-	-	-	-	-	-	-	-	-	-
1. Transfer of capital reserve to share capital	-	-	-	-	-	-	-	-	-	-
(or stock capital)	-	-	-	-	-	-	-	-	-	-
2. Transfer of surplus reserves to share capital	-	-	-	-	-	-	-	-	-	-
(or stock capital)	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves making up of losses	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-
(V) Special reserves	-	-	-	-	-	-	-	-	-	-
1. Current period appropriation	-	-	-	-	-	-	-	-	-	-
2. Utilization in the current period	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-
IV. Ending balance of the current period	995,900,000.00	-	-	2,019,026,682.91	-	48,307,200.00	0.00	294,479,664.73	1,425,624,117.78	4,782,336,545.42

Legal representative:
Zhao, Yanshui

Chief financial officer:
Yao, Weidong

Accounting manager:
Zhou, Juan

III. GENERAL INFORMATION OF THE COMPANY

1. COMPANY PROFILE

First Tractor Company Limited (hereinafter referred to as “the Company”, and collectively referred to as “the Group” when including the subsidiaries) is a limited company located in the People’s Republic of China and established on 8 May 1997. The Company took over the principle business of tractor manufacturing and the corresponding assets and liabilities of YTO Group Corporation (hereinafter referred to as “China YTO”), with the net assets of RMB636,346,000 converted to 450,000,000 state-owned legal person shares held by the Company, according to the reorganization plan effective from 31 December 1996. Thereafter, the Company issued 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, an amount which equals to the actual issuance, with the price of RMB5.40/share on 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.

III. GENERAL INFORMATION OF THE COMPANY (CONTINUED)

1. COMPANY PROFILE (CONTINUED)

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, fuel injection, other machineries and operating the business of finance company.

The direct controlling shareholder of the Company is YTO Group Corporation (hereinafter referred to as “China YTO”) and the ultimate controlling party of the Company is China National Machinery Industry Corporation (hereinafter referred to as “Sinomach”). China YTO and SinoMach are both the companies incorporated in China.

2. SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The scope of the Group’s consolidated financial statements covers 28 companies including the First Tractor Company Limited, YTO (Luoyang) Diesel Engine Co., Ltd., Luoyang Changxing Agricultural Machinery Co., Ltd., and YTO Finance Company Limited. Compared with the scope of the last period, because YTO (Luoyang) Diesel Engine Co., Ltd. consolidated YTO (Luoyang) Power Machinery Co., Ltd. by merger in this year, the scope of this period was reduced by one company. Please refer to the notes ‘VIII. Changes in scope of consolidation’ for details.

IV. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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 and the related provisions by the Ministry of Finance of the PRC (hereinafter collectively referred to as “the Accounting Standards for Business Enterprises”), 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), the disclosure requirements by Rules Governing the Listing of Securities issued by Hong Kong Exchange and Companies Ordinance, and the accounting policies and accounting estimates stated in the notes ‘V. Significant accounting policies and accounting estimates’.

2. GOING CONCERN

With the recent history of generating profit from operation and the financial resource support, the determination that the financial statements are prepared based on going concerns is reasonable and is in conformity with the Group’s actual operation.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. DECLARATION ON THE COMPLIANCE WITH ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The financial statements have been prepared by the Group in accordance with the Accounting Standards for Business Enterprises (ASBEs), and truly and fairly present the related information of the Group and the Company's financial position, operating results, changes of shareholders' equity and cash flows.

2. ACCOUNTING PERIOD

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

3. OPERATING CYCLE

The operating cycle of the Group is twelve months.

4. RECORDING CURRENCY

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

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

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

5. ACCOUNTING METHOD FOR BUSINESS COMBINATIONS UNDER THE COMMON CONTROL AND NOT UNDER THE COMMON CONTROL

The Group, as the acquirer, recognises acquired assets and liabilities under common control at the carrying amounts of the acquiree in the 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 is insufficient to be off-set, any excess is adjusted against retained earnings.

Identifiable assets, liabilities and contingent liabilities acquired through business combination not under the common control are recognised at their fair values at the acquisition date. The cost of business combination is the sum of cash paid, the 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 acquire (the cost of the combination is the sum of the cost of each individual transaction for enterprise consolidation realized through multiple steps of transactions). 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, firstly review the fair value of each identifiable net assets, liabilities and or contingent liabilities and the non-cash assets or issued equity securities as the consolidation of the combination. After the review, if the combination cost is still less than the entitled fair value of the net identifiable assets acquired from the acquiree under the combination, the remaining difference is recognized as non-operating income in the current profit or loss.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. PREPARATION METHOD OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Group's consolidation scope includes all the subsidiaries controlled.

If the accounting policies and accounting period that subsidiaries adopt are not in accordance with the ones of the Company, the financial statements of the subsidiaries should be adjusted based on the accounting policies and accounting period of the Company when the consolidated financial statements are prepared.

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 reported 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 the consolidation income statements.

For a 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 time point when the ultimate controlling party started to control.

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

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

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 of the joint operations, recognises assets and liabilities solely held and liabilities assumed by the Group, recognises assets and liabilities jointly owned proportionally, and recognises income and expenses solely or proportionally based on the related agreements. When the Company incurs asset transactions of purchase and sales not constituting to business transactions, the Company only recognizes the portion of profit or loss generated due to the transaction attributable to other parties of the joint operations.

8. DETERMINATION STANDARDS ON CASH AND CASH EQUIVALENTS

Cash in the cash flow statement of the Group indicates both cash on hand and the deposit held in bank which are available for payment at any time. Cash equivalents in the cash flow statement 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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. FOREIGN EXCHANGE TRANSLATION FOR FINANCIAL STATEMENTS

(1) Transactions involving foreign currencies

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

On the balance sheet date, the monetary items in foreign currency are translated into RMB at the spot exchange rate of the balance sheet date. Except for 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 or 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 or loss as a result of fair value change, or recognised as other comprehensive income and charged into capital reserves.

(2) Translation of the foreign currency financial statements

The asset and liability items in the foreign currency 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. The cash flows in foreign currencies are translated at the spot exchange rate at the date when the cash flows incurred. The impact amount of exchange rate fluctuations on cash and cash equivalents is separately presented in the statement of cash flow.

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

10. FINANCIAL ASSETS AND LIABILITIES

The Group recognized a financial asset or a financial liability in the balance sheet when the Group becomes a party of the contractual provisions of a financial instrument.

(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 or 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 are all recognized as profit or loss of the current period.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(1) Financial assets (CONTINUED)

1) The classification, recognition and measurement of financial assets (CONTINUED)

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.

2) Recognition and measurement basis of financial assets transfer

A financial asset is derecognised when any one of the following conditions is satisfied:

1) the rights to receive cash flows from the asset expire, 2) the financial asset has been transferred and the Group transfers substantially all risks and rewards relating to the financial assets to the transferee, 3) the financial asset has been transferred, and 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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(1) Financial assets (CONTINUED)

2) Recognition and measurement basis of financial assets transfer (CONTINUED)

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.

If the partial transfer of the financial assets meets the condition to terminate the recognition, the Company allocates the collective book value of the transferred financial asset between the portion terminated in recognition and the portion not terminated in recognition according to the fair value of each portion, and recognizes the difference between the aforementioned allocated book value and the sum of the consideration collected and the accumulative amount of change in the fair value recognized into the other comprehensive income allocated to the portion terminated in recognition into the current profit or loss.

V. 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 shows that a financial asset is impaired.

The available-for-sale stock assets of the Group are measured at fair value on balance sheet date. If the cost recognized on purchase price decreased by 50% or over 50%, or has continuously decreased over 12 months, then the Group will recognize the accumulated impairment according to the difference between cost and fair value at the end of the period.

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 (not including the 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 or 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 Shareholders' 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.

V. 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*

When the current obligations of the financial liabilities are entirely or partially released, the Company terminates to recognize the portion of released financial liabilities or obligations. When the Company signs an agreement with the creditors to replace the current financial liabilities by the method of assuming new financial liabilities, and that the new financial liabilities are substantially different in the contractual terms with the current financial liabilities, the Company derecognizes the current financial liabilities, and recognizes the new financial liabilities at the same time. When the Company makes substantial change to the entire or partial contractual terms of the current financial liabilities, the Company derecognizes the entire or the partial current financial liabilities, and recognizes the financial liabilities of which the terms are modified as new financial liabilities at the same time. The difference between the book value of the portion terminated in recognition and the consideration afforded is recognized into current profit or loss.

V. 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.

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

11. 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 recognizes account receivables in accordance to the fair value of the selling price stated in the contract signed or the amount negotiated with purchasers.

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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. RECEIVABLES (CONTINUED)

(1) Individually significant and provided for bad debts on individual basis

Judgment basis or amount standard of individually significant amount	Consider individual receivables above RMB5 million as the 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.
---	--

(2) Receivables that are accrued for bad debts on the basis of credit risk characteristics portfolios:

Basis for determination of portfolio (aging analysis, percentage of balance, and other methods)

Aging group	Accrued for bad debts based on the aging of receivables
Deposit and petty cash group	Do not accrue for bad debts

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

11. RECEIVABLES *(CONTINUED)*

(2) Receivables that are accrued for bad debts on the basis of credit risk characteristics portfolios: *(CONTINUED)*

Percentage of bad debts provision according to aging analysis method is as follows:

Aging	Proportion of accounts receivable (%)	Proportion of other receivable (%)
Within 1 year (including 1 year)	1.00–15.00	1.00–15.00
1–2 years	50.00	50.00
2–3 years	100.00	100.00
Over 3 years	100.00	100.00

(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

V. 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, stock goods, and projects costs etc.

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

Net realisable value of stock 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 the related taxes.

13. LONG-TERM EQUITY INVESTMENT

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

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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. LONG-TERM EQUITY INVESTMENT (CONTINUED)

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.

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 capital reserve. If the balance of capital reserve is insufficient, any excess is adjusted to retained earnings.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. LONG-TERM EQUITY INVESTMENT (CONTINUED)

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

For the equity investment to the investee entity not under the common control obtained by steps through multiple transactions, and forming enterprise combination ultimately, 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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. LONG-TERM EQUITY INVESTMENT (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.

For long term equity investment adopting cost method as the subsequent measurement, when investment increases, the increase of the book value of the long-term equity investment should be in accordance with the fair value of the cost of additional investment and the related transaction costs. The declared and distributed profit or cash dividend is recognized as investment income.

For long term equity investment adopting equity method as the subsequent measurement, the book value of the long term equity investment should be adjusted with an increase or decrease according to the change of the owner' equity of the investee entity. When recognizing the entitle portion in the net profit or loss in the investee company, the basis is the fair value of each identifiable assets of the investee entity obtained in the investment, according to the accounting policies and accounting period of the Group, and netted with the portion of profit or loss of the internal transactions entitled in the investee enterprise based on the calculation according to the shareholding percentage to be recognized after the adjustment to the net profit of the investee entity.

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 shareholders' equity, other than the net profit or loss, of the investee company, previously recorded in the shareholders' equity of the Company are recycled to investment income for the period on disposal.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. LONG-TERM EQUITY INVESTMENT (CONTINUED)

In the situation where the Company does not joint control or does not has significant influence over the investee company due to the reasons such as disposing a portion of the equity investment, the rest share equity after the disposal is classified as the available-for-sale financial asset. The difference between the fair value at the date when the Company lost the joint control or the impact of significant influence and the book value is recognized into the current profit or loss. The other comprehensive income of the previous equity investment recognized under the equity method is treated according to the accounting treatment same to the basis adopted by the investee company to directly dispose the relative assets or liabilities when terminating the adoption of equity method.

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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. LONG-TERM EQUITY INVESTMENT (CONTINUED)

For each transaction not belonged to a deal of package by steps through multiple disposals of equity investment to lose the right of control, the Group makes accounting treatment separately to each transaction. If belonged to a deal of package, the Group treats each transaction as one transaction to dispose a subsidiary and lose the right of control to make accounting treatment. Nonetheless, the difference between the consideration of disposal and the book value of the respective long term equity investment disposed for each transaction before losing the right of control is recognized into other comprehensive income. When reaching the lost of the right of control, the amount is transferred into the current period of profit or loss of the period losing the right of control.

14. INVESTMENT PROPERTIES

The investment properties of the Group referes to the real estates, which are held to earn rent by leasing out or held for capital appreciation, or for both of the purposes, including houses and buildings already rented out. The investment properties are measured by the adoption of cost model.

The investment properties of the Group are depreciated or amortized by the adoption of the straightline method. The estimated service life, the rate of the net residual value and the rate of annual depreciation (amortization) shall be referred to those of the fixed assets.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. FIXED ASSETS

(1) Recognition condition

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 the purpose of operating management.

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.

(2) Depreciation method

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 straight line method.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. FIXED ASSETS (CONTINUED)

(2) Depreciation method (CONTINUED)

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

Classification	Depreciation method	Depreciation period (year)	The rate of	Annual rate of depreciation (%)
			estimated residual value (%)	
Land	–	Long-term	–	–
Houses and buildings	Straight line method	10–30	5–10	3.00–9.50
Machinery and equipment	Straight line method	10–14	5–10	6.40–9.50
Transportation equipment	Straight line method	8–12	5–10	7.50–11.90
Electric and office equipment	Straight line method	5–8	5–10	11.30–19.00
Others	Straight line method	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, the changes will be treated as changes on accounting estimates.

V. 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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. BORROWING COST (CONTINUED)

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. Capitalization ratio is calculated based on the weighted average interest rate on general borrowings.

18. INTANGIBLE ASSETS

(1) Measurement method, useful life and impairment test

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. Amongst, 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 Company 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. For intangible asset obtained through the consolidation not under the common control from the acquiree which is owned by the acquiree but is not recognized in its financial statements, the intangible asset is recognized based on its fair value when initially recognizing the assets of the acquiree.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

18. INTANGIBLE ASSETS (CONTINUED)

(1) Measurement method, useful life and impairment test (CONTINUED)

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, the changes shall be treated as the changes to the accounting estimates.

The right to use on trade mark and the production permission has an 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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

18. INTANGIBLE ASSETS (CONTINUED)

(2) Accounting policies for internal research and development

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 or 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) There is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market;
- (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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

18. INTANGIBLE ASSETS (CONTINUED)

(2) Accounting policies for internal research and development (CONTINUED)

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 higher of 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.

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

19. IMPAIRMENT ON LONG-TERM ASSETS (*CONTINUED*)

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;
- (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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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 (not included 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.

(1) Accounting method for short-term remuneration

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 current period profit or loss based on different beneficiaries.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. EMPLOYEE BENEFITS (CONTINUED)

(2) Accounting method for post employment benefits

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.

(3) Accounting method for defined contribution plan

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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. EMPLOYEE BENEFITS (CONTINUED)

(4) Accounting method for termination benefits

Termination benefits refer to the compensation paid 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. For the situation where although the employee does not relieve the labor service contract with the Group, the employee will no longer provide services to the Group in the future and cannot bring economic benefits to the Group, the Group commits to provide the economic compensation with the nature of termination benefits, for instance the situation of “early retirement”. In such a situation, before the formal retirement date of the employee, the Group adopts the treatment according to the treatment to the termination benefits. While after the formal retirement date, the Group adopts the treatment according to the treatment of the welfare after the termination of service.

As to the situation of that the Group provides termination benefits to employees, the date when the Group cannot unilaterally withdraw the termination benefits provided to the employees due to the cancellation of labor relationship or layoff proposal, and the date when the Group recognizes the related restructuring costs or expenses which involve the payment of termination benefits, whichever is earlier, the liability of employee benefits generated from termination benefits is recognized, and is recognized into current period profit or loss.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. EMPLOYEE BENEFITS (CONTINUED)

(4) Accounting method for termination benefits (CONTINUED)

For termination plan of which the termination benefits which are expected not to be entirely paid after the twelve months of the end of the reporting period and the substantial termination work is completed within one year but the term to pay the compensation payment exceeds one year, the Group adopts the appropriate discounted rate and adopts the discounted amount to measure the amount of termination welfare that should be recognized into the current profit or loss.

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 the employee 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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. EMPLOYEE BENEFITS (CONTINUED)

(5) Accounting method for other long-term employment benefit

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 quailed 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 net amount will be recognized as profit and loss or costs to related assets for the current period.

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 recognize 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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. CONTINGENT LIABILITIES (CONTINUED)

Estimated liabilities are initially recognized at the most appropriate estimation of obligations by considering relative risks, uncertainties, and time value of the currency etc. If the effect from the time value of the currency is significant, the most appropriate estimation will be discounted into the present value. On each balance sheet date, the book value of estimated liabilities is reviewed, and adjusted to reflect the current best estimate if the book value changes.

23. REVENUE

The revenue of the Group is mainly derived from selling goods, rendering services and abalienating the right to use 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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. REVENUE (CONTINUED)

(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 actual labor cost already incurred divided by the total estimate costs.

When the amount of rendering could not be reliably measured, the amount of the labor cost which is actually incurred and estimated to be compensated is recognized into the service revenue from rendering of labor services. Meanwhile, the labor cost incurred is recognized as the current period expense. If the labor cost incurred is estimated not to be compensated, no revenue is recognized then.

(3) The revenue from transfer of asset use right

The revenue from the property alienation of the Group includes interest income and royalty fee. The revenue from transferring the asset use right is recognized when both the two conditions are met, namely that the related economic interests are likely to flow into the enterprise, and that the amount of revenue can be measured reliably. The amount of interest income is calculated according to the time and the actual interest rate at which other people use the monetary funds of the Group. The income amount from the asset use fee is determined by the calculation according to the relevant contract or agreement of the charging time and method.

V. 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 (RMB1 Yuan).

(1) The judgment basis and accounting method of government subsidy related to assets

The government grants related to assets are recognized as deferred revenue, and equally accounted into current profit or loss within the useful life.

(2) The judgment basis and accounting method of government subsidy related to revenue

The government grants related to revenue 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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25. DEFERRED TAX ASSETS/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.

V. 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.

(1) The accounting method of an operating lease

The Group, as a lessee of an operating lease, recognizes the 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.

(2) The accounting method of a finance lease

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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. SAFETY PRODUCTION COST

The Group accrues safety production cost and 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 deprecation shall be recognised in for this fixed asset in following periods.

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 consolidated into one single operating segment if they have similar economic characteristic and satisfy certain conditions.

Segment transfer price is determined by reference to the market price. Joint costs, except for those which are unable to be allocated reasonably, shall be allocated among segments based on ratio of income derived.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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.

30. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

None.

VI. TAXATION

Main categories of tax and tax rates

1. VALUE ADDED TAX (VAT)

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

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

Since 1 May 2016, when the Group rents out the real estate acquired before 30 April 2016, the Group can select the adoption of the simple tax calculation method with the applicable levy rate of 5%, and can also select the general tax calculation method with the applicable tax rate of 11%. When renting out the real estate acquired after 1 May 2016, the tax rate of 11% of the general tax calculation method is applied. When providing the finance and modern services, the Group is applied to the VAT tax rate of 6%.

Luoyang Tractor Research Institute Co., Ltd. is exempted from VAT on revenue from technology development according to the provisions of Caishui [2013] No. 106 Notice of Adding Railway Transport and Postal Industry to Pilot of Levying Business Tax instead of VAT and Caishui [2016] No. 36 Notice of a fully open to launch the pilot project of replacing the levy of business tax with a levy of value-added tax (VAT) by the Ministry of Finance and the State Administration of Taxation. 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 CAD Fund Machinery (SA) (Pty) Ltd, YTO France SAS and YITWO Agro-Industrial were registered overseas, the local tax rate is applied for VAT purpose.

VI. TAXATION (CONTINUED)

2. BUSINESS TAX

As for the revenue from service fee and etc. of the Group, the business tax is calculated and paid on 5% of the taxable income. According to the requirements of Notice of a fully open to launch the pilot project of replacing the levy of business tax with a levy of VAT (Caishui [2016] No. 36) jointly issued by the Ministry of Finance and the State Administration of Taxation, since 1 May 2016, a fully open to launch the pilot project of replacing the levy of business tax with a levy of of business tax with a levy of VAT nationwide. The industries of construction, real estate, finance, life services and all the other taxpayers of business tax are included in the scope of the pilot project. These industries change from paying business tax to paying VAT. Since then, the entire Group has implemented the change from paying business tax to paying VAT from 1 May 2016.

3. URBAN CONSTRUCTION AND MAINTENANCE TAX

Urban construction and maintenance tax is paid at 7% or 5% of the actual payment on turnover tax.

4. EDUCATION SURCHARGES

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

VI. TAXATION (CONTINUED)

5. ENTERPRISE INCOME TAX

As jointly approved by the Science and Technology Department and the Finance Department of Henan Province, the State Administration of Taxation and the local tax bureau, First Tractor Company Limited 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 the stipulations of Article 28 of Law of the People's Republic of China on Enterprise Income Tax.

Since the subsidiaries of the Company, CAD FUND MACHINERY (SA) (PTY) LTD., YTO France SAS and YTO Cote d'Ivoire Agricultural Machinery Assembly Co., Ltd were registered overseas, these companies pay income tax in accordance with local applicable tax rates.

The other subsidiaries of the Company are entitled to the 25% enterprise 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 calculated and paid in accordance with relevant provisions of the country.

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT

For the following disclosed financial statement data, except for otherwise indicated, 'Beginning balance' refers to 1 January 2016; 'Ending balance' refers to 30 June 2016; 'Current period' refers to the period from 1 January 2016 to June 30 2016; 'Last period' refers to the period from 1 January 2015 to June 30 2015, and the monetary unit is RMB.

1. MONETARY FUND

Item	Ending balance	Beginning balance
Cash on hand	1,561,333.67	983,395.10
Bank deposits	1,644,049,522.79	1,717,588,725.96
Other monetary funds	132,735,530.62	179,221,956.55
Total	1,778,346,387.08	1,897,794,077.61
Including: total amount deposited abroad	50,108,298.05	28,910,171.89

Notes: As of 30 June 2016, the restricted monetary fund of the Group is RMB142,212,058.60 (with the beginning balance of RMB207,508,650.29). The security deposit of acceptance notes is RMB108,897,046.61 (with the beginning balance of RMB153,702,064.13). Central bank deposit reserve is RMB21,504,536.15 (with the beginning balance of RMB39,541,027.43). Other security deposit is RMB11,810,475.84 (with the beginning balance of RMB14,265,558.73).

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

2. LENDINGS TO BANKS AND OTHER FINANCIAL INSTITUTIONS

(1) Analysis according to the type of transaction counterparty

Item	Ending balance	Beginning balance
Banks	0.00	0.00
Non-bank financial institutions	300,000,000.00	0.00
Total funds lent out	300,000,000.00	0.00
Impairment provision	0.00	0.00
Net amount of funds lent out	300,000,000.00	0.00

(2) Analysis according to the geographical area which transaction counterparty belonged to

Item	Ending balance	Beginning balance
Mainland China	300,000,000.00	0.00
Abroad	0.00	0.00
Total funds lent out	300,000,000.00	0.00
Impairment provision	0.00	0.00
Net amount of funds lent out	300,000,000.00	0.00

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

3. FINANCIAL ASSETS MEASURED AT FAIR VALUE WITH CHANGES IN VALUE RECOGNISED IN CURRENT PROFIT OR LOSS

Item	Ending balance	Beginning balance
Trading financial assets	35,988,383.56	44,865,981.64
Including: Investments in debt instruments	16,366,230.60	10,424,360.53
Investments in equity instrument	19,622,152.96	14,432,348.51
Others	0.00	20,009,272.60
Designated as financial assets measured at fair value and its movement recorded through profit or loss	110,900,000.00	370,000,000.00
Including: Investments in debt instruments	0.00	0.00
Investments in equity instrument	0.00	0.00
Others	110,900,000.00	370,000,000.00
Total	146,888,383.56	414,865,981.64

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

4. NOTES RECEIVABLE

(1) Notes receivable listed by category

Item	Ending balance	Beginning balance
Bank acceptance notes	553,722,048.52	603,725,168.22
Commercial acceptance bill	<u>22,828,773.98</u>	<u>25,870,508.49</u>
Total	<u><u>576,550,822.50</u></u>	<u><u>629,595,676.71</u></u>

(2) Notes receivable has been pledge by the Company at the end of the period

Item	Amount has been pledged by the end of the period
Bank acceptance notes	154,312,602.00
Commercial acceptance bill	<u>75,826,900.00</u>
Total	<u><u>230,139,502.00</u></u>

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

4. NOTES RECEIVABLE (CONTINUED)

(3) Notes receivable has been endorsed or discounted by the Company but not yet due at the end of the period:

Item	De-recognized at the end of the period	Continually recognized at the end of the period
Bank acceptance notes	820,562,857.58	0.00
Commercial acceptance bill	28,662,300.00	0.00
Total	849,225,157.58	0.00

(4) The Company does not have any note receivable being transferred to account receivable because of the inability to fulfil the contract by the issuers at the end of the period.

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

5. ACCOUNTS RECEIVABLE

(1) Accounts receivable

Item name	Ending balance	Beginning balance
Accounts receivable	1,285,448,708.83	1,365,434,680.04
Less: provision for bad debts	<u>555,321,346.12</u>	<u>518,842,621.72</u>
Net amount	<u><u>730,127,362.71</u></u>	<u><u>846,592,058.32</u></u>

(2) Aging analysis of accounts receivable

Aging	Ending balance	Beginning balance
Within 1 year	621,815,648.69	718,873,964.01
1–2 years	69,831,334.69	89,726,305.78
2–3 years	28,543,188.73	24,505,256.60
Over 3 years	<u>9,937,190.60</u>	<u>13,486,531.93</u>
Net amount	<u><u>730,127,362.71</u></u>	<u><u>846,592,058.32</u></u>

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

5. ACCOUNTS RECEIVABLE (CONTINUED)

(3) Disclosure of accounts receivable by category

Classification	Book balance		Ending balance		Book value
	Amount	Percentage (%)	Bad debt provision		
			Amount	Accrual percentage (%)	
Individually significant and provided for bad debts on individual basis	501,425,600.32	39.01	127,726,884.02	25.47	373,698,716.30
Receivables that are provided for bad debts on credit risk portfolio basis	763,724,137.59	59.41	418,059,701.67	54.74	345,664,435.92
Individually insignificant but provided for bad debts on individual basis	20,298,970.92	1.58	9,534,760.43	46.97	10,764,210.49
Total	1,285,448,708.83	100.00	555,321,346.12	/	730,127,362.71

Classification	Book balance		Beginning balance		Book value
	Amount	Percentage (%)	Bad debt provision		
			Amount	Accrual percentage (%)	
Individually significant and provided for bad debts on individual basis	497,166,498.52	36.41	126,507,886.80	25.45	370,658,611.72
Receivables that are provided for bad debts on credit risk portfolio basis	854,961,785.02	62.62	386,189,223.29	45.17	468,772,561.73
Individually insignificant but provided for bad debts on individual basis	13,306,396.50	0.97	6,145,511.63	46.18	7,160,884.87
Total	1,365,434,680.04	100.00	518,842,621.72	/	846,592,058.32

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

5. ACCOUNTS RECEIVABLE (CONTINUED)

(3) Disclosure of accounts receivable by category (CONTINUED)

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

Accounts receivable (by company)	Ending balance			Accrual reason
	Accounts receivable	Bad debt provision	Accrual percentage (%)	
CUBA TECNOIMPORT	314,416,829.92	9,083,505.89	2.89	Note
Ningxia Boxin Hengtong Mechanical Equipment Co., Ltd.	70,695,117.08	65,092,044.41	92.07	Note
Qiqihar Chen Nong Agricultural Machinery Co., Ltd.	23,350,980.00	15,000.40	0.06	Note
Shanxi Linfeng Construction Machinery Co., Ltd	22,406,357.05	22,406,357.05	100.00	Note
Tumoteyouqi Santian Mining Co., Ltd	16,973,653.72	10,846,686.35	63.90	Note
Shanxi Dongyuan Auto Sales Co., Ltd.	8,530,035.54	8,530,035.54	100.00	Note
Luoyang Jinjun Industry and Trade Co., Ltd.	8,159,333.32	8,159,333.32	100.00	Note
YTO (Luoyang) Zhongcheng Machinery Co., Ltd.	8,000,250.60	0.00	0.00	Note
CUBA TRANSIMPORT	6,123,068.72	82,845.12	1.35	Note
Fujin Hao Ran Agricultural Machinery Sales Co., Ltd.	6,061,158.01	3,506,958.01	57.86	Note
Keshan Weifang Small Tractor Co., Ltd.	5,975,996.36	4,117.93	0.07	Note
Longjiang County Shengli Agricultural Machinery Sales Co., Ltd.	5,722,847.00	0.00	0.00	Note
Tal'ai County Qiu Yang Agricultural Machinery Sales Co., Ltd.	5,009,973.00	0.00	0.00	Note
Total	501,425,600.32	127,726,884.02	/	/

Note: Based on the nature of the business, the Group conducts the test separately for customers with an individual balance of accounts receivable at the amount greater than RMB5 million. The assessed loss rate is adopted as the basis to accrue the amount of bad debt provision.

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

5. ACCOUNTS RECEIVABLE (CONTINUED)

(3) Disclosure of accounts receivable by category (CONTINUED)

2) Within the portfolios, accounts receivable that are provided for bad debts by aging analysis:

Aging	Ending balance		Accrual percentage (%)
	Accounts receivable	Bad debt provision	
Within 1 year	310,439,017.73	8,081,583.64	2.60
1-2 years	86,614,003.66	43,307,001.83	50.00
2-3 years	86,881,456.83	86,881,456.83	100.00
Over 3 years	279,789,659.37	279,789,659.37	100.00
Total	763,724,137.59	418,059,701.67	/

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

5. ACCOUNTS RECEIVABLE (CONTINUED)

(3) Disclosure of accounts receivable by category (CONTINUED)

3) *Accounts receivable that are individually insignificant but provided for bad debts on individual basis at the end of the period*

Accounts receivable (by company)	Ending balance			Note
	Accounts receivable	Bad debt provision	Accrual percentage (%)	
Henan Xiangyanghong Machinery Manufacturing Co., Ltd	4,222,000.00	3,592,300.00	85.09	Note
TUNISIA INTERPARTS	3,090,689.59	148,249.94	4.80	Note
Keshan County Dongfang Agricultural Machinery Co., Ltd.	2,700,005.17	0.00	0.00	Note
Luoyang Jiangyang Hardware Co., Ltd.	2,314,276.83	1,614,276.83	69.75	Note
Luoyang Glass Co., Ltd.	2,282,772.21	2,282,772.21	100.00	Note
ALGERIA SARL FABRIC MPORT EXPORT	1,397,193.84	69,859.69	5.00	Note
EGYPT ITMCO	1,184,738.15	1,184.74	0.10	Note
Nehe Hongjiang Agricultural Machinery Co., Ltd.	1,023,819.00	54.38	0.01	Note
Jixian County Zhengda Agricultural Machinery Co., Ltd.	639,647.89	565,847.89	88.46	Note
He, Jinjun	440,000.00	440,000.00	100.00	Note
Jiangsu Zhunti Machinery Manufacturing Co., Ltd.	383,452.00	383,452.00	100.00	Note
Tumoteyouqi Sidaogou Mining Co., Ltd.	282,262.75	282,262.75	100.00	Note
Haixi Boao Engineering Co., Ltd.	156,927.80	0.00	0.00	Note
Tongliao Yutai Automobile Trading Co., Ltd.	154,500.00	154,500.00	100.00	Note
Hulin Hong Shun Agricultural Machinery Sales Co., Ltd.	26,685.69	0.00	0.00	Note
Total	20,298,970.92	9,534,760.43	/	/

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

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

5. ACCOUNTS RECEIVABLE (CONTINUED)

(4) Situation of accrual, collection or reversal of bad debt provision in this period:

In this period, the amount of bad debt provision accrued is RMB81,202,513.03; in this period, the collection or reversal amount of bad debt provision is RMB43,539,858.87.

(5) There is no accounts receivable actually written off during the period.

(6) Accounts receivables with the top five ending balances classified according to debtors:

Company name	Relationship to the Company	Ending balance	Aging	Proportion in the ending balance of accounts receivable (%)
CUBA TECNOIMPORT	Non-related party	314,416,829.92	Within 1 year: RMB296,291,363.01; 1-2 years: RMB18,125,466.91	24.46
Liaoning Dongsheng Mechanized Equipment Co., Ltd.	Non-related party	82,726,534.55	1-2 years: RMB162,000.00, 2-3 years: RMB68,672,101.00, 3-4 years: RMB13,892,433.55	6.44
Ningxia Boxin Hengtong Mechanical Equipment Co., Ltd.	Non-related party	70,695,117.08	2-3 years: RMB69,563,660.80; 3-4 years: RMB1,131,456.28	5.50
Wulumuqi Shifeng Agricultural Machinery Co., Ltd.	Non-related party	65,548,300.91	2-3 years RMB29,226,840.00, 3-4 years RMB36,321,460.91	5.10
Changzhou Dongfeng Agricultural Machinery Group Co., Ltd. (Former Changzhou Tractor Plant)	Non-related party	36,674,401.45	Within 1 year	2.85
Total	/	570,061,183.91	/	44.35

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

6. ADVANCES TO SUPPLIERS

(1) Advances to suppliers listed by aging

Unit: Yuan Currency: RMB

Aging	Ending balance		Beginning balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	108,099,169.22	87.89	47,065,479.16	77.24
1-2 years	4,837,971.81	3.93	2,700,201.60	4.43
2-3 years	1,793,444.98	1.46	2,280,121.16	3.74
Over 3 years	8,257,489.81	6.72	8,887,496.93	14.59
Total	122,988,075.82	100.00	60,933,298.85	100.00

Notes to reason of significant advances to suppliers over 1 year and not settled in time:

The subsidiary of the Group, China-Africa Machinery Corp. paid Shanghai Pengpu Machinery Co., Ltd. RMB6,490,000.00 in advance, with the balance aging over 3 years. Because the transaction between the two parties has not been completed, the advance payment has not been transferred at the end of this period.

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

6. ADVANCES TO SUPPLIERS (CONTINUED)

(2) Details of the top five ending balances of the advances to suppliers classified according to the payees:

Company name	Ending balance	Aging	Percentage to the ending balance of the total advances to suppliers (%)
Shanghai Pengpu Machinery Co., Ltd.	6,490,000.00	Over 3 years	5.28
China Export and Credit Insurance Corporation Henan Branch	3,064,259.86	Within 1 year	2.49
Angang Steel Company Limited	2,165,292.39	Within 1 year	1.76
Beijing Jingwei HiRain Technologies Co., Ltd.	1,720,000.00	Within 1 year	1.40
Daye Special Steel Co., Ltd.	1,670,473.28	Within 1 year	1.36
Total	15,110,025.53	-	12.29

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

7. INTERESTS RECEIVABLE

(1) Classification of interests receivable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Interest of term deposits	7,821,211.52	1,878,611.11
Interest of funds lent out	213,333.33	0.00
Total	8,034,544.85	1,878,611.11

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

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

8. OTHER RECEIVABLES

(1) Disclosures on the classification of other receivables

Unit: Yuan Currency: RMB

Classification	Ending balance				
	Book balance		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Accrual percentage (%)	
Other receivables which are individually significant and 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 credit risk portfolio basis	84,178,571.45	100.00	15,131,938.30	17.98	69,046,633.15
Other receivables which are individually insignificant but provided for bad debts on individual basis	0.00	0.00	0.00	0.00	0.00
Total	84,178,571.45	/	15,131,938.30	/	69,046,633.15

Classification	Beginning balance				
	Book balance		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Accrual percentage (%)	
Other receivables which are individually significant and 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 credit risk portfolio basis	81,965,303.92	100.00	14,321,111.02	17.47	67,644,192.90
Other receivables which are individually insignificant but provided for bad debts on individual basis	0.00	0.00	0.00	0.00	0.00
Total	81,965,303.92	/	14,321,111.02	/	67,644,192.90

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

8. OTHER RECEIVABLES (CONTINUED)

(1) Disclosures on the classification of other receivables (CONTINUED)

- 1) *Within the portfolio, other receivables which are provided for bad debts by aging analysis:*

Aging	Ending balance		Accrual percentage (%)
	Other receivables	Bad debt provision	
Within 1 year	34,546,243.48	511,174.17	1.48
1-2 years	5,072,890.33	1,453,933.87	28.66
2-3 years	3,548,457.94	733,925.30	20.68
Over 3 years	14,116,686.03	12,432,904.96	88.07
Total	57,284,277.78	15,131,938.30	/

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

8. OTHER RECEIVABLES (CONTINUED)

(1) Disclosures on the classification of other receivables (CONTINUED)

2) *Within the portfolio, other receivables which are provided for bad debts by other methods*

Portfolio name	Ending balance		Accrual percentage (%)
	Other receivables	Bad debt provision	
Low risk portfolio of guarantee deposit and petty cash, etc.	26,894,293.67	0.00	0.00

(2) Situation of accrual, collection or reversal of bad debt provision in this period:

The amount of provision for bad debts accrued for the period is RMB1,128,409.98. The amount of bad debts received or reversed for the period is RMB317,582.70.

(3) There are no other receivables actually written off during the period.

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

8. OTHER RECEIVABLES (CONTINUED)

(4) Other receivables classified by nature

Nature of payment	Ending book balance	Beginning book balance
Receivables and payables between companies	43,361,917.36	44,037,517.32
Guarantee deposit and petty cash	13,101,782.46	10,171,007.22
Receivables of asset transfer payment	0.00	3,572,242.13
The collection and payment of social insurance on behalf of others	3,579,034.72	4,877,936.27
Others	9,003,898.61	4,985,489.96
Total	69,046,633.15	67,644,192.90

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

8. OTHER RECEIVABLES (CONTINUED)

(5) Situation of the other receivables with the top five ending balance classified by debtors:

Company name	Nature of payment	Ending balance	Aging	Percentage in the total ending balance of other receivables (%)	Ending balance of bad debt provision
Luoyang Jianxi District National Tax Bureau	Tax refund on exports	6,369,266.00	Within 1 year	7.57	0.00
Chen, Qingfeng	Transfer payment of stock equity	4,215,000.00	Within 1 year	5.01	0.00
YTO (Luoyang) Zhongcheng Machinery Co., Ltd.	Receivables and payables	3,234,075.82	Within 1 year	3.84	0.00
Haima Business Vehicle Co., Ltd	Deposit	2,700,000.00	1-2 years	3.21	0.00
Shanxi Heavy-Duty Truck Co., Ltd.	Deposit	2,002,000.00	Within 1 year RMB1,000.00, 1-2 years RMB2,001,000.00	2.38	0.00
Total	/	<u>18,520,341.82</u>	/	<u>22.01</u>	<u>0.00</u>

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

9. FINANCIAL ASSETS PURCHASED WITH AGREEMENT TO RE-SALE

Item	Ending balance	Beginning balance
Financial assets purchased with agreement to re-sale		
Domestic interbank	100,484,109.59	899,544,776.20
Domestic other financial institutions	0.00	0.00
Total	100,484,109.59	899,544,776.20

10. INVENTORIES

(1) Classification of inventories

Item	Ending balance			Beginning balance		
	Book balance	Price falling provision	Book value	Book balance	Price falling provision	Book value
Raw materials	493,882,749.95	46,680,968.00	447,201,781.95	520,878,427.01	42,485,078.39	478,393,348.62
Work in progress	294,012,412.78	17,216,139.14	276,796,273.64	335,089,344.27	21,090,101.39	313,999,242.88
Finished goods	445,982,491.40	34,174,142.63	411,808,348.77	402,192,537.54	35,242,101.16	366,950,436.38
Turnover materials	10,376,747.13	778,543.38	9,598,203.75	10,242,741.10	679,230.72	9,563,510.38
Total	1,244,254,401.26	98,849,793.15	1,145,404,608.11	1,268,403,049.92	99,496,511.66	1,168,906,538.26

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

10. INVENTORIES (CONTINUED)

(2) Inventories price falling provision

Item	Beginning balance	Amount increased in this period		Amount decreased in this period		Ending balance
		Accrual	Others	Reversed or written off	Others	
Raw materials	42,485,078.39	5,345,390.55	184,312.77	1,171,893.56	161,920.15	46,680,968.00
Work in progress	21,090,101.39	691,931.67	261,897.74	4,565,893.92	261,897.74	17,216,139.14
Finished goods	35,242,101.16	5,439,967.94	165,124.53	6,583,690.50	89,360.50	34,174,142.63
Turnover materials	679,230.72	99,312.66	0.00	0.00	0.00	778,543.38
Total	<u>99,496,511.66</u>	<u>11,576,602.82</u>	<u>611,335.04</u>	<u>12,321,477.98</u>	<u>513,178.39</u>	<u>98,849,793.15</u>

(3) Note to the amount of borrowing costs capitalization included in the ending balance of inventories:

None.

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

11. LOANS ISSUED AND ADVANCES PAID ON BEHALF OF OTHERS

(1) Distribution details of loans and receivables by individual and corporation

Item	Ending balance	Beginning balance
Individuals loans and advances	2,258,185.26	2,519,006.06
Credit cards	0.00	0.00
Property mortgages	116,185.26	139,006.06
Others	2,142,000.00	2,380,000.00
Corporate loans and advances	1,903,911,507.86	1,879,186,519.90
Loans	478,695,000.00	614,350,000.00
Discounting of notes	1,425,216,507.86	1,264,836,519.90
Others	0.00	0.00
Total of loans and advances	<u><u>1,906,169,693.12</u></u>	<u><u>1,881,705,525.96</u></u>
Less: Total loss provision of loans	27,597,480.09	22,087,888.51
Including: Individual accrual amount	0.00	0.00
Accrual amount by portfolios	<u>27,597,480.09</u>	<u>22,087,888.51</u>
Book value of loans and advances	<u><u>1,878,572,213.03</u></u>	<u><u>1,859,617,637.45</u></u>

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

11. LOANS ISSUED AND ADVANCES PAID ON BEHALF OF OTHERS (CONTINUED)

(2) Distribution details of loans and receivables by industry sectors

Distribution of industry	Ending balance	Percentage (%)	Beginning balance	Percentage (%)
Machinery manufacturing industry	1,903,911,507.86	99.88	1,879,186,519.90	99.87
Individual	2,258,185.26	0.12	2,519,006.06	0.13
	<u>1,906,169,693.12</u>	<u>100.00</u>	<u>1,881,705,525.96</u>	<u>100.00</u>
Less: Total loss provision of loans	27,597,480.09	1.45	22,087,888.51	1.18
Including: Individual accrual amount	0.00	0.00	0.00	0.00
Accrual amount by portfolios	27,597,480.09	1.45	22,087,888.51	1.18
	<u>1,878,572,213.03</u>	<u>98.55</u>	<u>1,859,617,637.45</u>	<u>98.82</u>

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

11. LOANS ISSUED AND ADVANCES PAID ON BEHALF OF OTHERS (CONTINUED)

(3) Distribution details of loans and receivables by geographic location

Regional distribution	Ending balance	Percentage (%)	Beginning balance	Percentage (%)
Northeast China	65,000,000.00	3.41	65,000,000.00	3.45
Central China	1,839,027,693.12	96.48	1,814,325,525.96	96.42
Northwest China	2,142,000.00	0.11	2,380,000.00	0.13
Total of loans and advances	<u>1,906,169,693.12</u>	<u>100.00</u>	<u>1,881,705,525.96</u>	<u>100.00</u>
Less: Total loss provision of loans	27,597,480.09	1.45	22,087,888.51	1.18
Including: Individual accrual amount	0.00	0.00	0.00	0.00
Accrual amount by portfolios	<u>27,597,480.09</u>	<u>1.45</u>	<u>22,087,888.51</u>	<u>1.18</u>
Book value of loans and advances	<u>1,878,572,213.03</u>	<u>98.55</u>	<u>1,859,617,637.45</u>	<u>98.82</u>

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

11. LOANS ISSUED AND ADVANCES PAID ON BEHALF OF OTHERS (CONTINUED)

(4) Distribution details of loans and receivables by type of credit enhancements

Item	Ending balance	Beginning balance
Credit loans	358,795,000.00	533,880,000.00
Guaranteed loans	77,900,000.00	72,870,000.00
Loans secured by collateral	1,469,474,693.12	1,274,955,525.96
Including: Mortgages	2,258,185.26	2,519,006.06
Pledged loans	1,467,216,507.86	1,272,436,519.90
Total of loans and advances	<u><u>1,906,169,693.12</u></u>	<u><u>1,881,705,525.96</u></u>
Less: Total loss provision of loans	27,597,480.09	22,087,888.51
Including: Individual accrual amount	0.00	0.00
Accrual amount by portfolios	<u>27,597,480.09</u>	<u>22,087,888.51</u>
Book value of loans and advances	<u><u>1,878,572,213.03</u></u>	<u><u>1,859,617,637.45</u></u>

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

11. LOANS ISSUED AND ADVANCES PAID ON BEHALF OF OTHERS (CONTINUED)

(5) Situation of total loan loss provision

Item	Amount of this period		Amount of last period	
	Individual	Portfolio	Individual	Portfolio
Beginning balance	0.00	22,087,888.51	0.00	20,667,398.16
Accrual in this period	0.00	5,509,591.58	0.00	1,420,490.35
Ending balance	0.00	27,597,480.09	0.00	22,087,888.51
	=====	=====	=====	=====

12. OTHER CURRENT ASSETS

Item	Ending balance	Beginning balance
Deferred expenses	5,198,390.85	329,857.61
Structured deposit	54,000,000.00	75,000,000.00
Prepaid enterprise income tax	3,790,111.78	11,098,564.72
Financial product	800,000,000.00	382,000,000.00
Total	862,988,502.63	468,428,422.33
	=====	=====

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

(1) Situation of available-for-sale financial assets

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Debt instrument available-for-sale:	0.00	0.00	0.00	0.00	0.00	0.00
Equity instrument available-for-sale:	62,751,300.00	0.00	62,751,300.00	71,305,200.00	0.00	71,305,200.00
Measured at fair value	62,751,300.00	0.00	62,751,300.00	71,305,200.00	0.00	71,305,200.00
Measured at cost	0.00	0.00	0.00	0.00	0.00	0.00
Others:	197,252,141.41	9,122,800.00	188,129,341.41	197,252,141.41	9,122,800.00	188,129,341.41
Total	260,003,441.41	9,122,800.00	250,880,641.41	268,557,341.41	9,122,800.00	259,434,541.41

(2) Available-for-sale financial assets measured at fair value at the end of the period

Classification of available-for-sale financial assets	Equity instrument available-for-sale	Debt instrument available-for-sale	Others	Total
Cost of equity instruments/Amortized cost of debt instruments	34,719,818.18	0.00	0.00	34,719,818.18
Fair value	62,751,300.00	0.00	0.00	62,751,300.00
Accumulated other comprehensive income				
from changes on fair value	28,031,481.82	0.00	0.00	28,031,481.82
Impairment amount accrued	0.00	0.00	0.00	0.00

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

(3) Available-for-sale financial assets measured at cost at the end of the period

Invested entity	Book balance			Ending balance	Impairment provision			Ending balance	Shareholding percentage in the invested company (%)	Cash dividend in the current period
	Beginning balance	Increase in the period	Decrease in the period		Beginning balance	Increase in the period	Decrease in the period			
Beijing Zhongnongwang Technology Co., Ltd. (Note 1)	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. (Note 2)	1,400,000.00	0.00	0.00	1,400,000.00	1,400,000.00	0.00	0.00	1,400,000.00	7.00	0.00
YTO (Luoyang) Dongfanghong Tire Co., Ltd. (Note 2)	800,000.00	0.00	0.00	800,000.00	800,000.00	0.00	0.00	800,000.00	3.11	0.00
Luoyin Financial Leasing Co., Ltd.	110,000,000.00	0.00	0.00	110,000,000.00	0.00	0.00	0.00	0.00	6.875	0.00
Bank of Luoyang Co., Ltd	78,129,341.41	0.00	0.00	78,129,341.41	0.00	0.00	0.00	0.00	4.89	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
Total	197,252,141.41	0.00	0.00	197,252,141.41	9,122,800.00	0.00	0.00	9,122,800.00	/	0.00

Note 1: Beijing Zhongnongwang Technology Co., Ltd. has been in the status of discontinued operations. The Group is no longer involved in the operation and liquidation of the company and drew the assigned staff back. Full impairment has been provided for the investment in the company.

Note 2: Because the operation of Nanyang Xiangrui Agricultural Equipment Co., Ltd., YTO (Luoyang) Dongfanghong Tire Co., Ltd. and Luoyang Bofeng Bearing Co., Ltd. is not well, the Group has provided the full amount of the impairment provision on the investments in these companies.

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

(4) Situation of changes of provision for impairment of available-for-sale financial assets during reporting period

Classification of available-for-sale financial assets	Available-for-sale equity instruments	Available-for-sale debt instruments	Others	Total
Beginning balance of provision for impairment	0.00	0.00	9,122,800.00	9,122,800.00
Accrual in this period	0.00	0.00	0.00	0.00
Including: Transfer from other comprehensive income	0.00	0.00	0.00	0.00
Decrease in this period	0.00	0.00	0.00	0.00
Including: Reversal from the raise of fair value afterwards	0.00	0.00	0.00	0.00
Ending balance for impairment accrued	0.00	0.00	9,122,800.00	9,122,800.00
	=====	=====	=====	=====

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

14. INVESTMENTS HELD TO MATURITY

(1) Situation of investments held to maturity:

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Bond	113,818,833.00	28,111,129.35	85,707,703.65	0.00	0.00	0.00
Total	113,818,833.00	28,111,129.35	85,707,703.65	0.00	0.00	0.00

(2) Significant ending balance of investments held to maturity:

BondItem	Book value	Coupon rate	Effective interest rate	Maturity date
Short term financing bond 15 Guoyu Logistics CP001	50,000,000.00	7.00%	7.60%	2016/8/6
Short term financing bond 15 Guoyu Logistics CP002	10,000,000.00	7.00%	7.50%	2016/10/28
Short term financing bond 15 Guoyu Logistics CP002	30,000,000.00	7.00%	8.00%	2016/10/28
Corporate bond 16 Luo Municipal	20,000,000.00	7.50%	7.50%	2019/6/3
Total	110,000,000.00	/	/	/

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

15. LONG-TERM EQUITY INVESTMENTS

Invested company	Beginning balance	Additional investment	Reduced investment	Changes of increase or decrease in this period						Ending balance of impairment provision	
				Investment profit/loss recognition based on equity method	Adjustment of other comprehensive income	Other equity changes	Declared cash dividends/profit	Impairment provision accrued	Others		
I. 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
II. Associate enterprises	157,644,710.16	0.00	0.00	8,355,269.81	0.00	0.00	2,940,000.00	0.00	-7,083,705.01	155,966,274.96	7,004,515.65
ZF & YTO (Luoyang) Drive Axle Co., Ltd.	142,444,910.59	0.00	0.00	8,438,646.75	0.00	0.00	2,940,000.00	0.00	0.00	147,843,557.34	0.00
YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd.	1,021,539.70	0.00	0.00	-61,635.91	0.00	0.00	0.00	0.00	0.00	959,703.79	0.00
Luoyang Fusaite Auto Co., 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.	60,039.21	0.00	0.00	-21,541.03	0.00	0.00	0.00	0.00	0.00	58,498.18	0.00
Luoyang Yongwei Machinery Co., Ltd. (Note 2)	7,093,705.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-7,083,705.01	0.00	0.00
Total	<u>173,844,710.16</u>	<u>0.00</u>	<u>0.00</u>	<u>8,355,269.81</u>	<u>0.00</u>	<u>0.00</u>	<u>2,940,000.00</u>	<u>0.00</u>	<u>-7,083,705.01</u>	<u>172,166,274.96</u>	<u>23,204,515.65</u>

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

Note 2: During the reporting period, the subsidiary of the Company, (Luoyang) Flag Auto-Body Company Limited and the natural person Chen, Qingfeng signed the stock equity transfer agreement. YTO (Luoyang) Flag Auto-Body Company Limited transferred the owned 48.6% stock equity of Luoyang Yongwei Machinery Co., Ltd. to Chen, Qingfeng at the price of RMB7.2150 million. The stock equity transaction price is based on the assessed net assets value of Luoyang Yongwei Machinery Co., Ltd. as of 30 November 2015. By 30 November 2015, the net asset was RMB14.8456 million, which was assessed by China United Assets Appraisal Group. Luoyang Yongwei Machinery Co., Ltd. has completed the business registration change procedure on 15 July 2016.

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

16. FIXED ASSETS

(1) Situation of fixed assets

Item	Land	Houses and buildings	Machinery and equipment	Transportation equipment	Electronic and office equipment	Other equipment	Total
I. Book value							
1. Beginning balance	7,329,341.60	2,030,160,497.00	3,544,583,720.27	55,214,326.94	132,284,803.13	12,877,809.94	5,782,450,498.88
2. Amount increased in this period	282,106.77	5,854,153.45	52,411,295.41	2,902,945.03	1,641,132.99	270,524.98	63,362,158.63
(1) Purchase	0.00	23,124.29	3,291,090.04	614,147.54	262,806.07	0.00	4,191,167.94
(2) Transferred in from construction in progress	0.00	5,763,769.25	47,481,483.96	2,288,797.49	1,328,137.04	172,398.02	57,034,585.76
(3) Others	282,106.77	67,259.91	1,638,721.41	0.00	50,189.88	98,126.96	2,136,404.93
3. Amount decreased in this period	0.00	4,999,344.48	17,402,945.60	2,060,320.18	1,073,617.20	0.00	25,536,227.46
(1) Disposal or scrap	0.00	4,957,002.61	17,402,945.60	2,060,320.18	1,073,617.20	0.00	25,493,885.59
(2) Others	0.00	42,341.87	0.00	0.00	0.00	0.00	42,341.87
4. Ending balance	7,611,448.37	2,031,015,305.97	3,579,592,070.08	56,056,951.79	132,852,318.92	13,148,334.92	5,820,276,430.05
II. Accumulated depreciation							
1. Beginning balance	0.00	775,281,217.29	2,014,764,265.11	31,167,457.01	68,301,144.67	7,730,667.16	2,897,244,751.24
2. Amount increased in this period	0.00	31,578,336.21	109,223,104.35	2,222,458.81	4,133,086.82	344,096.17	147,501,062.36
(1) Accrual	0.00	31,568,644.32	108,577,553.54	2,222,458.81	4,129,155.58	302,614.17	146,800,426.42
(2) Others	0.00	9,691.89	645,550.81	0.00	3,911.24	41,482.00	700,635.94
3. Amount decreased in this period	0.00	4,608,154.33	15,450,026.46	1,474,185.18	972,306.00	0.00	22,504,671.97
(1) Disposal or scrap	0.00	4,608,154.33	15,450,026.46	1,474,185.18	972,306.00	0.00	22,504,671.97
(2) Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Ending balance	0.00	802,251,399.17	2,108,537,343.00	31,915,730.64	71,461,905.49	8,074,763.33	3,022,241,141.63
III. Impairment provision							
1. Beginning balance	0.00	1,500.00	18,223,290.85	11,663.13	0.00	207,849.68	18,444,303.66
2. Amount increased in this period	0.00	0.00	1,268,688.96	110,174.75	0.00	0.00	1,378,863.71
(1) Accrual	0.00	0.00	1,268,688.96	110,174.75	0.00	0.00	1,378,863.71
3. Amount decreased in this period	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(1) Disposal or scrap	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	19,491,979.81	121,837.88	0.00	207,849.68	19,823,167.37
IV. Book value							
1. Ending balance of book value	7,611,448.37	1,228,762,406.80	1,451,562,747.27	24,019,383.27	61,390,413.43	4,865,721.91	2,778,212,121.05
2. Beginning balance of book value	7,329,341.60	1,254,877,779.71	1,511,596,164.31	24,035,206.80	63,983,658.46	4,939,293.10	2,866,761,443.98

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

16. FIXED ASSETS (CONTINUED)

(1) Situation of fixed assets (CONTINUED)

Note: The depreciation amount of fixed assets recognized as profit or loss for the period is RMB146,800,426.42.

Addition on fixed assets includes RMB57,034,585.74 transferred from construction in progress.

The profit on sale of fixed asset in the current period is RMB-198,562.61.

In the ending balance of the current period, the original cost of fixed assets that have been fully depreciated but still in use is RMB1,187,065,020.48.

(2) Fixed assets leased out under operating leases

Item

Houses and buildings

Machinery and equipment

**Ending balance
of book value**

63,106,589.99

61,573.80

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

16. FIXED ASSETS (CONTINUED)

(3) Fixed assets with formalities of property rights transfer still in progress

Item	Book value	Reason of the formalities of property rights not yet completed
YTO Industrial Park staff dining hall three-layer frame	5,815,524.96	Is still in progress and expected to finalise in December 2016.
Main factory house and office building of subsidiary Fulaige Zhengzhou Branch	14,037,366.81	Land title was obtained in April 2012. Administration Committee of Economic Development Zone and Haima 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 at the end.
Subsidiary transportation machinery plant and office building	16,706,912.96	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 tax amount of this payment is relatively large. The entity suffers losses in successive years and is unable to bear. Therefore, the property ownership certificate application is still in progress.
Subsidiaries Jiangyan power 100 thousand light diesel engine phase one plant	18,459,664.42	The land property certificate corresponding to the real estate property has not been completed.

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

17. CONSTRUCTION IN PROGRESS

(1) Situation of construction in progress

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Core capacity upgrading project on new wheeled tractor	184,540,340.09	0.00	184,540,340.09	181,656,589.97	0.00	181,656,589.97
Agricultural high-power diesel engine project (phase two)	160,673,706.45	0.00	160,673,706.45	160,110,988.49	0.00	160,110,988.49
New giant parts workshop of No. 3 Assembling Factory	68,272,685.79	0.00	68,272,685.79	68,002,643.08	0.00	68,002,643.08
Cylinder old line reconstruction project	9,110,117.95	0.00	9,110,117.95	14,615,143.64	0.00	14,615,143.64
Technique measures project	10,362,664.26	0.00	10,362,664.26	16,231,226.80	0.00	16,231,226.80
France project construction in progress	10,031,791.39	6,062,967.50	3,968,803.89	7,576,695.24	5,981,106.34	1,595,588.90
Technical innovation project to raise the quality of P type fuel injector and P type fuel injection pump	5,596,360.53	0.00	5,596,360.53	5,596,360.53	0.00	5,596,360.53
Quality improvement of heat treatment	8,427,800.33	0.00	8,427,800.33	6,597,049.23	0.00	6,597,049.23
Command and display center project	2,168,589.30	0.00	2,168,589.30	2,168,589.30	0.00	2,168,589.30
400 and LF904 welding automatic production line	4,500,002.42	0.00	4,500,002.42	4,072,651.99	0.00	4,072,651.99
Electrophoresis line	4,571,112.96	0.00	4,571,112.96	4,571,112.96	0.00	4,571,112.96
Plant foundation	2,224,411.39	0.00	2,224,411.39	2,224,411.39	0.00	2,224,411.39

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

17. CONSTRUCTION IN PROGRESS (CONTINUED)

(1) Situation of construction in progress (CONTINUED)

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Environmental protection facilities upgrading and transformation of dust collector	1,124,244.80	0.00	1,124,244.80	2,283,435.16	0.00	2,283,435.16
Project of logistics service building and disassembly and assembly room	4,837,001.94	0.00	4,837,001.94	3,450,616.05	0.00	3,450,616.05
Company technical reform project	10,726,541.49	0.00	10,726,541.49	17,543,913.97	0.00	17,543,913.97
Public rental housing project	39,052,949.20	0.00	39,052,949.20	38,397,949.20	0.00	38,397,949.20
Double disks cooler	1,359,404.71	0.00	1,359,404.71	0.00	0.00	0.00
Sand core coating surface drying furnace	1,349,683.76	0.00	1,349,683.76	0.00	0.00	0.00
Robot reconstruction project	2,442,735.04	0.00	2,442,735.04	0.00	0.00	0.00
Pouring machine	1,792,820.60	0.00	1,792,820.60	0.00	0.00	0.00
Others	100,538,124.18	8,533,977.20	92,004,146.98	92,805,118.39	8,533,977.20	84,271,141.19
Total	633,703,088.58	14,596,964.70	619,106,123.88	627,904,495.39	14,515,083.54	613,389,411.85

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

17. CONSTRUCTION IN PROGRESS (CONTINUED)

(2) Situation of changes in the significant construction in progress projects in the current period

Project name	Budget	Beginning balance	Amount increased in this period	Amount transferred into fixed assets in the period	Amount of other decrease in the period	Ending balance	Percentage of actual project investment to budget (%)	Rate of progress (%)	Accumulated capitalization of interest	Including: Capitalization of interest in this period	Interest capitalization rate in this period (%)	Sources of funds
Core capacity upgrading project on new wheeled tractor	596,300,000.00	181,656,589.97	10,682,314.32	7,798,564.20	0.00	184,540,340.09	81.00	90.00	0.00	0.00	0.00	Fund-raising and self-funded
Agricultural high-power diesel engine project (phase two)	199,000,000.00	160,110,988.49	582,717.96	0.00	0.00	160,673,706.45	97.79	80.00	12,829,031.02	0.00	4.404-9.9	Fund-raising and self-funded
New giant parts workshop of No. 3 Assembling Factory	83,000,000.00	68,002,643.08	1,136,196.66	866,163.85	0.00	68,272,685.79	87.28	85.00	0.00	0.00	0.00	Self-funded
Cylinder old line reconstruction project	46,000,000.00	14,615,143.64	341,128.17	5,846,163.86	0.00	9,110,117.95	99.00	99.00	0.00	0.00	0.00	Self-funded
Technique measures project	43,709,000.00	16,231,226.80	6,225,411.22	12,083,973.76	0.00	10,382,664.26	70.00	70.00	0.00	0.00	0.00	Self-funded
France project construction in progress	33,132,624.73	7,576,685.24	3,758,909.42	1,303,813.27	0.00	10,031,791.39	9.79	9.79	0.00	0.00	0.00	Self-funded
Technical innovation project to raise the quality of P type fuel injector and P type fuel injection pump	126,000,000.00	5,586,360.53	0.00	0.00	0.00	5,586,360.53	31.00	31.00	0.00	0.00	0.00	Self-funded
Quality improvement of heat treatment	14,800,000.00	6,597,049.23	1,830,751.10	0.00	0.00	8,427,800.33	88.24	90.00	0.00	0.00	0.00	Self-funded
Command and display center project	3,980,000.00	2,168,589.30	0.00	0.00	0.00	2,168,589.30	80.00	80.00	0.00	0.00	0.00	Self-funded
400 and LF904 welding automatic production line	6,275,000.00	4,072,651.99	427,350.43	0.00	0.00	4,500,002.42	72.00	72.00	0.00	0.00	0.00	Self-funded
Electrophoresis line	2,800,000.00	4,571,112.96	0.00	0.00	0.00	4,571,112.96	53.29	53.29	0.00	0.00	0.00	Self-funded
Plant foundation	3,268,000.00	2,224,411.39	0.00	0.00	0.00	2,224,411.39	73.55	73.55	0.00	0.00	0.00	Self-funded
Environmental protection facilities upgrading and transformation of dust collector	7,890,000.00	2,283,435.16	1,743,414.09	2,902,604.45	0.00	1,124,244.80	80.00	80.00	0.00	0.00	0.00	Self-funded
Project of logistics service building and disassembly and assembly room	4,900,000.00	3,450,616.05	2,208,553.16	822,167.27	0.00	4,837,001.94	99.00	99.00	0.00	0.00	0.00	Self-funded
Company technical reform project	805,817,300.00	17,543,913.97	2,313,208.43	9,130,581.91	0.00	10,726,541.49	22.65	22.65	0.00	0.00	0.00	Fund-raising and self-funded
Public rental housing project	90,000,000.00	38,397,949.20	655,000.00	0.00	0.00	39,052,949.20	43.00	55.00	0.00	0.00	0.00	Self-funded
Double disks cooler	2,100,000.00	0.00	1,359,404.71	0.00	0.00	1,359,404.71	64.73	50.00	0.00	0.00	0.00	Self-funded

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

17. CONSTRUCTION IN PROGRESS (CONTINUED)

(2) Situation of changes in the significant construction in progress projects in the current period (CONTINUED)

Project name	Budget				Percentage of actual project investment to budget		Rate of progress (%)	Accumulated capitalization of interest	Including: Capitalization of interest in this period	Interest capitalization rate in this period (%)	Sources of funds
Sand core coating surface drying furnace	4,250,000.00	0.00	1,349,683.76	0.00	0.00	1,349,683.76	31.76	30.00	0.00	0.00	Self-funded
Robot reconstruction project	21,650,000.00	0.00	2,442,735.04	0.00	0.00	2,442,735.04	11.28	30.00	0.00	0.00	Self-funded
Pouring machine	21,680,000.00	0.00	1,792,820.60	0.00	0.00	1,792,820.60	8.27	30.00	0.00	0.00	Self-funded
Other	/	92,805,118.39	28,837,525.37	16,890,989.24	4,213,530.34	100,538,124.18	/	/	/	/	/
Total	2,126,551,924.73	627,904,495.39	67,667,125.34	57,655,001.81	4,213,530.34	633,703,086.58	/	/	12,829,031.02	0.00	/

(3) Situation of the accrual of impairment provision in the construction in progress in this period:

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Tractor line project	5,981,106.34	81,881.16	0.00	6,062,987.50
Others	8,533,977.20	0.00	0.00	8,533,977.20
Total	14,515,083.54	81,881.16	0.00	14,596,964.70

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

18. INTANGIBLE ASSETS (CONTINUED)

(2) Situation of land use right which has not yet obtained the property license:

Item	Book value	Reason for not obtaining property license
East side of Jing Wu Road, Jiang Yan City	522,101.31	Procedures not completed

19. GOODWILL

(1) Book value of goodwill

Name of investee or matters forming goodwill	Beginning balance	Increase in this period		Decrease in this period		Ending balance
		Formed from 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
Total	14,297,893.81	0.00	0.00	0.00	0.00	14,297,893.81

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

19. GOODWILL (CONTINUED)

(2) Impairment provision of goodwill

Unit: Yuan Currency: RMB

Name of investee or matters forming goodwill	Beginning balance	Increase in this period		Decrease in this period		Ending balance
		Accrual	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
Total	14,297,893.81	0.00	0.00	0.00	0.00	14,297,893.81

20. LONG-TERM DEFERRED EXPENSES

Unit: Yuan Currency: RMB

Item	Beginning balance	Amount	Amortization	Other	Ending balance
		increased in this period	amount in this period	decrease amount	
Right to the use of patent	81,908.82	0.00	10,683.76	0.00	71,225.06
Mould amortization	24,274,292.65	5,800,430.14	4,148,820.93	0.00	25,925,901.86
Maintenance cost	8,889,080.40	1,229,673.64	1,268,850.36	0.00	8,849,903.68
Others	802,587.04	78,307.69	244,711.80	0.00	636,182.93
Total	34,047,868.91	7,108,411.47	5,673,066.85	0.00	35,483,213.53

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

21. DEFERRED TAX ASSETS/DEFERRED TAX LIABILITIES

(1) Deferred tax assets recognized

Unit: Yuan Currency: RMB

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for asset impairment	47,024,264.31	8,420,170.80	39,617,298.67	6,979,960.53
Deductible tax losses	206,520,652.06	68,833,333.33	200,672,323.24	66,221,866.67
Termination welfare	17,257,117.79	2,741,607.53	19,897,178.46	3,139,632.22
Wages payable and accrued expense	133,981,970.31	24,221,029.47	91,758,115.52	19,360,902.06
Deferred revenue	89,372,141.11	13,405,821.17	95,482,307.78	14,322,346.17
Total	494,156,145.58	117,621,962.30	447,427,223.67	110,024,707.65

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

21. DEFERRED TAX ASSETS/DEFERRED TAX LIABILITIES (CONTINUED)

(2) Deferred tax liabilities recognized

Unit: Yuan Currency: RMB

Item	Ending balance		Beginning balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Assets appreciation for business combination not under the common control	189,510,613.59	31,765,137.29	131,091,643.65	32,772,910.91
Fair value change of available-for-sale financial assets	28,031,481.82	4,718,202.27	36,585,381.82	6,374,727.27
Valuation of financial instruments held for trading and derivatives	2,385,316.29	596,329.06	1,438,404.58	359,601.14
Total	219,927,411.70	37,079,668.62	169,115,430.05	39,507,239.32

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

21. DEFERRED TAX ASSETS/DEFERRED TAX LIABILITIES (CONTINUED)

(3) Deductible temporary difference that are not recognized as deferred tax assets

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Bad debt provision	572,520,825.36	535,696,325.64
Inventories price falling provision	51,825,528.84	59,879,212.99
Impairment provision of long-term equity investments	23,204,515.65	23,204,515.65
Impairment provision of available-for-sale financial assets	9,122,800.00	9,122,800.00
Impairment provision of held-to-maturity investments	28,111,129.35	0.00
Impairment provision of goodwill	14,297,893.81	14,297,893.81
Impairment provision of fixed assets	19,823,167.37	18,444,303.66
Impairment provision of construction in progress	14,596,964.70	14,515,083.54
Impairment provision of loans issued and advances paid on behalf of others	27,597,480.09	22,087,888.51
Deductible tax losses	377,877,000.58	336,337,825.41
Total	1,138,977,305.75	1,033,585,849.21

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

21. DEFERRED TAX ASSETS/DEFERRED TAX LIABILITIES (CONTINUED)

(4) Deductible losses unrecognized as deferred tax assets due which will be due in the following years

Unit: Yuan Currency: RMB

Year	Ending balance	Beginning balance	Note
Year of 2016	31,210,989.09	31,210,989.09	-
Year of 2017	20,324,715.49	20,324,715.49	-
Year of 2018	71,231,299.70	71,231,299.70	-
Year of 2019	92,771,757.23	92,771,757.23	-
Year of 2020	120,394,575.19	120,799,063.90	-
Year of 2021	41,943,663.88	0.00	-
Total	377,877,000.58	336,337,825.41	/

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

22. SHORT TERM LOANS

(1) Classification of short term loans

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Pledged loans	184,475,828.94	376,890,220.10
Mortgaged loans	70,000,000.00	70,000,000.00
Guaranteed loans	110,625,000.00	83,013,840.00
Credit loans	1,297,412,201.14	1,409,050,885.16
Total	<u><u>1,662,513,030.08</u></u>	<u><u>1,938,954,945.26</u></u>

Situation of the pledged loans: The ending balance includes the short-term loan borrowed by the subsidiary of the Group YTO Group Financing Co., Ltd from the People's Bank of China Luoyang Branch at the amount of RMB184,475,828.94, with the pledged bank acceptance and commercial acceptance bill as collateral.

Situation of the mortgage loans: The ending balance includes the short-term loan borrowed by the subsidiary of the Group, Changtuo Agriculture Equipment Co., Ltd. from Jilin Bank Dong Sheng Branch at the amount of RMB70,000,000.00, having the building and land use right with the original cost of RMB100,098,120.94 as mortgage.

Situation of the guaranteed loans: The ending balance includes the short term loans borrowed by the subsidiary of the Group, YTO (France) Agriculture Co., Ltd. at the amount of EUR15 million, with the amount converted into RMB110,625,000.00 from the Industrial and Commercial Bank of China Paris Branch, for which the Company was the guarantor.

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

23. DEPOSITS ABSORBED AND DEPOSITS IN OTHER FINANCIAL INSTITUTES

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Savings	195,834,297.47	395,974,994.52
Including: Corporate	195,567,812.63	395,713,195.29
Individual	266,484.84	261,799.23
Term deposits (including notice deposits)	111,373,361.86	131,238,704.61
Including: Corporate	111,373,361.86	131,238,704.61
Individual	0.00	0.00
Other deposits (including outward remittance, remittance payable, etc.)	0.00	0.00
Total	307,207,659.33	527,213,699.13

24. BORROWED FUNDS

Classification	Ending balance	Beginning balance
Borrowings from banks	0.00	350,000,000.00
Borrowings from other financial institutions	0.00	0.00
Total	0.00	350,000,000.00

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

25. NOTES PAYABLE

Unit: Yuan Currency: RMB

Categories	Ending balance	Beginning balance
Bank acceptance notes	1,009,225,567.77	1,142,243,667.86
Commercial acceptance notes	58,120,962.07	157,560,696.33
Total	1,067,346,529.84	1,299,804,364.19

26. ACCOUNTS PAYABLE

(1) Listing of accounts payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Purchase payable	1,767,510,549.13	1,370,467,578.02
Construction materials payable	128,572,798.76	128,465,813.34
Service fee payable	10,045,689.28	23,535,898.88
Others	9,815,594.17	4,277,702.74
Total	1,915,944,631.34	1,526,746,992.98

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

26. ACCOUNTS PAYABLE (CONTINUED)

(2) Aging analysis of accounts payable

Item	Ending balance	Beginning balance
Within 1 year	1,758,266,209.87	1,381,275,324.73
1–2 years	73,659,795.39	73,232,449.45
2–3 years	30,387,885.88	28,024,357.56
Over 3 years	53,630,740.20	44,214,861.24
Total	1,915,944,631.34	1,526,746,992.98

(3) Accounts payable with significant amount aged over 1 year

Unit: Yuan Currency: RMB

Item	Ending balance	Reason of outstanding or carried over
SCIVIC Engineering Corporation	9,577,567.00	Unsettled
Zhangjiagang Bonded Area Yetai International Trade Co., Ltd	6,976,852.39	Unsettled
Ethiopia DANA	6,114,108.71	Unsettled
Shandong Huashan Tractor Manufacture Co., Ltd.	3,252,711.28	Unsettled
Henan Kexing Construction Co., Ltd.	2,885,129.88	Unsettled
Total	28,806,369.26	–

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

27. ADVANCES FROM CUSTOMERS

(1) Listing of advances from customers

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Within 1 year (including 1 year)	164,986,450.18	268,068,899.17
Over 1 year	32,079,398.13	35,013,299.05
Total	197,065,848.31	303,082,198.22

(2) Significant advances from customers aged over 1 year

Unit: Yuan Currency: RMB

Item	Ending balance	Reason of outstanding or carried over
Poly Technology Co., Ltd.	4,291,619.50	Unsettled
SINOMACH-HI (Luoyang) Co., Ltd	4,056,214.99	Unsettled
Ningxia Boxin Hengtong Mechanical Equipment Co., Ltd.	3,560,000.00	Unsettled
Nanyang Hong Yu Agricultural Machinery Co., Ltd.	1,282,397.01	Unsettled
Total	13,190,231.50	–

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

28. EMPLOYEE BENEFITS PAYABLE

(1) Listing of employee benefits payable:

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
I. Short-term remuneration	61,094,318.14	557,048,167.43	547,317,802.70	70,824,682.87
II. Post-employment welfare – Defined contribution plan	2,134,653.43	79,461,740.90	80,188,156.75	1,408,237.58
III. Termination welfare	39,684,023.24	3,533,409.40	7,187,339.03	36,030,093.61
Total	102,912,994.81	640,043,317.73	634,693,298.48	108,263,014.06

(2) Listing of short-term remuneration:

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Wages or salaries, bonuses, allowances and subsidies	37,469,828.23	442,040,217.48	434,937,183.51	44,572,862.20
Staff welfare	2,660,347.80	21,938,946.97	22,035,203.02	2,564,091.75
Social securities	1,724,965.72	43,298,792.09	40,761,231.16	4,262,526.65
Including: Medical insurance	1,665,447.28	38,969,189.80	36,374,273.62	4,260,363.46
Work-related injury insurance	11,759.37	2,822,141.46	2,832,387.50	1,513.33
Maternity insurance	47,759.07	1,507,460.83	1,554,570.04	649.86
Housing funds	1,765,436.75	30,573,737.98	31,975,768.24	363,406.49
Labor union & education funds	17,056,399.20	11,601,830.50	10,134,611.90	18,523,617.80
Short-term paid leave	0.00	0.00	0.00	0.00
Short-term profit sharing plan	0.00	0.00	0.00	0.00
Others	417,340.44	7,594,642.41	7,473,804.87	538,177.98
Total	61,094,318.14	557,048,167.43	547,317,802.70	70,824,682.87

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

28. EMPLOYEE BENEFITS PAYABLE (CONTINUED)

(3) Listing of defined contribution plan

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Basic pension	1,170,027.81	63,560,081.06	64,118,979.09	611,129.78
Enterprise annuity	938,227.31	11,643,596.24	11,792,185.83	789,637.72
Unemployment insurance	26,398.31	4,258,063.60	4,276,991.83	7,470.08
Total	<u>2,134,653.43</u>	<u>79,461,740.90</u>	<u>80,188,156.75</u>	<u>1,408,237.58</u>

29. TAXES PAYABLE

Item	Ending balance	Beginning balance
VAT	-308,108,457.00	-394,007,148.45
Business tax	2,500.00	2,854,018.57
Enterprise income tax	24,113,397.31	34,562,297.76
Individual income tax	842,531.34	1,962,245.42
Urban maintenance and construction tax	1,282,196.21	515,290.44
Property tax	4,303,029.41	4,174,596.04
Land use tax	2,588,096.95	1,597,460.36
Educational surcharges	915,856.09	368,066.20
Other taxes and fees	1,111,726.82	884,542.11
Total	<u>-272,949,122.87</u>	<u>-347,088,631.55</u>

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

30. INTERESTS PAYABLE

Item	Ending balance	Beginning balance
Interest payable on corporate bonds	15,097,040.85	50,382,301.08
Interests payable on short term loans	1,252,404.82	2,615,558.13
Interest payable on deposit absorbed	1,311,023.01	719,097.36
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Total	17,660,468.68	53,716,956.57
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31. DIVIDEND PAYABLE

Item	Ending balance	Beginning balance
Common stock dividend	39,133,747.57	0.00
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Total	39,133,747.57	0.00
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VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

32. OTHER PAYABLES

(1) Listing of other payables by the nature of payments

Item	Ending balance	Beginning balance
Receivables and payables between companies	73,597,945.37	69,483,845.33
Security on deposits	90,575,631.65	65,349,436.65
Expenses payable	64,539,442.53	63,439,870.04
Collections and payments on behalf of others	26,808,250.50	33,279,762.66
Others	14,314,331.36	11,209,578.05
Total	269,835,601.41	242,762,492.73

(2) Significant other payables aged over 1 year

Item	Ending balance	Reason of outstanding or carried over
YTO Group Corporation	49,340,612.33	Unsettled
Total	49,340,612.33	

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

33. NON-CURRENT LIABILITIES DUE WITHIN ONE YEAR

Item	Ending balance	Beginning balance
Long-term loans due within 1 year	18,437,500.00	17,738,000.00
Deferred revenue due within 1 year	19,383,168.40	14,657,168.40
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Total	37,820,668.40	32,395,168.40
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34. OTHER CURRENT LIABILITIES

Item	Ending balance	Beginning balance
Discounts and allowances	1,634,742.20	44,015,136.75
Three guarantees service fee	99,383,305.53	51,748,899.24
Agent fees	0.00	1,820,000.00
Others	9,528,458.10	454,813.00
	<hr/>	<hr/>
Total	110,546,505.83	98,038,848.99
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VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

35. LONG-TERM LOANS

(1) Classification of long-term loans

Item	Ending balance	Beginning balance
Credit loans	36,875,000.00	44,345,000.00
Less: The portion due within one year	18,437,500.00	17,738,000.00
Total	18,437,500.00	26,607,000.00

(2) Maturity date analysis of long-term loans

Item	Ending balance	Beginning balance
1-2 years	18,437,500.00	17,738,000.00
2-5 years	0.00	8,869,000.00
Total	18,437,500.00	26,607,000.00

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

36. BONDS PAYABLE

(1) Bonds payable

Item	Ending balance	Beginning balance
12 YTO 01 Corporate bond	798,028,689.18	797,472,004.37
12 YTO 02 Corporate bond	697,430,874.24	696,805,753.82
Total	<u><u>1,495,459,563.42</u></u>	<u><u>1,494,277,758.19</u></u>

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

36. BONDS PAYABLE (CONTINUED)

(2) Increase or decrease changes of bonds payable: (not including other financial instruments of preferred shares and perpetual debts, etc. which are classified as financial liabilities)

Bond name	Book value	Issue date	Bond term	Amount issued	Beginning balance	Amount issued in the period	Interest accrued based on the book value	Amortisation of discount or premium	Repayment in this period	Ending balance
12 YTO 01 Corporate bond	800,000,000.00	2013/3/4	5 years	794,550,000.00	797,472,004.37	0.00	127,614,246.63	3,478,689.18	38,400,000.00	796,028,689.18
12 YTO 02 Corporate bond	700,000,000.00	2013/5/30	5 years	696,734,150.95	696,805,753.82	0.00	97,175,342.51	3,696,723.29	31,500,000.00	697,430,874.24
Total	1,500,000,000.00	/	/	1,488,284,150.95	1,494,277,758.19	0.00	224,789,589.14	7,175,412.47	69,900,000.00	1,495,459,563.42

(3) Notes on the other financial instruments which are classified as financial liabilities

None

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

37. DEFERRED REVENUE

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance	Reason of formation
Government grants	184,932,985.40	4,065,000.00	13,370,750.87	175,627,234.53	/

Projects related to government grants:

Unit: Yuan Currency: RMB

Liability project	Beginning balance	Amount of grants newly increased in this period	Amount recognized in non-operating income in this period	Other changes	Ending balance	Related to assets/Related to revenue
New wheeled tractor core capacity upgrade	53,200,000.00	0.00	0.00	0.00	53,200,000.00	Related to assets
High power diesel engine for non-road use	49,000,000.00	0.00	0.00	5,716,666.67	43,283,333.33	Related to assets
Project of enhancing the independent research and development capabilities	15,942,422.99	0.00	0.00	647,584.20	15,294,838.79	Related to assets
Diesel engine crankshaft forging line	3,390,000.00	0.00	0.00	1,695,000.00	1,695,000.00	Related to assets
Technical transformation of wheeled tractor	4,152,000.00	0.00	0.00	1,384,000.00	2,768,000.00	Related to assets
Xinjiang agricultural equipment construction project	6,574,700.00	0.00	1,840,000.00	0.00	4,734,700.00	Related to revenue
Grants for C series government project	3,580,000.00	0.00	0.00	358,000.00	3,222,000.00	Related to assets
Awards and subsidies for science and technology research and development service platform	500,000.00	0.00	0.00	0.00	500,000.00	Related to revenue

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

37. DEFERRED REVENUE (CONTINUED)

Unit: Yuan Currency: RMB

Liability project	Beginning balance	Amount of grants newly increased in this period	Amount recognized in non-operating income in this period	Other changes	Ending balance	Related to assets/Related to revenue
Heavy wheeled tractor power shift with an annual output of 1,000 large horsepower	2,750,000.00	0.00	0.00	0.00	2,750,000.00	Related to assets
Project of processing production line of energy saving and environmental protection diesel engine and crankshaft machine	2,407,500.00	2,700,000.00	0.00	562,500.00	4,545,000.00	Related to assets
Research and development and industrialization of LF series power shift tractor	3,000,000.00	0.00	0.00	0.00	3,000,000.00	Related to revenue
Special funds for urban affordable housing project	8,640,000.00	0.00	0.00	0.00	8,640,000.00	Related to assets
Test platform for key products	15,840,000.00	0.00	0.00	0.00	15,840,000.00	Related to assets
Special fund for rapid development and demonstration application of new products of tractor and diesel engine casting	419,960.00	0.00	0.00	0.00	419,960.00	Related to assets
Industry revitalization and technological transformation	15,400,000.00	0.00	1,098,000.00	0.00	14,302,000.00	Related to assets
Funds for the project of collaborative supporting Xinjiang development from the Department of the science and technology	0.00	300,000.00	0.00	0.00	300,000.00	Related to revenue
Fund on waste sand control	0.00	1,000,000.00	0.00	0.00	1,000,000.00	Related to revenue
Others	136,402.41	65,000.00	4,000.00	65,000.00	132,402.41	/
Total	184,932,985.40	4,065,000.00	2,942,000.00	10,428,750.67	175,627,234.53	/

Note: The other changes are the deferred revenue which has been transferred to non-current liabilities due within one year.

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

38. SHARE CAPITAL

Unit: Yuan Currency: RMB

	Beginning balance	Increase or decrease in the current period (+, -)				Subtotal	Ending balance
		New shares issued	Complimentary shares	Shares converted from provident fund	Others		
Total shares	995,900,000.00	0.00	0.00	0.00	0.00	0.00	995,900,000.00

39. CAPITAL RESERVE

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Share premium	1,876,462,052.15	939,298.87	0.00	1,877,401,351.02
Other capital reserve	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	2,124,246,289.70	939,298.87	0.00	2,125,185,588.57

Note: The increase in this period is: In January 2016, the Company acquired the 6% stock equity of YTO Finance Company Limited held by its minority shareholder SINOMA-HI (Luoyang) Building Machinery Co., Ltd. After the acquisition was completed, the Company held the 94.6% share equity of YTO Finance Company Limited, with 4.2% of its share equity held by the subsidiary of the Company, YTO (Luoyang) Diesel Engine Co., Ltd, 0.6% of its share equity held by the subsidiary of the Company, YTO International Economic and Trade Co., Ltd, and 0.6% of its share equity held by YTO Group Corporation. The acquisition price is RMB44,658,012.00. The amount of RMB939,298.87 was recognized as capital reserve, which is the difference between the price and the corresponding portion of net assets entitled by the Company in YTO Finance Company Limited of RMB45,597,310.87, which is calculated continuously since the date of acquisition.

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

40. OTHER COMPREHENSIVE INCOME

Unit: Yuan Currency: RMB

Item	Beginning balance	Amount incurred in this period					Ending balance
		Amount before income tax incurred in this period	Less: Amount previously recognised as other comprehensive income and transferred to profit or loss in current period	Less: Income tax expense	Amount attributable to the parent company after income tax	Amount attributable to minority shareholders after income tax	
I. Other comprehensive income that will not be reclassified into profit or loss afterwards	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II. Other comprehensive income that will be reclassified into profit or loss afterwards	9,734,262.44	-6,449,233.40	0.00	-1,656,525.00	-4,830,940.82	38,232.42	4,903,321.62
Profit or loss from fair value change of available-for-sale financial assets	29,731,031.69	-8,553,900.00	0.00	-1,656,525.00	-6,464,362.91	-433,012.09	23,266,668.78
Foreign currencies translation differences	-19,996,769.25	2,104,666.60	0.00	0.00	1,633,422.09	471,244.51	-18,363,347.16
Total other comprehensive income	<u>9,734,262.44</u>	<u>-6,449,233.40</u>	<u>0.00</u>	<u>-1,656,525.00</u>	<u>-4,830,940.82</u>	<u>38,232.42</u>	<u>4,903,321.62</u>

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

41. SPECIAL RESERVES

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Safety production costs	<u>2,441,385.29</u>	<u>9,242,503.87</u>	<u>8,045,896.22</u>	<u>3,637,992.94</u>
Total	<u><u>2,441,385.29</u></u>	<u><u>9,242,503.87</u></u>	<u><u>8,045,896.22</u></u>	<u><u>3,637,992.94</u></u>

42. SURPLUS RESERVES

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Statutory surplus reserves	<u>388,972,795.05</u>	<u>0.00</u>	<u>0.00</u>	<u>388,972,795.05</u>
Discretionary surplus reserves	<u>771,431.00</u>	<u>0.00</u>	<u>0.00</u>	<u>771,431.00</u>
Total	<u><u>389,744,226.05</u></u>	<u><u>0.00</u></u>	<u><u>0.00</u></u>	<u><u>389,744,226.05</u></u>

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

43. GENERAL RISK RESERVES

Item	Ending balance	Beginning balance	Accrual percentage
General risk reserves	8,819,548.63	8,819,548.63	Accrual on 1% of current period net profits of the Group's subsidiary, YTO Group Finance Co., Ltd.

44. RETAINED EARNINGS

Item	Current period	Last period
Ending balance of the last year	1,142,994,139.49	1,080,369,447.42
Add: Retained earnings adjustment on the beginning balance	0.00	0.00
Beginning balance of the current period	1,142,994,139.49	1,080,369,447.42
Add: Net profit attributable to owners of the parent company in the current period	158,349,583.86	148,644,010.04
Less: Accrual of statutory surplus reserves	0.00	0.00
Appropriation to general risks reserves	0.00	0.00
Dividends payable on common stock	40,831,900.00	50,790,900.00
Ending balance of the current period	1,260,511,823.35	1,178,222,557.46

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

45. OPERATING REVENUE AND OPERATING COST

Item	Current period		Last period	
	Revenue	Cost	Revenue	Cost
Main business	5,013,367,744.60	4,098,607,783.57	5,511,072,552.27	4,516,781,104.45
Other business	27,892,437.53	10,526,590.67	42,711,967.90	14,749,133.26
Total	5,041,260,182.13	4,109,134,374.24	5,553,784,520.17	4,531,530,237.71

46. NET INTEREST INCOME

Item	Accumulated amount in this period	Accumulated amount in last period
Interest income	117,300,250.87	154,161,050.67
Deposits in other banks	14,406,820.25	4,437,958.81
Deposits in central bank	2,252,606.05	2,935,453.96
Loans to banks and other financial institutions	7,346,250.04	6,112,430.54
Loans issued and advances paid on behalf of others	90,059,595.58	133,407,798.88
Including: Individuals loans and advances	85,247.48	130,659.55
Corporate loans and advances on behalf of others	8,810,995.41	7,454,215.56
Discounting of notes and bills	81,163,352.69	125,822,923.77
Financial assets purchased with agreement to re-sale	3,234,978.95	7,267,408.48
Others	0.00	0.00
Including: Interest income from impaired financial assets	0.00	0.00
Interest expenses	52,559,932.21	124,120,897.30
Loans from other banks	0.00	0.00
Loans from central bank	0.00	0.00
Borrowed funds	1,120,888.86	1,678,747.18
Deposits absorption	4,870,662.24	26,758,667.06
Sale of the buyback financial assets	206,721.92	3,739.73
Others	46,361,659.19	95,679,743.33
Net interest income	64,740,318.66	30,040,153.37

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

47. FEES AND NET COMMISSION INCOME

Item	Amount of this period	Amount of last period
Fees and commission income	219,580.03	245,943.67
Clearing and settlement fees	5,940.90	42,688.50
Agent fees	49,056.60	52,000.00
Credit commitment fees and commissions	124,050.93	101,393.12
Others	40,531.60	49,862.05
Fees and commission expense	202,887.40	255,445.09
Service fee expense	202,887.40	255,445.09
Commission expense	0.00	0.00
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Fees and net commission income	16,692.63	-9,501.42
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48. BUSINESS TAXES AND SURCHARGES

Unit: Yuan Currency: RMB

Item	Current period	Last period
Business tax	3,852,614.21	5,218,256.29
Urban maintenance and construction tax	3,023,798.86	4,575,122.47
Educational surcharges	2,165,334.23	3,279,692.47
Others	3,063,684.72	1,565,190.66
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Total	12,105,432.02	14,638,261.89
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VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

49. SELLING EXPENSES

Item	Current period	Last period
Packing expenses	9,940,551.95	9,085,975.73
Transportation expenses	89,955,418.28	100,086,491.36
Advertising expenses	3,237,499.60	3,080,409.55
Sales service fees	97,613,709.72	104,173,707.22
Employee compensation	47,219,500.71	47,846,786.31
Others	18,362,274.44	24,539,104.35
Total	266,328,954.70	288,812,474.52

50. ADMINISTRATIVE EXPENSES

Item	Current period	Last period
Employee compensation	99,866,789.86	85,246,711.11
Depreciation expenses	21,342,595.15	18,366,928.91
Repair and maintenance	17,705,322.33	21,920,328.81
Amortization of intangible assets	14,692,145.01	14,217,503.59
Business entertainment expense	2,486,287.21	2,402,886.48
Travelling expenses	2,043,046.93	1,896,077.41
Office expenses	2,539,537.27	2,485,504.42
Research and development expenses	190,476,732.63	185,186,939.65
Taxes	19,712,407.23	16,029,155.09
Others	52,027,526.63	79,685,946.04
Total	422,892,390.25	427,437,981.51

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

51. FINANCE EXPENSES

Item	Current period	Last period
Interest expenses	58,835,075.61	57,562,633.27
Less: Interest income	12,217,350.59	9,656,060.41
Add: Exchange losses	2,670,179.63	-4,147,753.91
Add: Other expenses	-8,835,112.09	-1,551,181.34
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Total	40,452,792.56	42,207,637.61
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(1) Details of interest expenses

Item	Amount of this period	Amount of last period
Interests on bank loans and overdraft	22,990,530.61	21,796,387.51
Interest on bonds and discounting notes	35,844,545.00	35,766,245.76
Subtotal	58,835,075.61	57,562,633.27
Less: Capitalized interests	0.00	0.00
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Total	58,835,075.61	57,562,633.27
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VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

51. FINANCE EXPENSES (CONTINUED)

(2) Details of interest income

Item	Amount of this period	Amount of last period
Interest income from bank deposits	12,217,350.59	9,656,060.41

52. LOSS ON ASSET IMPAIRMENT

Item	Current period	Last period
I. Loss on bad debts	38,008,429.48	134,800,323.28
II. Inventory price falling loss	-744,875.16	3,657,720.69
III. Impairment loss on available-for-sale financial assets	0.00	0.00
IV. Impairment loss on held-to-maturity investment	28,111,129.35	0.00
V. Impairment loss on long-term equity investments	0.00	0.00
VII. Impairment loss on investment properties	0.00	0.00
VII. Impairment loss on fixed assets	1,378,863.71	0.00
VIII. Impairment loss on construction materials	0.00	0.00
IX. Impairment loss on construction in process	0.00	0.00
X. Impairment loss on productive biological asset	0.00	0.00
XI. Impairment loss on oil and gas assets	0.00	0.00
XII. Impairment loss on intangible assets	0.00	0.00
XIII. Impairment loss on goodwill	0.00	0.00
XIV. Impairment loss on loans	5,509,591.58	2,087,307.75
Total	72,263,138.96	140,545,351.72

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

53. GAIN FROM CHANGES IN FAIR VALUE

Source of gain from changes in fair value	Current period	Last period
Financial assets measured at fair value and the changes are recorded into current period profit or losses	-442,878.26	4,991,993.93
Total	-442,878.26	4,991,993.93

54. INVESTMENT INCOME

Item	Current period	Last period
Long-term equity investments measured by cost method	0.00	0.00
Long-term equity investments measured by equity method	8,360,417.05	2,033,301.43
Investment income generated from disposal of long-term equity investments	105,064.99	0.00
Investment income on financial assets measured at fair value and the changes are recorded into profit or loss in the holding period	9,140,972.22	23,977,951.54
Investment income on disposal of financial assets measured at fair value and the changes are recorded into profit or loss in the current period	7,689,399.70	6,667,471.18
Investment income on held-to-maturity investment during the holding period	3,050,242.46	878,585.08
Investment income on disposal of held-to-maturity investment during the holding period	33,129.18	1,073,159.30
Investment income on available-for-sale financial assets during the holding period	41,490.39	17,258,080.00
Investment income on disposal of available-for-sale financial assets	0.00	0.00
After the loss of control, gains from remeasuring the remaining equity at fair value	0.00	0.00
Others	192,000.00	96,000.00
Total	28,612,715.99	51,984,548.53

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

55. NON-OPERATING INCOME

Item	Current period	Last period	Amount of extraordinary gains or losses recognized into current period profit or loss
Gain on disposal of non-current assets	329,167.53	599,056.39	329,167.53
Including: Gain on disposal of fixed assets	329,167.53	599,056.39	329,167.53
Gain on debt restructuring	380,988.49	216,240.00	380,988.49
Government grants	11,372,972.87	8,805,040.40	11,372,972.87
Others	2,117,691.10	2,125,202.57	2,117,691.10
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Total	14,200,819.99	11,745,539.36	14,200,819.99
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VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

55. NON-OPERATING INCOME (CONTINUED)

Government grants recognized into current period profit or loss

Item	Amount of this period	Amount of last period	Note
2014 industry support funds	2,000,000.00	0.00	Document of the bureau of finance of Beijing economic and technological development zone, Jing Kai Cai Qi [2016] No. 69 "Notice on the appropriation of the 2014 industry support funds"
Xinjiang agricultural equipment construction project	1,840,000.00	0.00	Ukrainian Jing Kai Finance (2010) No. 107
Diesel engine crankshaft forging line	1,695,000.00	1,695,000.00	Fa Gai Ban Industry [2005] No. 1392
Technical transformation of wheeled tractor	1,384,000.00	1,384,000.00	Fa Gai Ban Industry [2005] No. 279
Industry revitalization and technological transformation	1,098,000.00	1,098,000.00	Fa Gai Ban Industry [2013] No. 543
High power diesel engine for non-road use	816,666.67	0.00	Fa Gai Ban Industry [2007] No. 2445
Project of enhancing the independent research and development capabilities	647,584.20	647,584.20	Fa Gai Investment [2012] No. 2719
Subsidies on technological upgrading for the 80,000 domestically made equipment	509,000.00	509,000.00	Fa Gai Investment [2015] No. 1858
Grants for C series government project	358,000.00	358,000.00	Luo Fa Gai Industry [2009] No. 53
Revenue from Luoyang foreign economic and trade development promotion fund subsidies	352,500.00	0.00	Luoyang municipal bureau of finance, Luo Cai Mao [2015] No. 2 "Notice on the appropriation of the 2015 foreign trade development promotion fund"
Project of processing production line of energy saving and environmental protection diesel engine and crankshaft machine	292,500.00	0.00	Luo finance budget [2013] No. 414
Non-road high-power diesel engine	0.00	2,080,000.00	Luo finance budget [2012] No. 542
Awards and subsidies on 2014 Henan province technology innovation in science and technology by small and medium enterprises	0.00	830,000.00	Luo finance budget [2015] No. 23
Others	379,722.00	203,456.20	Other documents of government grants
Total	11,372,972.87	8,805,040.40	/

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

56. NON-OPERATING EXPENSE

Item	Current period	Last period	Amount recognized as current period extraordinary profit or loss
Total loss from disposal of non-current assets	527,730.14	1,508,949.56	527,730.14
Including: Loss from disposal of fixed assets	527,730.14	1,508,949.56	527,730.14
Losses from debt restructuring	0.00	11,040.00	0.00
Others	227,864.59	803,141.38	227,864.59
Total	755,594.73	2,323,130.94	755,594.73

57. INCOME TAX EXPENSE

(1) Schedule of income tax expenses

Item	Current period	Last period
Current period income tax expense	64,514,096.06	64,620,077.21
Deferred income tax expense	-5,756,833.69	-14,328,955.90
Total	58,757,262.37	50,291,121.31

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

58. OTHER COMPREHENSIVE INCOME

See the note VII. 40 for details.

59. ITEMS IN THE CASH FLOW STATEMENT

(1) Cash receipts related to other operating activities:

Item	Current period	Last period
Cash receipts related to interest income of bank deposits	2,853,572.56	9,656,060.41
Cash receipts related to other receivables	84,507,570.36	58,702,676.61
Total	87,361,142.92	68,358,737.02

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

59. ITEMS IN THE CASH FLOW STATEMENT (CONTINUED)

(2) Cash payments related to other operating activities:

Unit: Yuan Currency: RMB

Item	Current period	Last period
Payment of selling and administrative expenses	287,525,944.40	326,432,131.02
Payment of cash related to other payables	15,539,015.36	131,202,772.19
Total	303,064,959.76	457,634,903.21

(3) Cash receipts from other investing activities

Item	Current period	Last period
Cash receipts from government grants related to assets	2,700,000.00	2,000,000.00
Total	2,700,000.00	2,000,000.00

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

60. SUPPLEMENTARY INFORMATION FOR CONSOLIDATED CASH FLOW STATEMENT

(1) Supplementary information for consolidated cash flow statement

Supplementary information	Amount of this period	Amount of last period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	165,697,911.31	154,751,056.73
Add: Provision for asset impairment	72,263,138.96	140,545,351.72
Depreciation of fixed asset, depletion of oil and gas assets, and depreciation of productive biological assets	146,800,426.42	138,702,805.16
Amortization of intangible assets	16,710,438.95	16,602,716.57
Amortization of long-term deferred expenses	5,673,066.85	6,343,716.27
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain listed as "-")	198,562.61	909,893.17
Loss on scrap of fixed assets (Gain listed as "-")	0.00	0.00
Loss on change of fair value (Gain listed as "-")	442,878.26	-4,991,993.93
Finance expenses (Gain listed as "-")	44,904,831.28	38,813,122.68
Investment loss (Gain listed as "-")	-28,612,715.99	-51,984,548.53
Decrease in Central Bank statutory deposit reserve	18,036,491.28	5,626,900.66
Decrease in deferred tax assets (Increase listed as "-")	-4,985,787.99	-8,412,110.90
Increase in deferred tax liabilities (Decrease listed as "-")	-771,045.70	-856,573.62
Decrease in inventories (Increase listed as "-")	24,148,648.68	143,659,945.32
Decrease in items of operating receivables (Increase listed as "-")	538,101,850.57	-1,047,986,508.78
Increase in operating payables (Decrease listed as "-")	-511,467,057.88	724,636,300.43
Others	0.00	0.00
Net cash flow generated from operating activities	487,141,637.61	256,360,072.95
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:		
Ending balance of cash	1,636,134,328.48	1,366,028,959.19
Less: Beginning balance of cash	1,690,285,427.32	1,749,902,168.21
Add: Ending balance of cash equivalents	0.00	0.00
Less: Beginning balance of cash equivalents	0.00	0.00
Net increase in cash and cash equivalents	-54,151,098.84	-383,873,209.02

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

60. SUPPLEMENTARY INFORMATION FOR CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(2) The composition of cash and cash equivalents

Item	Ending balance	Ending balance of the same period in last year
I. Cash	1,636,134,328.48	1,366,028,959.19
Including: Cash on hand	1,561,333.67	1,242,872.44
Bank deposits available for use on demand	1,622,544,986.64	1,288,712,422.58
Other monetary funds available for use on demand	12,028,008.17	76,073,664.17
II. Cash equivalents	0.00	0.00
Including: Bonds investment matured within three months	0.00	0.00
III. Ending balance of cash and cash equivalents	1,636,134,328.48	1,366,028,959.19
Including: Cash and cash equivalents of the parent or subsidiaries of the Group with limited right of use	0.00	0.00
	=====	=====

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

61. NOTES TO THE ITEMS IN THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

There are no changes of 'others' in the statement of changes in shareholders' equity in this period.

62. ASSETS WITH RESTRICTED OWNERSHIP OR USE RIGHTS

Item	Ending balance	
	of book value	Reason of being restricted
Monetary funds	142,212,058.60	Margin on acceptance deposits, central bank statutory deposit reserve, and other security deposits
Notes receivable	230,139,502.00	Pledged
Fixed assets	73,800,834.09	Mortgaged
Intangible assets	17,790,938.68	Mortgaged
Total	<u><u><u>463,943,333.37</u></u></u>	/

Note: The monetary fund with the right of use restricted refers to the security deposit on the bank acceptance notes at the amount of RMB108,897,046.61, the statutory deposit reserve in Central Bank of RMB21,504,536.15, the trade finance security of RMB8,352,500.00, the performance bond of RMB2,172,419.57, the guarantee deposit of RMB906,948.50, the letter of credit guarantee deposits of RMB100,683.84, and the forward settlement on foreign exchange margin of RMB277,923.93.

Notes receivables with restricted ownership are the amount of note receivables pledged in the bank in the current period.

The land, houses and buildings with restricted ownership are the houses and lands mortgaged to the bank with the total original cost of RMB100,098,120.94, and the total net value of 91,591,772.77, for obtaining the short-term loans from the Bank of Jilin Dongsheng branch at the amount of RMB70 million.

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

63. FOREIGN CURRENCY MONETARY ITEMS

(1) Foreign currency monetary items:

Unit: Yuan

Item	Ending balance in foreign currency	Translation exchange rate	Ending balance translated in RMB
Monetary funds	/	/	160,266,120.22
Including: USD	11,764,175.31	6.631200	78,010,599.32
EUR	4,844,990.45	7.375000	35,731,804.57
HKD	39,784,768.39	0.854670	34,002,848.00
JPY	809,074.00	0.064500	52,185.27
AUD	475,157.46	4.945200	2,349,748.67
XOF	275,883,936.00	0.011240	3,100,935.44
ZAR	15,630,287.19	0.449000	7,017,998.95
Accounts receivable	/	/	381,383,087.50
Including: USD	51,588,837.04	6.631200	342,095,896.18
EUR	1,834,251.61	7.375000	13,527,605.62
AUD	1,016,005.20	4.945200	5,024,348.92
XOF	686,903,971.61	0.011240	7,720,800.64
ZAR	28,985,381.15	0.449000	13,014,436.14
Other receivables	/	/	13,770,367.61
Including: EUR	1,842,663.49	7.375000	13,589,643.24
XOF	11,776,329.50	0.011240	132,365.94
ZAR	107,702.52	0.449000	48,358.43

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

63. FOREIGN CURRENCY MONETARY ITEMS (CONTINUED)

(1) Foreign currency monetary items: (CONTINUED)

Unit: Yuan

Item	Ending balance in foreign currency	Translation exchange rate	Ending balance translated in RMB
Accounts payable	/	/	14,970,951.70
Including: EUR	1,788,602.86	7.375000	13,190,946.09
XOF	139,671,552.44	0.011240	1,569,908.25
ZAR	467,922.85	0.449000	210,097.36
Other payables	/	/	46,661,458.87
Including: USD	3,826,224.42	6.631200	25,372,459.37
EUR	1,169,217.55	7.375000	8,622,979.43
HKD	13,793,784.07	0.854670	11,789,133.43
XOF	77,358,633.18	0.011240	869,511.04
ZAR	16,426.72	0.449000	7,375.60
Short term loans	/	/	708,037,201.14
Including: USD	88,600,000.00	6.631200	587,524,320.00
EUR	15,000,000.00	7.375000	110,625,000.00
XOF	879,704,728.00	0.011240	9,887,881.14
Non-current liabilities due within one year	/	/	18,437,500.00
Including: EUR	2,500,000.00	7.375000	18,437,500.00
Long-term loans	/	/	18,437,500.00
Including: EUR	2,500,000.00	7.375000	18,437,500.00

VII. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT (*CONTINUED*)

63. FOREIGN CURRENCY MONETARY ITEMS (*CONTINUED*)

(2) Notes on the overseas business entities, including disclosures of significant overseas business entities, which should disclose the main business places, recording currency, the basis for the selection, and reasons for changes of the recording currency when changes happened.

Company name	Overseas main business place	Recording currency	Selection basis of recording currency
Brilliance China Machinery Holdings Co., Ltd.	Hong Kong	USD	Business environment and the main settlement currency
YTO Cote d'Ivoire Agricultural Machinery Assembly Co., Ltd.	Cote 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

VIII. CHANGES IN SCOPE OF CONSOLIDATION

1. BUSINESS COMBINATION NOT UNDER THE COMMON CONTROL

None.

2. BUSINESS COMBINATION UNDER COMMON CONTROL

None.

3. REVERSE PURCHASE

None.

4. DISPOSAL OF SUBSIDIARIES

None.

5. OTHER REASONS OF CHANGES IN SCOPE OF CONSOLIDATION

According to the first general manager's office meeting of the Company held on 25 January 2016, the subsidiary of the Company, YTO (Luoyang) Diesel Engine Co., Ltd. was agreed to merge its wholly-owned subsidiary YTO (Luoyang) Power Machinery Co., Ltd. by absorption. YTO (Luoyang) Diesel Engine Co., Ltd. would absorb YTO (Luoyang) Power Machinery Co., Ltd. and continue to exist. After the completion of the merger, YTO (Luoyang) Power Machinery Co., Ltd. would dissolve and cancel. On 15 May 2016, the Administration for Industry and Commerce of Luoyang Municipality approved the cancellation of business registration of YTO (Luoyang) Power Machinery Co., Ltd.

IX. INTERESTS IN OTHER ENTITIES

1. INTEREST IN SUBSIDIARIES

(1) The composition of the Group enterprise

Name of subsidiary	Main business place	Registration place	Business nature	Shareholding percentage (%)		Acquisition method
				Direct	Indirect	
YTO France SAS	France	France	Tractor manufacturing	100.00	0.00	1
Luoyang Changhong Trading Co., Ltd.	China	China	Agricultural machinery sales	100.00	0.00	1
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	China	China	Other machinery manufacturing	100.00	0.00	1
YTO (Xinjiang) Dongfanghong Equipment and 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 Chengxing Agricultural Machinery Co., Ltd.	China	China	Agricultural machinery sales	70.00	30.00	1
YTO (Luoyang) Transportation Machinery Co., Ltd.	China	China	Other machinery manufacturing	93.39	0.00	1
Brilliance China Machinery Holdings Co., Ltd.	China	Bermuda islands	Investment holding	90.10	0.00	1
YTO Finance Company Limited	China	China	Finance	94.60	4.80	1
China-Africa Machinery Investment Corp.	China	China	Agricultural machinery sales	55.00	0.00	1
Luoyang Tractors Research Institute Co., Ltd.	China	China	Others	51.00	0.00	2
YTO (Luoyang) Forklift Truck Company Limited	China	China	Other machinery 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 Economic and Trade Co., Ltd.	China	China	Agricultural machinery sales	100.00	0.00	2
Chang Tuo Agricultural Machinery Equipment Group Co., Ltd	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) Co., Ltd.	China	China	Tractor manufacturing	60.00	0.00	1

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. INTEREST IN SUBSIDIARIES (CONTINUED)

(1) The composition of the Group enterprise (CONTINUED)

Note: According to the resolution of the first meeting of the seventh session of the board of directors in 2012, the Company increased the capital with RMB94.25 million based on the valuation of net assets of Chang Tuo Agricultural Machinery Equipment Group Co., Ltd (hereinafter referred to as "Changtuo Company") on 31 March 2012. The Company held 33.33% equity of Changtuo Company after increasing the capital. In accordance with the agreement between the Company and China National Machinery Industry Corporation (hereinafter referred to as "Sinomach"), Sinomach authorized its voting right, its supervision and management right which were corresponding to the 33.33% equity of Changtuo Company to the Company to independently exercise these rights. The authorization will end when Sinomach transfers the equity to unrelated third parties. During the mandatory period, Sinomach cannot unilaterally withdraw its authorization of the commission. Sinomach has to obtain the written consent from the Company if Sinomach transfers its equity to a third party. However, the Company has the priority right of purchase. Thus, the Company obtained 66.66% voting right and actual control right of Changtuo Company.

Acquisition method: 1. establishment or investment; 2. business combination under the common control; 3. subsidiaries acquired from business combinations not under the common control.

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. INTEREST IN SUBSIDIARIES (CONTINUED)

(2) Significant partially-owned subsidiaries

Unit: Yuan Currency: RMB

Name of subsidiary	Shareholding percentage of minority shareholders	Current period	Dividends	Ending balance of minority interests
		profit or loss attributable to minority shareholders	declared to minority shareholders in the current period	
Brilliance China Machinery Holdings Co., Ltd.	9.90%	-137,702.33	0.00	14,887,723.14
YTO (Luoyang) Transportation Machinery Co., Ltd.	6.61%	-278,714.00	0.00	-279.91
YTO Finance Company Limited	1.21%	208,078.27	2,112,000.00	9,062,231.97
China-Africa Machinery Investment Corp.	45.00%	1,217,324.90	0.00	43,528,310.90
Luoyang Tractors Research Institute Co., Ltd.	49.00%	2,138,708.63	0.00	317,000,961.88
YTO (Luoyang) Diesel Engine Co., Ltd.	14.53%	15,084,265.08	0.00	200,044,421.34
YTO (Luoyang) Fuel Injection Pump Co., Ltd.	13.89%	519,700.62	0.00	33,476,970.11
Chang Tuo Agricultural Machinery Equipment Group Co., Ltd	66.67%	-11,436,424.64	0.00	72,118,128.56

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. INTEREST IN SUBSIDIARIES (CONTINUED)

(3) Main financial information of significant partially-owned subsidiaries

Item	Ending balance/Current period							
	YTO (Luoyang)	Brilliance China	YTO Finance	China-Africa	Luoyang	YTO (Luoyang)	YTO (Luoyang)	Chang Tuo
	Transportation Machinery Co., Ltd.	Machinery Holdings Co., Ltd.	Company Limited	Machinery Investment Corp.	Research Institute Co., Ltd.	Diesel Engine Co., Ltd.	Fuel Injection Pump Co., Ltd.	Agricultural Machinery Equipment Group Co., Ltd.
Current assets	24,607,455.71	143,819,899.80	2,074,257,496.04	127,510,047.16	249,775,312.69	1,302,825,503.38	187,174,532.68	23,341,843.15
Non-current assets	26,285,608.79	9,946,800.00	2,419,251,075.93	3,038,981.26	491,119,765.67	768,651,985.19	129,726,318.82	203,785,449.81
Total assets	50,893,064.50	153,766,699.80	4,493,508,571.97	130,549,028.42	740,895,078.36	2,071,477,488.57	316,900,851.50	227,127,292.96
Current liabilities	50,612,707.74	3,385,658.03	3,749,281,873.39	35,047,570.77	50,679,501.05	908,100,193.33	76,654,332.92	110,603,722.91
Non-current liabilities	0.00	0.00	1,880,029.06	0.00	43,274,838.79	23,418,774.16	0.00	8,346,363.13
Total liabilities	50,612,707.74	3,385,658.03	3,751,161,902.45	35,047,570.77	93,954,339.84	931,518,967.49	76,654,332.92	118,950,086.04
Operating revenue	14,663,701.44	0.00	125,453,499.61	32,673,768.07	106,226,110.34	1,319,588,788.14	99,968,414.37	12,322,787.98
Net profit	-4,276,365.88	-1,390,932.63	17,192,288.38	2,708,647.58	4,364,711.47	94,528,064.55	3,742,353.32	-17,154,636.95

Item	Beginning balance/Last period							
	YTO (Luoyang)	Brilliance China	YTO Finance	China-Africa	Luoyang	YTO (Luoyang)	YTO (Luoyang)	Chang Tuo
	Transportation Machinery Co., Ltd.	Machinery Holdings Co., Ltd.	Company Limited	Machinery Investment Corp.	Research Institute Co., Ltd.	Diesel Engine Co., Ltd.	Fuel Injection Pump Co., Ltd.	Agricultural Machinery Equipment Group Co., Ltd.
Current assets	25,879,400.80	143,808,195.44	2,781,474,990.27	121,793,766.04	235,098,802.34	1,091,385,579.93	188,629,319.91	40,472,425.51
Non-current assets	27,063,080.36	9,740,400.00	2,689,978,184.85	3,013,198.24	501,125,740.94	786,821,486.20	138,168,469.92	210,396,878.74
Total assets	52,942,481.16	153,548,595.44	5,471,453,175.12	124,806,964.28	736,224,543.28	1,878,207,066.13	326,797,789.83	250,869,304.25
Current liabilities	48,586,767.69	3,315,404.30	4,708,921,092.84	32,662,443.89	49,726,093.24	808,566,050.12	90,365,553.89	116,939,543.95
Non-current liabilities	0.00	0.00	2,576,901.14	0.00	43,922,422.99	24,210,559.48	0.00	8,562,351.43
Total liabilities	48,586,767.69	3,315,404.30	4,711,497,993.98	32,662,443.89	93,648,516.23	832,776,609.60	90,365,553.89	125,501,895.38
Operating revenue	22,636,494.11	0.00	169,864,006.79	37,089,683.91	94,516,615.65	1,265,513,538.72	123,730,341.42	26,285,109.81
Net profit	-3,604,296.80	11,466,419.64	40,793,482.41	-631,914.67	6,881,596.17	79,672,993.26	11,569,191.21	-22,447,198.66

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. TRANSACTIONS IN WHICH THE COMPANY STILL REMAINS CONTROLLING THE SUBSIDIARIES WITH THE CHANGE INCURRED IN THE PERCENTAGE OF SHAREHOLDERS' EQUITY OF THE SUBSIDIARIES

(1) Situation of changes in the percentage of shareholders' equity of the subsidiaries

During this reporting period, the Company acquired the 6% stock equity of the partially-owned subsidiary of the Company, YTO Finance Company Limited held by SINOMA-HI (Luoyang) Building Machinery Co., Ltd. The comparison of the change of percentage in shareholders' equity before and after the transfer is as following:

Shareholder	Shareholding amount		Shareholding percentage (%)	
	Ending balance	Beginning balance	Percentage of ending balance	Percentage of beginning balance
First Tractor Company Limited	473,000,000.00	443,000,000.00	94.60	88.60
SINOMA-HI (Luoyang) Building Machinery Co., Ltd	0.00	30,000,000.00	0.00	6.00
YTO (Luoyang) Diesel Engine Co., Ltd.	21,000,000.00	21,000,000.00	4.20	4.20
YTO Group Corporation	3,000,000.00	3,000,000.00	0.60	0.60
YTO International Economic and Trade Co., Ltd.	3,000,000.00	3,000,000.00	0.60	0.60
Total	500,000,000.00	500,000,000.00	100.00	100.00

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. TRANSACTIONS IN WHICH THE COMPANY STILL REMAINS CONTROLLING THE SUBSIDIARIES WITH THE CHANGE INCURRED IN THE PERCENTAGE OF SHAREHOLDERS' EQUITY OF THE SUBSIDIARIES (CONTINUED)

(2) Impact on equity from changes in the percentage of shareholders' equity in the subsidiaries

Item	YTO Finance Company Limited
Purchase cost/Disposal consideration	44,658,012.00
– Cash	44,658,012.00
Total cost of acquisition	44,658,012.00
Less: Net assets portion in subsidiaries calculated according to the stock equity acquired/disposed	45,597,310.87
Difference	-939,298.87
Including: Capital reserve adjustment	939,298.87
Surplus reserve adjustment	0.00
Retained earnings adjustment	0.00

3. INTERESTS IN JOINT VENTURES OR ASSOCIATE ENTERPRISES

(1) Significant joint ventures or associate enterprises

Unit: Yuan Currency: RMB

Name of joint ventures or associate enterprises	Main business place	Registration place	Business nature	Shareholding percentage (%)		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

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

3. INTERESTS IN JOINT VENTURES OR ASSOCIATE ENTERPRISES (CONTINUED)

(2) Main financial information of important joint ventures

Unit: Yuan Currency: RMB

Item	Ending balance/Current period		Beginning balance/Last period	
	YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd.	ZF YTO (Luoyang) Drive Axle Company Limited	YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd.	ZF YTO (Luoyang) Drive Axle Company Limited
Current assets	6,113,568.98	162,485,339.93	3,850,569.52	174,470,563.84
Including: Cash and cash equivalents	59,188.86	77,034,640.42	573,538.14	53,676,401.47
Non-current assets	1,372,583.11	193,009,341.46	1,171,788.52	197,413,511.15
Total assets	7,486,152.09	355,494,681.39	5,022,358.04	371,884,074.99
Current liabilities	2,687,633.09	53,445,096.92	-85,340.49	80,860,031.55
Non-current liabilities	0.00	0.00	0.00	0.00
Total liabilities	2,687,633.09	53,445,096.92	-85,340.49	80,860,031.55
Minority interest	0.00	0.00	0.00	0.00
Equity attributable to the shareholders of the parent company	4,798,519.00	302,049,584.47	5,107,698.53	291,024,043.44
Share of net assets calculated by shareholding percentage	959,703.79	148,004,296.39	1,021,539.70	142,601,781.29
Matters of adjustment	0.00	-60,739.05	0.00	-156,870.70
- Goodwill	0.00	0.00	0.00	0.00
- Unrealized profits from internal transactions	0.00	-60,739.05	0.00	-156,870.70
- Others	0.00	0.00	0.00	0.00

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

3. INTERESTS IN JOINT VENTURES OR ASSOCIATE ENTERPRISES (CONTINUED)

(2) Main financial information of important joint ventures (CONTINUED)

Unit: Yuan Currency: RMB

Item	Ending balance/Current period		Beginning balance/Last period	
	ZF YTO		YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd.	ZF YTO (Luoyang) Drive Axle Company Limited
	YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd.	(Luoyang) Drive Axle Company Limited		
Book value of equity investments in associates	959,703.79	147,943,557.34	1,021,539.70	142,444,910.59
Fair value of equity investments in joint ventures with public quotation	0.00	0.00	0.00	0.00
Operating revenue	0.00	185,656,144.38	287,698.05	149,128,405.77
Finance expenses	-18.06	-445,750.08	-5,243.69	-204,899.84
Income tax expense	0.00	5,675,180.35	0.00	1,721,630.25
Net profit	-309,179.53	17,025,541.03	-342,757.77	5,164,890.73
Net profits of discontinuing operation	0.00	0.00	0.00	0.00
Other comprehensive income	0.00	0.00	0.00	0.00
Total comprehensive income	<u>-309,179.53</u>	<u>17,025,541.03</u>	<u>-342,757.77</u>	<u>5,164,890.73</u>
Dividends from joint ventures in the current period	192,000.00	2,940,000.00	0.00	0.00

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

3. INTERESTS IN JOINT VENTURES OR ASSOCIATE ENTERPRISES (CONTINUED)

(3) Summary financial information of insignificant associate enterprises

Unit: Yuan Currency: RMB

Associate enterprises:	Ending balance/ Current period	Beginning balance/ Last period
Total book value of investments	58,498.18	80,039.21
Total amount of the following items calculated according to shareholding percentage		
– Net profit	-21,541.03	-97,365.14
– Other comprehensive income	0.00	0.00
– Total comprehensive income	-21,541.03	-97,365.14

(4) Note of significant restrictions of the ability to transfer funds from joint ventures or associate enterprises to the Company:

None

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

3. INTERESTS IN JOINT VENTURES OR ASSOCIATE ENTERPRISES (CONTINUED)

(5) Excess loss occurred in joint ventures or associate enterprises

None

(6) Unconfirmed commitments related to investments in joint ventures

None

(7) Contingent liabilities related to investments in joint ventures or associate enterprises

None

4. SIGNIFICANT JOINT OPERATION

None

5. EQUITY IN THE STRUCTURED BODY NOT INCLUDED IN THE SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

None

X. RISKS RELATED TO FINANCIAL INSTRUMENTS

Major financial instruments of the Group include: monetary funds, receivables, financial assets at fair value through profit or loss with changes recognized into current period profit or loss, available-for-sale financial assets, loans issued and advances paid on behalf of others, payables, borrowings from financial institutes, and bonds payable etc. For the specific details of each financial instrument, please refer to Note VII of the notes. Risks related to these financial instruments and the Group's risk management policies for risk mitigation are stated as following. The management and supervision of the risk exposure is to ensure that these risks mentioned above are controlled within a reasonable range.

1. OBJECTIVES AND POLICIES OF A VARIETY OF RISK MANAGEMENT

The risk management objectives of the Group are to obtain an appropriate balance between risk and return, to reduce the negative effects on operating results caused by risks to a lowest level, and to maximize the interest of shareholders and other equity investors. Based on these objectives of risk management, the basic strategies of the Group are to confirm and analyze all potential risks exposed by the Group, to set the appropriate risk bottom lines to be borne by the Group and to conduct the risk management, also to monitor all types of risks timely and reliably, and to control the risks within a limited range.

X. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. OBJECTIVES AND POLICIES OF A VARIETY OF RISK MANAGEMENT (CONTINUED)

(1) Market risk

1) Risk of exchange rate

Most of the Group's business is in China. Because most transactions are settled in RMB, the Group does not need to face a wide scale of foreign currency risk. The Group bears the risk of exchange rate which is mainly related to USD, HKD, EUR, JPY, AUD, XOF and ZAR. As at 30 June 2016, except for the foreign currency ending balances of the assets and liabilities stated in the following schedule, the ending balances of assets and liabilities held by the Group are all in RMB. The exchange rate risk raise from the ending balances in foreign currencies of such assets and liabilities may generate impacts on the operation performance of the Group.

Item	Ending balance		Beginning balance	
	Original currency	Converted to RMB	Original currency	Converted to RMB
Monetary funds	-	160,266,120.22	-	118,860,889.73
USD	11,764,175.31	78,010,599.32	11,087,048.31	71,994,856.87
EUR	4,844,990.45	35,731,804.57	199,553.22	1,415,869.98
HKD	39,784,768.39	34,002,848.00	39,697,639.09	33,257,888.08
JPY	809,074.00	52,185.27	9,535,848.00	513,982.20
AUD	475,157.46	2,349,748.67	1,030,259.30	4,870,653.87
XOF	275,883,936.00	3,100,935.44	279,539,251.41	3,019,023.91
ZAR	15,630,287.19	7,017,998.95	8,711,718.81	3,635,400.26
GBP	0.00	0.00	15,933.46	153,214.56
Accounts receivable	-	381,383,087.50	-	418,515,634.85
USD	51,588,837.04	342,095,896.18	59,170,131.29	384,227,164.55
EUR	1,834,251.61	13,527,605.62	2,983,979.92	21,171,934.33
JPY	0.00	0.00	16,757,062.00	903,205.64
AUD	1,016,005.20	5,024,348.92	150,985.20	713,797.63
XOF	686,903,971.61	7,720,800.64	150,096,144.45	1,621,038.36
ZAR	28,985,381.15	13,014,436.14	23,672,404.37	9,878,494.34
Other receivables	-	13,770,367.61	-	15,636,482.77
XOF	11,776,329.50	132,365.94	9,167,625.00	99,010.35
ZAR	107,702.52	48,358.43	152,545.00	63,657.03
EUR	1,842,663.49	13,589,643.24	2,180,885.02	15,473,815.39

X. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. OBJECTIVES AND POLICIES OF A VARIETY OF RISK MANAGEMENT (CONTINUED)

(1) Market risk (CONTINUED)

1) Risk of exchange rate (CONTINUED)

Item	Ending balance		Beginning balance	
	Original currency	Converted to RMB	Original currency	Converted to RMB
Advances to suppliers	-	199,765,115.30	-	264,674,115.70
USD	75,714.56	502,078.39	240,964.56	1,564,727.47
EUR	23,298,902.06	171,829,402.70	35,684,791.63	253,190,733.57
JPY	201,775,667.00	13,014,530.52	184,019,567.00	9,918,654.66
XOF	18,460,473.60	207,495.72	0.00	0.00
ZAR	17,860.00	8,019.14	0.00	0.00
GBP	1,592,116.40	14,203,588.83	0.00	0.00
Accounts payable	-	14,970,951.70	-	31,505,683.85
USD	0.00	0.00	1,068,731.67	6,939,916.00
EUR	1,788,602.86	13,190,946.09	3,240,843.64	22,994,433.79
XOF	139,671,552.44	1,569,908.25	139,085,055.56	1,502,118.60
ZAR	467,922.85	210,097.36	165,864.98	69,215.46
Other payables	-	46,661,458.87	-	10,245,241.13
USD	3,826,224.42	25,372,459.37	0.00	0.00
EUR	1,169,217.55	8,622,979.43	1,318,126.21	9,352,369.09
HKD	13,793,784.07	11,789,133.43	0.00	0.00
XOF	77,358,633.18	869,511.04	82,358,633.18	891,120.41
ZAR	16,426.72	7,375.60	4,197.53	1,751.63

X. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. OBJECTIVES AND POLICIES OF A VARIETY OF RISK MANAGEMENT (CONTINUED)

(1) Market risk (CONTINUED)

1) Risk of exchange rate (CONTINUED)

Item	Ending balance		Beginning balance	
	Original currency	Converted to RMB	Original currency	Converted to RMB
Advances from customers	-	37,489,926.66	-	58,471,931.15
USD	0.00	0.00	2,586,671.25	16,796,808.42
EUR	4,996,262.83	36,847,438.37	5,401,845.14	38,327,171.64
GBP	0.00	0.00	300,000.00	2,884,770.00
XOF	57,160,879.76	642,488.29	41,727,971.30	450,662.09
ZAR	0.00	0.00	30,000.00	12,519.00
Short term loans	-	708,037,201.14	-	792,064,725.16
USD	88,600,000.00	587,524,320.00	96,800,000.00	628,580,480.00
EUR	15,000,000.00	110,625,000.00	21,700,000.00	153,965,840.00
XOF	879,704,728.00	9,887,881.14	881,333,811.11	9,518,405.16
Non-current liabilities due within one year	-	18,437,500.00	-	17,738,000.00
EUR	2,500,000.00	18,437,500.00	2,500,000.00	17,738,000.00
Long-term loans	-	18,437,500.00	-	26,607,000.00
EUR	2,500,000.00	18,437,500.00	3,750,000.00	26,607,000.00

X. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. OBJECTIVES AND POLICIES OF A VARIETY OF RISK MANAGEMENT (CONTINUED)

(1) Market risk (CONTINUED)

2) Interest rate risk

The interest rate risk of the Group arises from the interest-bearing debts such as bank loans and bonds payable, etc. The financial liabilities with floating interest rates make the Group face the interest rate risk from cash flows. The financial liabilities with fixed interest rates make the Group face the interest rate risk from fair value. The Group determines the relative percentage between the fixed interest rate contracts and the floating interest rate contracts according to the market environment at the time.

The risk of changes in market interest rates borne by the Group mainly are the loans issued and advances paid on behalf of others, deposits absorbed and the borrowings of the Group.

The Group maintains a proper fixed and floating interest rate instruments portfolio, and regularly reviews and monitors the portfolio to manage the interest rate risk and make a proper arrangement to reduce the risk. The Group does not use the derivative financial instruments to hedge the interest rate risks.

On 30 June 2016, the interest-bearing debts of the Group are mainly the floating interest rate borrowing contracts denominated in EUR with the total amount of RMB147,500,000.00 (31 December 2015: RMB127,358,840.00), and the fixed interest rate contracts denominated in RMB, USD, EUR and XOF respectively, with the amount of RMB1,551,888,030.08 (31 December 2015: RMB1,855,941,105.26).

3) Price risk

The Group sells products on the market price. Therefore the Group is influenced by the impact of such price fluctuation.

X. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. OBJECTIVES AND POLICIES OF A VARIETY OF RISK MANAGEMENT (CONTINUED)

(2) Credit risk

On 30 June 2016, the maximum exposure of credit risk which may cause the financial loss of the Group is mainly from the risk generated due to the customers or transaction counterparties failing to fulfill the performance. Specifically, the risk includes the accounts receivable of the Group and the loan issuance 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. Also, the board of directors believes that an adequate allowance has been prepared for the uncollected accounts receivable in the financial statement. In this regard, the board of directors believes that the credit risk has been significantly reduced.

The total amount of the top five accounts receivable is RMB570,061,183.91 (RMB582,104,709.51 on 31 December 2015). Because the Group's risk exposure is distributed across multiple clients, at the end of this period, 44.35% of the Group's accounts receivable (42.63% for last year) comes from the top five largest customers of the Group. Therefore, the Group has no significant concentration of credit risk.

As for the lending and borrowing business of the Group, 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 committee is responsible for making credit policies and confirming the line of credit to make a collective review of each credit loan business according to the conservative and prudent policies. The audit department of YTO Finance Company Limited is responsible for monitoring the implementations of the loan review policies and inspecting systems after loans are issued.

Because the bank deposits and the pledged bank deposits are placed in state-owned banks or other reputable financial institution in China, the credit risk of bank deposits is limited.

X. RISKS RELATED TO FINANCIAL INSTRUMENTS (*CONTINUED*)

1. OBJECTIVES AND POLICIES OF A VARIETY OF RISK MANAGEMENT (*CONTINUED*)

(2) Credit risk (*CONTINUED*)

The payment of notes receivable is guaranteed by banks and the banks are either state-owned banks or other financial institution with a good credit standing. Therefore, the credit risk of notes receivable is limited.

Among the carrying amount of financial assets already recognized in the consolidated balance sheet, for the 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 changes of fair value in the future.

(3) Liquidity risk

Liquidity risk is the risk that the Group is unable to fulfill its financial obligations at the maturity date.

Cash flow forecast is performed by the operation entity of the Group and is aggregated by the Group finance department. The Group finance department monitors the rolling forecasts of the liquidity funds requirements of the Group to ensure that there are adequate funds to meet the operation needs. The Group finance department also often maintains the adequate undrawn commitments on line of credit to protect the Group from breaking any loan limitations or terms. Such forecast considers the Group's debt financing plan, compliance of terms, is in compliance with the ratio target of internal statement of financial position, and the provisions of the external regulations or legislations.

The difference between the remaining cash held by the operation entity and the amount needed for working capital management is transferred to the Company account. The Company account invests the remaining funds in the fixed term deposits, money market deposits and securities. The selected tools have the proper maturity dates or adequate liquidity in order to provide an adequate space for the aforementioned forecast.

X. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. OBJECTIVES AND POLICIES OF A VARIETY OF RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (CONTINUED)

In the ending balance, the cash and cash equivalents held by the Group is approximately RMB1,636,134,328.48 (RMB1,690,285,427.32 on 31 December 2015) (Note VII. 60), accounts receivable and notes receivable of approximate RMB1,861,999,531.33 (RMB1,995,030,356.75 on 31 December 2015) (Note. VII 4, 5). Cash flow is expected to be generated real-timely to manage the liquidity risk. Besides, the listed and tradable equity securities held by the Group is RMB19,622,152.96 (RMB14,432,348.51 on 31 December 2015) (Note VII. 3). These securities can be real-timely realized to cash when there is a need to provide the further source of cash.

Analysis of the maturity of financial assets and financial liabilities owned by the Group based on the undiscounted remaining contractual obligations is as following:

Amount as of 30 June 2016:

Item	Within 1 year or on demand	1-2 years	2-5 years	Over 5 years	Total
Financial assets					
Monetary funds	1,778,346,387.08	0.00	0.00	0.00	1,778,346,387.08
Loans to banks and other financial institutions	300,000,000.00	0.00	0.00	0.00	300,000,000.00
Trading financial assets	146,888,383.56	0.00	0.00	0.00	146,888,383.56
Notes receivable	576,550,822.50	0.00	0.00	0.00	576,550,822.50
Accounts receivable	1,285,448,708.83	0.00	0.00	0.00	1,285,448,708.83
Prepayments	125,055,616.76	0.00	0.00	0.00	125,055,616.76
Interests receivable	8,034,544.85	0.00	0.00	0.00	8,034,544.85
Other receivables	84,178,571.45	0.00	0.00	0.00	84,178,571.45
Financial assets purchased with agreement to re-sale	100,484,109.59	0.00	0.00	0.00	100,484,109.59
Available-for-sale financial assets – stock	62,751,300.00	0.00	0.00	0.00	62,751,300.00
Loans issued and advances paid on behalf of others	1,906,169,693.12	0.00	0.00	0.00	1,906,169,693.12
Other current assets – structured deposit and financial product	854,000,000.00	0.00	0.00	0.00	854,000,000.00
Investments held to maturity	113,818,833.00	0.00	0.00	0.00	113,818,833.00

X. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. OBJECTIVES AND POLICIES OF A VARIETY OF RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (CONTINUED)

Item	Within 1 year or on demand	1-2 years	2-5 years	Over 5 years	Total
Financial liabilities					
Short term loans	1,662,513,030.08	0.00	0.00	0.00	1,662,513,030.08
Deposits absorption and loans from other banks	307,207,659.33	0.00	0.00	0.00	307,207,659.33
Notes payable	1,067,346,529.84	0.00	0.00	0.00	1,067,346,529.84
Accounts payable	1,915,944,631.34	0.00	0.00	0.00	1,915,944,631.34
Other payables	269,835,601.41	0.00	0.00	0.00	269,835,601.41
Interests payable	17,660,468.68	0.00	0.00	0.00	17,660,468.68
Dividend payables	39,133,747.57	0.00	0.00	0.00	39,133,747.57
Employee benefits payable	83,702,274.90	6,639,292.67	12,247,570.80	5,673,875.69	108,263,014.06
Non-current liabilities due within one year – loans	18,437,500.00	0.00	0.00	0.00	18,437,500.00
Others current liabilities – accrued expenses	110,546,505.83	0.00	0.00	0.00	110,546,505.83
Long-term loans	0.00	18,437,500.00	0.00	0.00	18,437,500.00
Bonds payable	0.00	1,495,459,563.42	0.00	0.00	1,495,459,563.42

2. SENSITIVITY ANALYSIS

The Group uses the sensitivity analysis technology to analyze the rationality and changes of risk variables which may generate influence on the profits or losses in the current period or the shareholders' equity. The risk variable rarely changes individually and the final influential amount of correlation between variables to a certain risk variable is significant. Therefore, the content below is on the assumption that the change in each variable is independent.

X. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

2. SENSITIVITY ANALYSIS (CONTINUED)

(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 after tax effect of reasonable change incurred by the exchange rate on the profit or loss in the current period and the equity in the current period is as following:

Item	Fluctuations in exchange rate	January–June 2016	January–June 2015
		Effect on profits before income tax	Effect on profits before income tax
All foreign currency	Appreciation against RMB by 5%	802,918.61	-60,338,667.29
All foreign currency	Depreciation against RMB by 5%	-802,918.61	60,338,667.29

(2) Sensitivity analysis of interest rate risk

The sensitivity analysis of interest rate risk is based on the following hypothesis:

The change of market interest rate will affect the 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 their 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.

X. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

2. SENSITIVITY ANALYSIS (CONTINUED)

(2) Sensitivity analysis of interest rate risk (CONTINUED)

Based on the above hypothesis, when other variables are constant, the after tax effect of reasonable interest rate fluctuations to profit or loss in the current period and the equity in the current period is as following:

Item	Change in interest rate	January-June 2016		January-June 2015	
		Impact on net profits	Impact on shareholders' equity	Impact on net profits	Impact on shareholders' equity
Floating rate borrowings	Increase by 1%	-590,962.79	-695,250.34	-2,513,202.63	-2,513,202.63
Floating rate borrowings	Decrease by 1%	590,962.79	695,250.34	2,513,202.63	2,513,202.63

XI. DISCLOSURES OF FAIR VALUE

1. FAIR VALUE OF THE ENDING BALANCE OF ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

Unit: Yuan Currency: RMB

Item	Fair value of the ending balance			Total
	The first level of fair value measurement	The second level of fair value measurement	The third level of fair value measurement	
I. Continuous fair value measurement				
(I) Financial assets measured at fair value and its movement recorded through profit or loss	146,888,383.56	0.00	0.00	146,888,383.56
1. Trading financial assets	35,988,383.56	0.00	0.00	35,988,383.56
(1) Investments in debt instruments	16,366,230.60	0.00	0.00	16,366,230.60
(2) Investments in equity instrument	19,622,152.96	0.00	0.00	19,622,152.96
(3) Derivative financial assets	0.00	0.00	0.00	0.00
2. Designated as financial assets measured at fair value and its movement recorded through profit or loss	110,900,000.00	0.00	0.00	110,900,000.00
(1) Investments in debt instruments	0.00	0.00	0.00	0.00
(2) Investments in equity instrument	0.00	0.00	0.00	0.00
(3) Others	110,900,000.00	0.00	0.00	110,900,000.00
(II) Available-for-sale financial assets	62,751,300.00	0.00	188,129,341.41	250,880,641.41
(1) Investments in debt instruments	0.00	0.00	0.00	0.00
(2) Investments in equity instrument	62,751,300.00	0.00	0.00	62,751,300.00
(3) Others	0.00	0.00	188,129,341.41	188,129,341.41
(III) Investment properties	0.00	0.00	0.00	0.00
Total assets continuously measured at fair value	209,639,683.56	0.00	188,129,341.41	397,769,024.97

XI. DISCLOSURES OF FAIR VALUE (CONTINUED)

2. DETERMINATION BASIS OF THE MARKET PRICE OF THE ITEM MEASURED USING THE FIRST LEVEL OF FAIR VALUE MEASUREMENT CONTINUOUSLY AND NON-CONTINUOUSLY

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 measured at fair value and its movement recorded through profit and 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 over-the-counter (OTC) derivatives). Valuation techniques should use observable market data as much as possible and use specific estimations as less as possible. If all significant inputs are observable data when calculating the fair value of a financial instrument, the financial instrument is listed in the second level.

XI. DISCLOSURES 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

If one or more of the significant inputs are not based on observable market data, the financial instrument is listed in the third level. Specific methods of valuating financial instruments include:

- (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 such as discounted value of cash flow analysis which is used to calculate the fair value of the rest other financial instruments.

5. NO CONVERSION OF FINANCIAL ASSETS BETWEEN THE FIRST LEVEL AND THE SECOND LEVEL HAPPENED IN CURRENT YEAR.

6. NO CHANGE OF VALUATION TECHNIQUE HAPPENED IN THIS PERIOD.

XII. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS

1. INFORMATION OF THE PARENT COMPANY OF THE ENTERPRISE

Unit: Yuan Currency: RMB

Name of the parent company	Registration place	Business nature	Registered capital	Shareholding percentage in the Company entitled by the parent company (%)	Percentage of voting right in the Company entitled by the parent company (%)
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 controlling party of the Group is China National Machinery Corporation, with the registered address and the operation location in Beijing, whose business scope includes: domestic and foreign contracting of large equipment and projects, organization of the major technology and equipment research in the industry, 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 RMB16,800,000,000.00.

2. SITUATION OF THE SUBSIDIARIES OF THE COMPANY

Please see Note IX.1 of the notes for the detail information of the subsidiaries of the Company.

3. SITUATION OF THE JOINT VENTURES AND ASSOCIATE ENTERPRISES OF THE COMPANY

Please see Note IX.3 for the significant joint ventures and associate enterprises of the Company.

XII. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS (CONTINUED)

4. SITUATION OF OTHER RELATED PARTIES

Name of other related parties	Relationship of other related parties to the Company
Dongfanghong (Luoyang) Culture Communication Centre	Under common control
Luoyang Duoen 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 (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) Huidе Tooling Co., Ltd	Under common control
YTO (Luoyang) Dongchen Mold Technology Co., Ltd	Under common control
YTO (Luoyang) Tobacco Machinery 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
China SINOMACH Heavy Industry Corporation	Controlled by the same ultimate controlling party
Changlin Company Ltd	Controlled by the same ultimate controlling party
China Erzhong Group (Deyang) Heavy Industry Co., Ltd	Controlled by the same ultimate controlling party
SINOMA-HI (Luoyang) Building Machinery Co., Ltd	Controlled by the same ultimate controlling party
SINOMACH-HI (Luoyang) Co., Ltd	Controlled by the same ultimate controlling party
The Fourth Design Institute of the Ministry of Machinery Industry	Controlled by the same ultimate controlling party
The Sixth Design Institute of the Ministry of Machinery Industry Co., Ltd	Controlled by the same ultimate controlling party
The Fifth Design Institute of the Ministry of Machinery Industry	Controlled by the same ultimate controlling party

XII. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS (CONTINUED)

4. SITUATION OF OTHER RELATED PARTIES (CONTINUED)

Name of other related parties	Relationship of other related parties to the Company
Luoyang Zhongshou Machinery & Equipment Co., Ltd	Controlled by the same ultimate controlling party
Luoyang Bearing Science & Technology Co., Ltd	Controlled by the same ultimate controlling party
Luoyang Bearing Science & Industry Co., Ltd	Controlled by the same ultimate controlling party
Tianjin Daye Logistics Co., Ltd	Controlled by the same ultimate controlling party
YTO (Luoyang) Engineering Machinery Co., Ltd	Controlled by the same ultimate controlling party
YTO (Luoyang) Construction Machinery Co., Ltd	Controlled by the same ultimate controlling party
Changsha Gas-electric Auto Parts Co., Ltd	Controlled by the same ultimate controlling party
China CAMC Engineering Co., Ltd	Controlled by the same ultimate controlling party
China Engineering and Agriculture Machinery Import and Export Co., Ltd	Controlled by the same ultimate controlling party
China Machine Tool Sales and Technical Services Company	Controlled by the same ultimate controlling party
The Fourth Construction of China Machinery Industry Co., Ltd.	Controlled by the same ultimate controlling party
China Machinery Industry Construction Group Inc.	Controlled by the same ultimate controlling party
China Academy of Agricultural Mechanization Services	Controlled by the same ultimate controlling party
China National Automotive Industry International Corporation	Controlled by the same ultimate controlling party
CMCC Basic Machine Components Technologies Co., Ltd.	Controlled by the same ultimate controlling party
CAAMS Menoble Technology Co., Ltd	Controlled by the same ultimate controlling party
China Machinery TDI International Engineering Co., Ltd Luoyang Branch	Controlled by the same ultimate controlling party
China Automotive Industry International Corporation	Controlled by the same ultimate controlling party
AIE Zhida (Luoyang) Construction Supervision Company	Controlled by the same ultimate controlling party

XII. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS (CONTINUED)

5. SITUATION OF RELATED TRANSACTIONS

(1) Significant transactions between the Group and SINOMACH Group and its subsidiaries

Item	Amount of this period	Amount of last period
Sales of raw materials and components	18,013,796.85	17,993,820.26
Purchase of raw materials and components	12,662,215.06	17,218,508.05
Interest income	2,832,411.36	3,951,927.80
Pay interest on deposits of clients	76,228.11	38,518.48
	=====	=====

(2) Significant transactions between the Group and YTO Group and its subsidiaries

Item	Amount of this period	Amount of last period
Sales of raw materials and components	88,875,660.74	59,895,490.36
Purchase of raw materials and components	144,067,537.71	143,155,276.67
Payment and payable of power cost	95,397,619.82	90,434,034.52
Payment and payable of comprehensive service and transportation expenses	88,200,011.61	119,704,920.40
Payment and payable of land rental expenses	8,843,217.34	12,959,608.00
Payment and payable of buildings rental expenses	6,632,480.68	6,918,250.70
Payment and payable of equipment rental expenses	151,214.17	48,635.90
Rental income of leasing buildings and equipment	1,824,976.98	1,946,077.88
Purchase of plant and equipment	6,198,543.34	7,516,806.74
Interest income	12,091,882.93	10,213,735.28
Pay interest on deposits of clients	1,604,519.90	4,737,176.45
Payment received of research and development expense	222,648.05	264,010.98
	=====	=====

XII. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS (CONTINUED)

5. SITUATION OF RELATED TRANSACTIONS (CONTINUED)

(3) Related party transactions between the Group and the joint ventures and associate enterprises (including the joint ventures and associate enterprises of SINOMACH and YTO Group Corporation)

Item	Amount of this period	Amount of last period
Sales of raw materials and components	52,823,362.13	133,742,837.64
Purchase of raw materials and components	250,313,893.25	282,197,658.95

6. REMUNERATION OF KEY MANAGEMENT PERSONNEL

Unit: RMB 0'000

Item	Current period	Last period
Remuneration of key management personnel	15.36	9.70
Salaries and other benefits	202.17	159.99
Retirement benefits scheme contribution	18.05	13.31
Total remuneration	235.58	183.00

XII. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS (CONTINUED)

6. REMUNERATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

The analysis of the remuneration of key management personnel is as following:

Unit: RMB 0'000

Personnel and duties	Amount of this period			Total
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	
Executive directors				
Zhao, Yanshui	0.00	21.00	1.31	22.31
Wang, Erlong	0.00	21.45	2.33	23.78
Wu, Yong	0.00	18.01	1.31	19.32
Non-executive directors				
Li, Hepeng	0.20	0.00	0.00	0.20
Xie, Donggang	0.00	0.00	0.00	0.00
Li, Kai	0.20	0.00	0.00	0.20
Yin, Dongfang	0.00	0.00	0.00	0.00
Independent non-executive directors				
Yang, Minli	2.70	0.00	0.00	2.70
Xing, Min	2.50	0.00	0.00	2.50
Wu, Delong	2.70	0.00	0.00	2.70
Yu, Zengbiao	2.70	0.00	0.00	2.70
Supervisors				
Li, Ping'an	0.00	15.01	1.31	16.32
Xu, Weiling	0.00	0.00	0.00	0.00
Wang, Jianjun	0.00	7.44	1.31	8.75
Zhao, Guozhong	0.00	8.21	1.31	9.52
Wang, Yong	2.08	0.00	0.00	2.08
Huang, Ping	2.28	0.00	0.00	2.28

XII. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS (CONTINUED)

6. REMUNERATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

Unit: RMB 0'000

Personnel and duties	Fees	Amount of this period		Total
		Salaries and other benefits	Retirement benefits scheme contributions	
Senior management personnel				
Wang, Kejun (<i>Vice general manager</i>)	0.00	18.00	1.31	19.31
Liu, Jiguo (<i>Vice general manager</i>)	0.00	18.00	1.31	19.31
Su, Wensheng (<i>Vice general manager</i>)	0.00	15.01	1.31	16.32
Zhu, Weijiang (<i>Vice general manager</i>)	0.00	15.01	1.31	16.32
Song, Yuping (<i>Vice general manager</i>)	0.00	15.01	1.31	16.32
Other senior management personnel				
Yao, Weidong (<i>Chief financial officer</i>)	0.00	15.01	1.31	16.32
Yu, Li'na (<i>Vice general manager and secretary of the board of directors</i>)	0.00	15.01	1.31	16.32
Total	15.36	202.17	18.05	235.58

XII. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS (CONTINUED)

6. REMUNERATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

Unit: RMB 0'000

Personnel and duties	Fees	Amount of last period		Total
		Salaries and other benefits	Retirement benefits scheme contributions	
Executive directors				
Zhao, Yanshui	0.00	0.00	0.00	0.00
Wu, Yong	0.00	18.04	1.21	19.25
Non-executive directors				
Wang, Erlong	0.00	0.00	0.00	0.00
Yan, Linjiao	0.00	0.00	0.00	0.00
Wu, Zongyan	0.00	0.00	0.00	0.00
Wang, Kejun	0.00	0.00	0.00	0.00
Guo, Zhiqiang	0.00	0.00	0.00	0.00
Liu, Jiguo	0.00	0.00	0.00	0.00
Independent non-executive directors				
Hong, Xian'guo	1.7	0.00	0.00	1.7
Xing, Min	1.7	0.00	0.00	1.7
Wu, Delong	1.7	0.00	0.00	1.7
Yu, Zengbiao	1.7	0.00	0.00	1.7
Supervisors				
Li, Ping'an	0.00	0.00	0.00	0.00
Xu, Weilin	0.00	0.00	0.00	0.00
Wang, Jianjun	0.00	10.22	1.21	11.43
Zhao, Guozhong	0.00	8.17	1.21	9.38
Wang, Yong	1.45	0.00	0.00	1.45
Huang, Ping	1.45	0.00	0.00	1.45

XII. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS (CONTINUED)

6. REMUNERATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

Unit: RMB 0'000

Personnel and duties	Fees	Amount of last period		Total
		Salaries and other benefits	Retirement benefits scheme contributions	
Senior management personnel				
Lian, Guoqing (Standing vice general manager)	0.00	18.04	1.21	19.25
Liu, Yao (Vice general manager)	0.00	14.88	1.21	16.09
Hou, Zhiping (Vice general manager)	0.00	15.04	1.21	16.25
Zhu, Weijiang (Vice general manager)	0.00	15.04	1.21	16.25
Su, Wensheng (Vice general manager)	0.00	15.04	1.21	16.25
Song, Yuping (Vice general manager)	0.00	15.04	1.21	16.25
Other senior management personnel				
Yao, Weidong (Chief Accountant)	0.00	15.04	1.21	16.25
Yu, Li'na (Secretary of the Board of Directors)	0.00	15.44	1.21	16.65
Total	<u>9.7</u>	<u>159.99</u>	<u>13.31</u>	<u>183.00</u>

XII. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS (CONTINUED)

7. BALANCE DUE TO/FROM RELATED PARTIES (CONTINUED)

(3) Receivables and payables between the Group and other related parties

Item	Amount of this period	Amount of last period
Accounts receivable	6,872,330.63	16,564,615.74
Other receivables	0.00	0.00
Prepayments	0.00	367,706.10
Accounts payable	375,802.51	4,779,854.44
Other payables	0.00	84,880.16
Advances from customers	0.00	66,055.95
	<u><u><u> </u></u></u>	<u><u><u> </u></u></u>

(4) Lending and borrowing between related parties

Item	Amount of this period	Amount of last period
Loans issued (including discounting of notes and bills)	683,183,762.79	495,759,447.23
Deposits absorption and loans from other banks	287,785,210.82	883,263,201.47
	<u><u><u> </u></u></u>	<u><u><u> </u></u></u>

8. RELATED PARTY COMMITMENT

None

9. OTHERS

None

XIII. SHARE-BASED PAYMENT

None

XIV. COMMITMENT AND CONTINGENCIES

1. SIGNIFICANT MATTERS OF COMMITMENTS

(1) Ending balance of commitment of capital expenditures made by the Group

None

(2) Contracting out contract with significant amount which has already been signed and is performed or is prepared to be performed

None

(3) Lease contracts which has been signed and is performed or is prepared to be performed, and the financial impact of such contracts

On 30 June 2016, the minimum future payments of irrevocable operating lease on rental items, assumed by the Group as the lessee, for houses and buildings, machineries, and equipment are as following:

Period	Amount of this period	Beginning balance
Within 1 year	743,300.00	7,238,138.39
1–2 years	831,800.00	647,360.83
2–3 years	831,800.00	1,749,000.00
After 3 years	1,663,600.00	0.00
Total	4,070,500.00	9,634,499.22

XIV. COMMITMENT AND CONTINGENCIES (CONTINUED)

1. SIGNIFICANT MATTERS OF COMMITMENTS (CONTINUED)

(3) Lease contracts which has been signed and is performed or is prepared to be performed, and the financial impact of such contracts (CONTINUED)

On 30 June 2016, the summary of the minimum future payments of irrevocable operating lease on rental items, assumed by the Group as the lessee, for houses and buildings, machineries, and equipment which will be collected by the Group as the lesser is as following:

Period	Amount of this period	Beginning balance
Within 1 year	11,874,224.00	11,237,348.83
1–2 years	4,030,547.29	7,978,758.33
2–3 years	3,770,000.00	234,147.29
After 3 years	3,600,000.00	0.00
Total	23,274,771.29	19,450,254.45

XIV. COMMITMENT AND CONTINGENCIES (*CONTINUED*)

1. SIGNIFICANT MATTERS OF COMMITMENTS (*CONTINUED*)

- (4) Except for the aforementioned matters of commitment, the Group has no other significant commitments as at 30 June 2016.**

2. CONTINGENCIES

(1) Contingencies resulted from external guarantees provided

As at 30 June 2016, details of the guarantees provided by the Group to other parties are as followings:

During the reporting period, the Group, Bank of Communication, and YTO Finance Company Limited entered into a Trade Finance Agreement to carry out trade financing cooperation. According to the agreement, the two financial institutions consent to provide a limit on trade financing of total RMB103.43 million for the Group. The above limit on trade financing is specifically used for the application to open the bank acceptance notes through the two financial institutions by the Group or the distributors recommended by the enterprises under the authorization of the Group. The bank acceptances are used for the purchasing of products of agricultural machineries from the Group or the enterprises under the authorization of the Group. For this reason, the Group provided guarantee through the form of confirmation on commitment or agreement.

XIV. COMMITMENT AND CONTINGENCIES (CONTINUED)

2. CONTINGENCIES (CONTINUED)

(1) Contingencies resulted from external guarantees provided (CONTINUED)

As at 30 June 2016, the total amount of trade financing guarantee actually assumed by the Group was RMB62,600,000.00 and the guarantee of bank loans provided to other affiliates was RMB199,625,000.00. The details are as following:

Entity guaranteed	Type of guarantee	Amount of guarantee
I. 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	5,000,000.00
YTO (Jiangyan) Power Machinery Co., Ltd	Joint liability assurance	10,000,000.00
YTO (Jiangyan) Power Machinery Co., Ltd	Joint liability assurance	10,000,000.00
YTO (Jiangyan) Power Machinery Co., Ltd	Joint liability assurance	10,000,000.00
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	Joint liability assurance	9,000,000.00
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	Joint liability assurance	9,000,000.00
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	Joint liability assurance	9,000,000.00
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	Joint liability assurance	9,000,000.00
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	Joint liability assurance	9,000,000.00
YTO France SAS	General assurance	14,750,000.00
YTO France SAS	General assurance	22,125,000.00
YTO France SAS	General assurance	14,750,000.00
YTO France SAS	General assurance	27,287,500.00
YTO France SAS	General assurance	7,375,000.00
YTO France SAS	General assurance	2,212,500.00
YTO France SAS	General assurance	7,375,000.00
YTO France SAS	General assurance	7,375,000.00
YTO France SAS	General assurance	7,375,000.00
Subtotal of guarantee within the Group	—	<u>199,625,000.00</u>

XIV. COMMITMENT AND CONTINGENCIES (*CONTINUED*)

2. CONTINGENCIES (*CONTINUED*)

(1) Contingencies resulted from external guarantees provided (*CONTINUED*)

Guaranteed parties	Type of guarantee	Guarantee amount
II. Outside the Group		
Distributors of Quan cheng tong Business	Joint liability assurance	9,100,000.00
Distributors of Nong ji wang Business	Joint liability assurance	19,500,000.00
Distributors of Dian piao tong Business	Joint liability assurance	<u>34,000,000.00</u>
Subtotal of guarantee outside the Group	-	<u>62,600,000.00</u>
Total	-	<u><u>262,225,000.00</u></u>

(2) Except for the aforementioned matters of contingencies, the Group has no other significant contingencies as at 30 June 2016.

XV. SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

1. SIGNIFICANT NON-ADJUSTING MATTERS

The Company convened the shareholders' annual general meeting for the year of 2015, the first A share class shareholders' meeting of 2016 and the first H share class shareholders' meeting of 2016 on 27 May 2016, considered and approved "The general authorization bill about the repurchase of a portion of H shares". On 12 July 2016, the fifth meeting of the seventh board of directors of the Company considered and approved to establish the executive committee for the repurchase of the Company's H shares to determine the specific repurchase proposal. The Company started to implement the repurchase of H shares since 19 July 2016. By the date of this report, totally five H shares repurchases have been implemented, with the total number of H shares repurchased of 1,230,000 shares. The total amount of funds paid for the repurchase is HKD4,978,060 (not including the expenses such as commission). The repurchased shares take up to 0.3060% of the total H shares, and 0.1235% of the total share capital of the Company.

XVI. OTHER SIGNIFICANT MATTERS

1. DEBT RESTRUCTURING

None

2. ASSETS REPLACEMENT

None

3. ANNUITY PLAN

The Group has established enterprise annuity which is jointly paid by the Group and the individual employees. The payment bases adopted by the Group and employees to pay are the same, both of which are based on the employee's actual salary income for the last year. For income of the employees which is more than 3 times of the average salary of Luoyang social employees, the base is the 3 times of such average salary. For income which is lower than the 60% of the average salary of Luoyang social employees, the base is the 60% of such average salary. The Group assumes 5%, and the amount is recognized as the costs of the Group. The percentage of payment for individual employees is 2%, and the amount is recognized as the withholding on behalf of the employees by the Group.

4. DISCONTINUED OPERATION

None

XVI. OTHER SIGNIFICANT MATTERS (CONTINUED)

5. SEGMENT INFORMATION

Reporting segment for January–June 2016

(Unit: RMB'000)

Item	Agriculture machinery segment	Power machinery segment	Other machinery segment	Finance segment	Elimination	Total
Operating revenue	4,545,206	1,328,486	22,592	125,453	-862,957	5,158,780
Including: External transaction revenue	4,120,261	902,135	18,864	117,520	0	5,158,780
Revenue between segments	424,945	426,351	3,728	7,933	-862,957	0
Total profit	115,474	116,494	-23,271	26,009	-10,251	224,455
Total assets	9,498,194	2,378,481	140,083	920,353	-275,114	12,661,997
Including: Significant impairment loss on individual assets	0	0	0	0	0	0
Total liabilities	5,792,166	820,156	304,179	497,757	-227,265	7,186,993
Supplementary information						
Capitalized expenditure	75,844	15,361	51	2	0	91,258
Depreciation and amortization expense	134,629	32,534	1,580	441	0	169,184
Non-cash expenses other than impairment loss, depreciation and amortization	47,964	49,510	0	0	0	97,474

XVI. OTHER SIGNIFICANT MATTERS (CONTINUED)

5. SEGMENT INFORMATION (CONTINUED)

Reporting segment for January–June 2015

(Unit: RMB'000)

Item	Agriculture machinery segment	Power machinery segment	Other machinery segment	Finance segment	Elimination	Total
Operating revenue	4,968,831	1,281,045	33,561	169,864	-745,109	5,708,192
Including: External transaction revenue	4,690,579	841,870	21,298	154,445	0	5,708,192
Revenue between segments	<u>278,252</u>	<u>439,175</u>	<u>12,263</u>	<u>15,419</u>	<u>-745,109</u>	<u>0</u>
Total profit	<u>143,161</u>	<u>86,657</u>	<u>-58,621</u>	<u>53,447</u>	<u>-19,602</u>	<u>205,042</u>
Total assets	<u><u>7,195,196</u></u>	<u><u>2,048,630</u></u>	<u><u>245,251</u></u>	<u><u>3,894,043</u></u>	<u><u>-19,602</u></u>	<u><u>13,363,518</u></u>
Including: Significant impairment loss on individual assets	0	0	0	0	0	0
Total liabilities	<u><u>5,590,384</u></u>	<u><u>849,880</u></u>	<u><u>248,221</u></u>	<u><u>1,242,273</u></u>	<u><u>0</u></u>	<u><u>7,930,758</u></u>
Supplementary information						
Capitalized expenditure	14,528	47,502	0	87	0	62,117
Depreciation and amortization expense	121,959	37,434	1,875	380	0	161,648
Non-cash expenses other than impairment loss, depreciation and amortization	<u><u>51,388</u></u>	<u><u>29,966</u></u>	<u><u>970</u></u>	<u><u>20,007</u></u>	<u><u>0</u></u>	<u><u>102,331</u></u>

XVII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. MONETARY FUNDS

Item	Ending balance	Beginning balance
Cash on hand	201,893.16	307,585.29
Bank deposits	1,574,049,521.29	2,246,274,600.64
Other monetary funds	691,309,121.72	394,795,619.77
Total	2,265,560,536.17	2,641,377,805.70
Including: Total amount deposited abroad	0.00	0.00

Note: The restricted monetary fund of the Company is the security deposit on the acceptance notes of RMB682,952,656.23 as of 30 June 2016 (the beginning balance: RMB394,791,654.28).

2. NOTES RECEIVABLE

(1) Classification of notes receivable

Item	Ending balance	Beginning balance
Bank acceptance notes	215,957,958.84	157,841,287.69
Commercial acceptance bill	5,020,000.00	2,489,378.52
Total	220,977,958.84	160,330,666.21

VII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. NOTES RECEIVABLE (CONTINUED)

- (2) In the ending balance of notes receivable, the Company does not have any notes receivable being pledged.
- (3) In the ending balance of notes receivable, the amount which have been endorsed or discounted by the Company but are not yet due at the balance sheet date:

Item	Amount de-recognized in the ending balance	Amount not de-recognized in the ending balance
Bank acceptance notes	837,394,815.51	0.00
Commercial acceptance bill	85,510,300.00	0.00
Total	922,905,115.51	0.00

- (4) In the ending balance of notes receivable, there are no notes transferred to accounts receivables due to drawer's default.

XVII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

3. ACCOUNTS RECEIVABLE

(1) Disclosure of accounts receivable by category:

Classification	Book balance		Ending balance		Book value
	Amount	Percentage (%)	Bad debt provision		
			Amount	Accrual percentage (%)	
Individually significant and provided for bad debts on individual basis	8,000,250.60	0.99	0.00	0.00	8,000,250.60
Receivables that are provided for bad debts on credit risk portfolio basis	801,197,125.94	99.01	187,460,353.63	23.40	613,736,772.31
Individually insignificant but provided for bad debts on individual basis	0.00	0.00	0.00	0.00	0.00
Total	<u>809,197,376.54</u>	/	<u>187,460,353.63</u>	/	<u>621,737,022.91</u>

Classification	Book balance		Beginning balance		Book value
	Amount	Percentage (%)	Bad debt provision		
			Amount	Accrual percentage (%)	
Individually significant and provided for bad debts on individual basis	8,500,250.60	0.88	0.00	0.00	8,500,250.60
Receivables that are provided for bad debts on credit risk portfolio basis	961,182,189.99	99.12	182,862,190.53	19.02	778,319,999.46
Individually insignificant but provided for bad debts on individual basis	0.00	0.00	0.00	0.00	0.00
Total	<u>969,682,440.59</u>	/	<u>182,862,190.53</u>	/	<u>786,820,250.06</u>

VII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

3. ACCOUNTS RECEIVABLE (CONTINUED)

(1) Disclosure of accounts receivable by category: (CONTINUED)

1) *Accounts receivable that are individually significant and provided for bad debts on individual basis at the end of the period:*

Accounts receivable (by company)	Ending balance			Accrual reason
	Accounts receivable	Bad debt provision	Accrual percentage	
YTO (Luoyang) Zhongcheng Machinery Co., Ltd.	8,000,250.60	0.00	0.00	/
Total	8,000,250.60	0.00	/	/

2) *Within the portfolio, accounts receivables of which bad debt allowances are made by aging analysis:*

Aging	Ending balance		
	Accounts receivable	Bad debt provision	Accrual percentage (%)
Within 1 year	618,249,576.15	15,558,956.15	2.52
1-2 years	22,092,304.61	11,046,152.30	50.00
2-3 years	46,577,589.89	46,577,589.89	100.00
Over 3 years	114,277,655.29	114,277,655.29	100.00
Total	801,197,125.94	187,460,353.63	-

XVII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY *(CONTINUED)*

3. ACCOUNTS RECEIVABLE *(CONTINUED)*

(2) Situation of accrual, collection or reversal of bad debt provision in this period:

In this period, the amount of bad debt allowance accrued is RMB30,723,674.80, with the collected or reversed bad debt allowance in the current period at the amount of RMB26,125,511.70.

(3) There is no accounts receivable actually written off in the current period.

(4) Details of top five accounts receivables with the ending balance classified by the borrowers:

Company name	Relationship to the Company	Ending balance	Aging	Proportion in the ending balance of accounts receivable (%)
Luoyang Changxing Agricultural Machinery Co., Ltd.	Related parties within the shareholding equity	453,728,630.14	Within 1 year	56.07
YTO (Luoyang) Harvesting Machinery Co., Ltd	Related parties within the shareholding equity	88,421,916.00	Over 3 years	10.93
Luoyang Changhong Trading Co., Ltd.	Related parties within the shareholding equity	78,118,836.01	Within 1 year	9.65
YTO International Economic and Trade Co., Ltd.	Related parties within the shareholding equity	73,612,109.75	Within 1 year	9.10
YTO (Luoyang) Diesel Engine Co., Ltd.	Related parties within the shareholding equity	59,196,839.01	Within 1 year	7.32
Total	-	753,078,330.91	-	93.07

VII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

4. ADVANCES TO SUPPLIERS

(1) Advances to suppliers listed by aging

Aging	Ending balance		Beginning balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	113,228,670.46	79.37	104,601,912.77	83.05
1–2 years	24,431,095.33	17.13	20,148,515.47	16.00
2–3 years	4,169,710.91	2.92	257,798.53	0.20
Over 3 years	829,309.07	0.58	944,119.40	0.75
Total	142,658,785.77	100.00	125,952,346.17	100.00

Note to the reasons for the advances to suppliers aging over 1 year and with the significant amount:

The Company prepaid YTO (Luoyang) Forklift Truck Company Limited RMB22,800,000.00 with the aging over 1 year. Because the two parties have not completed the transaction, the ending balance has not been transferred yet.

XVII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

4. ADVANCES TO SUPPLIERS (CONTINUED)

(2) Details of the top five ending balances of the advances to suppliers classified according to the payees:

Company name	Ending balance	Aging	Percentage to the ending balance of the total advances to suppliers (%)
YTO International Economic and Trade Co., Ltd.	98,378,087.96	Within 1 year 94,933,665.23; 1-2 years 691,425.80; 2-3 years 2,752,996.93	68.96
YTO (Luoyang) Forklift Truck Company Limited	22,800,000.00	1-2 years	15.98
Angang Steel Company Limited	2,165,292.39	Within 1 year	1.52
Daye Special Steel Co., Ltd.	1,670,473.28	Within 1 year	1.17
Hangzhou Dongfeng Radiator Co., Ltd.	1,202,657.31	Within 1 year	0.84
Total	<u>126,216,510.94</u>	-	88.47

VII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

5. INTERESTS RECEIVABLE

(1) Classification of interests receivable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Fixed term deposits	<u><u>5,953,443.66</u></u>	<u><u>5,026,297.48</u></u>

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

6. DIVIDEND RECEIVABLES

Item (Or invested company)	Ending balance	Beginning balance
YTO (Luoyang) Flag Auto-Body Company Limited	<u><u>0.00</u></u>	<u><u>4,910,000.00</u></u>

XVII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

7. OTHER RECEIVABLES

(1) Disclosures on the classification of other receivables:

Classification	Book balance		Ending balance		Book value
	Amount	Percentage (%)	Amount	Bad debt provision	
				Accrual percentage (%)	
Other receivables which are individually significant and 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 credit risk portfolio basis	48,057,889.67	100.00	25,983,480.24	54.07	22,074,409.43
Other receivables which are individually insignificant but provided for bad debts on individual basis	0.00	0.00	0.00	0.00	0.00
Total	<u><u>48,057,889.67</u></u>	/	<u><u>25,983,480.24</u></u>	/	<u><u>22,074,409.43</u></u>

Classification	Book balance		Beginning balance		Book value
	Amount	Percentage (%)	Amount	Bad debt provision	
				Accrual percentage (%)	
Other receivables which are individually significant and 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 credit risk portfolio basis	46,767,035.01	100.000	25,609,701.35	54.76	21,157,333.66
Other receivables which are individually insignificant but provided for bad debts on individual basis	0.00	0.00	0.00	0.00	0.00
Total	<u><u>46,767,035.01</u></u>	/	<u><u>25,609,701.35</u></u>	/	<u><u>21,157,333.66</u></u>

VII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

7. OTHER RECEIVABLES (CONTINUED)

(1) Disclosures on the classification of other receivables: (CONTINUED)

1) *Within the portfolio, other receivables which are provided for bad debts by aging analysis:*

Aging	Ending balance		Accrual percentage
	Other receivables	Bad debt provision	
Within 1 year	5,069,006.07	203,371.37	4.01
1-2 years	24,208,364.36	12,102,682.19	49.99
2-3 years	2,023,652.00	2,019,713.00	99.81
Over 3 years	11,941,720.54	11,657,713.68	97.62
Total	43,242,742.97	25,983,480.24	/

2) *Within the portfolio, other receivables which are provided for bad debts by other methods:*

Portfolio name	Ending balance		Accrual percentage
	Other receivables	Bad debt provision	
Low risk portfolio of guarantee deposits and petty cash, etc.	4,815,146.70	0.00	0.00
Total	4,815,146.70	0.00	/

XVII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

7. OTHER RECEIVABLES (CONTINUED)

(2) Situation of accrual, collection or reversal of bad debt provision in this period:

In this period, the amount of bad debt allowance accrued is RMB383,048.69; with the collected or reversed bad debt allowance at the amount of RMB9,269.80.

(3) In this period, there are no other receivables actually written off.

(4) Other receivables classified by nature

Nature of payment	Ending book balance	Beginning book balance
Receivables and payables between companies	17,220,446.15	17,029,838.25
Guarantee deposit and petty cash	2,574,307.35	1,804,360.31
Item of salaries and wages	2,237,973.35	1,579,313.32
Others	41,682.58	743,821.78
Total	22,074,409.43	21,157,333.66

VII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

7. OTHER RECEIVABLES (CONTINUED)

(5) Situation of the other receivables with the top five ending balance classified by debtors:

Company name	Nature of payment	Ending balance	Aging	Percentage in the total ending balance of other receivables (%)	Ending balance of bad debt provision
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	Receivables and payables	24,994,801.73	Within 1 year 568,184.10; 1-2 years 22,926,617.63; 2-3 years 1,500,000.00	52.01	12,964,990.66
YTO (Luoyang) Zhongcheng Machinery Co., Ltd.	Receivables and payables	3,234,075.82	Within 1 year	6.73	0.00
Luoyang Jiangyang Hardware Co., Ltd.	Receivables and payables	1,060,000.00	Within 1 year 530,000.00; 1-2 years 530,000.00	2.21	275,600.00
Luoyang Municipal Development and Reform Commission	Security deposit	498,963.00	2-3 years	1.04	498,963.00
Luoyang Feng Fa Xiang Renewable Resources Recycling Co., Ltd.	Deposit	223,506.47	2-3 years	0.47	0.00
Total	/	<u><u>30,011,347.02</u></u>	/	<u><u>62.46</u></u>	<u><u>13,739,553.66</u></u>

VII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

8. INVENTORIES

(1) Classification of inventories

Item	Ending balance			Beginning balance		
	Book balance	Price falling provision	Book value	Book balance	Price falling provision	Book value
Raw materials	209,156,704.55	17,733,558.09	191,423,146.46	263,337,991.89	13,297,551.52	250,040,440.37
Work in progress	188,531,092.31	4,793,265.45	183,737,826.86	197,169,050.99	4,956,745.98	192,212,305.01
Finished goods	106,814,368.45	3,704,256.32	103,110,112.13	188,933,872.96	5,488,077.51	183,445,795.45
Turnover materials	10,376,747.13	778,543.38	9,598,203.75	10,242,741.10	679,230.72	9,563,510.38
Others	0.00	0.00	0.00	0.00	0.00	0.00
Total	514,878,912.44	27,009,623.24	487,869,289.20	659,683,656.94	24,421,605.73	635,262,051.21

(2) Inventories price falling provision

Item	Beginning balance	Amount increased in this period		Amount decreased in this period		Ending balance
		Accrual	Others	Reversed or written off	Others	
Raw materials	13,297,551.52	5,455,722.27	0.00	1,019,715.70	0.00	17,733,558.09
Work in progress	4,956,745.98	531,300.84	0.00	694,781.37	0.00	4,793,265.45
Finished goods	5,488,077.51	96,818.48	0.00	1,880,639.67	0.00	3,704,256.32
Turnover materials	679,230.72	99,312.66	0.00	0.00	0.00	778,543.38
Others	0.00	0.00	0.00	0.00	0.00	0.00
Total	24,421,605.73	6,183,154.25	0.00	3,595,136.74	0.00	27,009,623.24

XVII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY *(CONTINUED)*

8. INVENTORIES *(CONTINUED)*

(3) Accrual of inventories price falling provision

Item	Specific basis for recognition of net realizable value	Reason for reversal or written-off in this period
Raw materials	Ending market price less estimated expense to incur	Value recovery or sold
Work in progress	Ending market price less estimated expense to incur	Value recovery or sold
Finished goods	Ending market price less estimated expense to incur	Value recovery or sold
Turnover materials	Ending market price less estimated expense to incur	Value recovery or sold
Others	Ending market price less estimated expense to incur	Value recovery or sold

9. OTHER CURRENT ASSETS

Item	Ending balance	Beginning balance
Deferred expenses	14,497,403.05	188,872.91
Structured deposit	0.00	23,000,000.00
Financial product	800,000,000.00	382,000,000.00
Entrusted loans	356,000,000.00	140,500,000.00
Total	<u><u>1,170,497,403.05</u></u>	<u><u>545,688,872.91</u></u>

VII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

(1) Situation of available-for-sale financial assets

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Debt instrument available-for-sale:	0.00	0.00	0.00	0.00	0.00	0.00
Equity instrument available-for-sale:						
Measured at fair value	33,498,500.00	0.00	33,498,500.00	38,318,000.00	0.00	38,318,000.00
Measured at cost	0.00	0.00	0.00	0.00	0.00	0.00
Others	114,322,800.00	4,322,800.00	110,000,000.00	114,322,800.00	4,322,800.00	110,000,000.00
Total	147,821,300.00	4,322,800.00	143,498,500.00	152,640,800.00	4,322,800.00	148,318,000.00

(2) Available-for-sale financial assets measured at fair value at the end of the period

Classification of available-for-sale financial assets	Equity instrument available-for-sale	Debt instrument available-for-sale	Others	Total
Cost of equity instrument/Amortized cost of debt instruments	10,601,818.18	0.00	0.00	10,601,818.18
Fair value	33,498,500.00	0.00	0.00	33,498,500.00
Accumulated other comprehensive income from changes on fair value	22,896,681.82	0.00	0.00	22,896,681.82
Impairment amount accrued	0.00	0.00	0.00	0.00

XVII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

(3) Available-for-sale financial assets measured at cost at the end of the period

	Book balance				Impairment provision				Shareholding percentage in the invested company (%)	Cash dividend in the current period
	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance		
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	1,400,000.00	0.00	0.00	1,400,000.00	7.00	0.00
YTO (Luoyang) Dongfanghong Tire Co., Ltd.	800,000.00	0.00	0.00	800,000.00	800,000.00	0.00	0.00	800,000.00	3.11	0.00
Luoyin Financial Leasing Co., Ltd.	110,000,000.00	0.00	0.00	110,000,000.00	0.00	0.00	0.00	0.00	6.875	0.00
Total	<u>114,322,800.00</u>	<u>0.00</u>	<u>0.00</u>	<u>114,322,800.00</u>	<u>4,322,800.00</u>	<u>0.00</u>	<u>0.00</u>	<u>4,322,800.00</u>	<u>/</u>	<u>0.00</u>

XVII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

(4) Details of changes in impairment provision on financial assets available for sale during the reporting period

Classification of available-for-sale financial assets	Available-for-sale equity instruments	Available-for-sale debt instruments	Others	Total
Beginning balance of provision for impairment	0.00	0.00	4,322,800.00	4,322,800.00
Accrual in this period	0.00	0.00	0.00	0.00
Including: Transfer from other comprehensive income	0.00	0.00	0.00	0.00
Decrease in this period	0.00	0.00	0.00	0.00
Including: Reversal from the raise of fair value afterwards	/	0.00	0.00	0.00
Ending balance for impairment accrued	0.00	0.00	4,322,800.00	4,322,800.00

11. LONG-TERM EQUITY INVESTMENTS

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investments to subsidiaries	2,679,737,023.62	18,950,000.00	2,660,787,023.62	2,986,819,799.86	18,950,000.00	2,967,869,799.86
Investments to joint ventures and associate enterprises	155,074,169.47	7,004,515.65	148,069,653.82	149,536,079.74	7,004,515.65	142,531,564.09
Total	2,834,811,193.09	25,954,515.65	2,808,856,677.44	3,136,355,879.60	25,954,515.65	3,110,401,363.95

XVII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

11. LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(1) Investments to subsidiaries

Invested company	Beginning balance	Increase in this period	Decrease in this period	Ending balance	Impairment provision accrued in this period	Ending balance of impairment provision
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) Dongfanghong Equipment and Machinery Co., Ltd.	160,000,000.00	0.00	0.00	160,000,000.00	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
Brilliance China Machinery Holdings Co., Ltd.	27,869,301.63	0.00	0.00	27,869,301.63	0.00	0.00
YTO Finance Company Limited (Note1)	443,802,290.00	42,738,012.00	0.00	486,540,302.00	0.00	0.00
China-Africa Machinery Investment 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 Company Limited	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 Axle Company Limited (Note2)	224,961,387.38	0.00	192,820,788.24	32,140,599.14	0.00	0.00
YTO (Luoyang) Flag Auto-Body Company Limited (Note2)	234,192,767.62	0.00	157,000,000.00	77,192,767.62	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 Company Limited	200,391,996.60	0.00	0.00	200,391,996.60	0.00	0.00
YTO International Economic and Trade Co., Ltd.	75,668,335.13	0.00	0.00	75,668,335.13	0.00	0.00
Chang Tuo 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) Co., Ltd.	16,200,000.00	0.00	0.00	16,200,000.00	0.00	16,200,000.00
Total	<u>2,986,819,799.86</u>	<u>42,738,012.00</u>	<u>349,820,788.24</u>	<u>2,679,737,023.62</u>	<u>0.00</u>	<u>18,950,000.00</u>

XVII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

11. LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(1) Investments to subsidiaries (CONTINUED)

Note 1: According to the resolutions made by the second meeting of the seventh board of directors of the Company on 18 January 2016, 'Bill about the stock equity purchase of YTO Finance Company Limited held by SINOMA-HI (Luoyang) Building Machinery Co., Ltd': the Company was approved to apply for the property rights exchange to delist the 6% stock equity of YTO Finance Company Limited ("the underlying stock equity") listed and transferred by SINOMA-HI (Luoyang) Building Machinery Co., Ltd as the transferee. The low price of the underlying stock equity was RMB42,738,012.00. After the completion of the acquisition, the stock equity investment held by the Company to the YTO Finance Company Limited is RMB486,540,302.00.

Note 2: To make the assets occupation condition be in compatible with the operation scale after the integration, and to more objectively reflect the use efficiency and effectiveness of the assets belonged to, on 12 June 2015, the general manager office meeting of the Company considered and approved the matters of capital reduction in two subsidiaries. On 26 August 2015, with the approval of the documents "SINOMA Zi Han [2015] No. 112, and No. 113" issued by China National Machinery Industry Corporation, on 23 October 2015, with the consideration and approval by the twenty-third meeting of the sixth board of directors of the Company, the matters was approved to be implemented. On 12 January 2016, YTO (Luoyang) Flag Auto-Body Company Limited obtained the business license after the capital reduction. On 2 February 2016, YTO (Luoyang) Drive Axle Company Limited obtained the business license after the capital reduction.

XVII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

11. LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(2) Investments to joint ventures and associate enterprises

Investment company	Changes of increase or decrease in this period										Ending balance of impairment provision
	Beginning balance	Additional investment	Reduced investment	Investment profit/loss recognition based on equity method	Adjustment of other comprehensive income	Other equity changes	Declared cash dividends/profit	Impairment provision accrued	Others	Ending balance	
I. Associate enterprises											
ZF & YTO (Luyang) Drive Aile Co., Ltd.	141,510,024.39	0.00	0.00	8,539,925.64	0.00	0.00	2,940,000.00	0.00	0.00	147,109,950.03	0.00
YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd.	1,021,539.70	0.00	0.00	-61,635.91	0.00	0.00	0.00	0.00	0.00	959,703.79	0.00
Luyang Fusaike Auto 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	<u>149,536,079.74</u>	<u>0.00</u>	<u>0.00</u>	<u>8,478,089.73</u>	<u>0.00</u>	<u>0.00</u>	<u>2,940,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>155,074,169.47</u>	<u>7,004,515.65</u>

XVII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

12. FIXED ASSETS

Item	Houses and		Machinery and	Transportation	Electronic and	Other	Total
	Land	buildings	equipment	equipment	office equipment	equipment	
I. Book value							
1. Beginning balance	0.00	1,019,638,772.28	2,164,338,295.22	29,204,816.92	70,957,275.07	5,957,111.59	3,290,096,271.08
2. Amount increased in this period	0.00	1,893,787.97	25,967,788.38	991,788.93	993,924.56	52,943.08	29,900,232.92
(1) Purchase	0.00	23,124.29	525,132.13	0.00	202,557.89	0.00	750,814.31
(2) Transferred in from							
construction-in-progress	0.00	1,870,663.68	25,442,656.25	991,788.93	791,366.67	52,943.08	29,149,418.61
(3) Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Amount decreased in this period	0.00	4,858,587.10	14,725,824.43	531,828.70	190,361.62	0.00	20,306,601.85
(1) Disposal or scrap	0.00	4,858,587.10	14,725,824.43	531,828.70	190,361.62	0.00	20,306,601.85
(2) Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Ending balance	0.00	1,016,673,973.15	2,175,580,259.17	29,664,777.15	71,760,838.01	6,010,054.67	3,299,689,902.15
II. Accumulated depreciation							
1. Beginning balance	0.00	500,023,743.37	1,272,871,162.90	16,685,712.04	39,426,709.51	3,580,620.02	1,832,587,947.84
2. Amount increased in this period	0.00	13,999,007.95	63,707,153.22	1,276,499.75	1,749,174.50	38,158.20	80,769,993.62
(1) Accrual	0.00	13,999,007.95	63,707,153.22	1,276,499.75	1,749,174.50	38,158.20	80,769,993.62
3. Amount decreased in this period	0.00	4,582,422.51	13,773,843.36	373,206.48	142,421.35	0.00	18,871,893.70
(1) Disposal or scrap	0.00	4,582,422.51	13,773,843.36	373,206.48	142,421.35	0.00	18,871,893.70
(2) Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Ending balance	0.00	509,440,328.81	1,322,804,472.76	17,585,005.31	41,033,462.66	3,618,778.22	1,894,486,047.76
III. Impairment provision							
1. Beginning balance	0.00	1,500.00	4,799,537.08	11,663.13	0.00	207,849.68	5,020,549.89
2. Amount increased in this period	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. Amount decreased in this period	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(1) Disposal or scrap	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	4,799,537.08	11,663.13	0.00	207,849.68	5,020,549.89
IV. Book value							
1. Ending balance of book value	0.00	507,232,144.34	847,976,249.33	12,064,108.71	30,727,375.35	2,183,426.77	1,400,183,304.50
2. Beginning balance of book value	0.00	519,613,528.91	886,667,595.24	12,507,441.75	31,530,565.56	2,168,641.89	1,452,487,773.35

VII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

12. FIXED ASSETS (CONTINUED)

Note: The depreciation amount recognized into the current period profit or loss is RMB80,769,993.62.

In the amount increased in this period of fixed assets, the amount transferred in from construction in progress is RMB29,149,418.61.

The current period gain in the sales of fixed assets is RMB-375,965.55.

The original cost in the ending balance of fixed assets which have been fully depreciated but are still in use is RMB720,009,285.85.

(1) Fixed assets leased out under operating leases

Item	Ending balance of book value
Houses and buildings	79,470,401.14
Machinery, equipment and other equipment	296,128.92

(2) Fixed assets with formalities of property rights transfer still in progress

Item	Book value	Reason for the formalities of property ownership certificate not completed
YTO Industrial Park staff dining hall three-layer frame	5,815,524.96	Still in process, expected to be completed in December 2016

XVII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

13. CONSTRUCTION IN PROGRESS

(1) Spreadsheet of construction in progress

Item	Ending balance			Beginning balance		
	Book balance	Price falling provision	Book value	Book balance	Price falling provision	Book value
Core capacity upgrading project on new wheeled tractor	184,540,340.09	0.00	184,540,340.09	181,656,589.97	0.00	181,656,589.97
Agricultural high-power diesel engine project (phase two)	160,673,706.45	0.00	160,673,706.45	160,110,988.49	0.00	160,110,988.49
New giant parts workshop of No. 3 Assembling Factory	68,272,685.79	0.00	68,272,685.79	68,002,643.08	0.00	68,002,643.08
Quality improvement of heat treatment 400 and LF904 welding automatic production line (2014)	4,500,002.42	0.00	4,500,002.42	4,072,651.99	0.00	4,072,651.99
Command and display center project	2,168,589.30	0.00	2,168,589.30	2,168,589.30	0.00	2,168,589.30
Hood automatic welding production line (2015)	2,379,481.34	0.00	2,379,481.34	2,266,666.70	0.00	2,266,666.70
Double disks cooler	1,359,404.71	0.00	1,359,404.71	0.00	0.00	0.00
Sand core coating surface drying furnace	1,349,683.76	0.00	1,349,683.76	0.00	0.00	0.00
Jaw crusher	1,094,017.15	0.00	1,094,017.15	1,094,017.15	0.00	1,094,017.15
Others	74,832,746.63	8,533,977.20	66,298,769.43	77,301,153.61	8,533,977.20	68,767,176.41
Total	509,598,457.97	8,533,977.20	501,064,480.77	503,270,349.52	8,533,977.20	494,736,372.32

XVII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

13. CONSTRUCTION IN PROGRESS (CONTINUED)

(2) Situation of changes in the significant construction in progress projects in the current period

Project name	Beginning balance	Increase in this period Amount	Amount	Amount of other	Ending balance
			transferred into fixed assets in the period	decrease in the period	
Core capacity upgrading project on new wheeled tractor	181,656,589.97	10,682,314.32	7,798,564.20	0.00	184,540,340.09
Agricultural high-power diesel engine project (phase two)	160,110,988.49	562,717.96	0.00	0.00	160,673,706.45
New giant parts workshop of No. 3 Assembling Factory	68,002,643.08	1,136,196.56	866,153.85	0.00	68,272,685.79
Quality improvement of heat treatment	6,597,049.23	1,830,751.10	0.00	0.00	8,427,800.33
400 and LF904 welding automatic production line (2014)	4,072,651.99	427,350.43	0.00	0.00	4,500,002.42
Command and display center project	2,168,589.30	0.00	0.00	0.00	2,168,589.30
Hood automatic welding production line (2015)	2,266,666.70	112,814.64	0.00	0.00	2,379,481.34
Double disks cooler	0.00	1,359,404.71	0.00	0.00	1,359,404.71
Sand core coating surface drying furnace	0.00	1,349,683.76	0.00	0.00	1,349,683.76
Jaw crusher	1,094,017.15	0.00	0.00	0.00	1,094,017.15
Others	77,301,153.61	23,050,239.97	21,105,116.61	4,413,530.34	74,832,746.63
Total	503,270,349.52	40,511,473.45	29,769,834.66	4,413,530.34	509,598,457.97

VII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

13. CONSTRUCTION IN PROGRESS (CONTINUED)

(2) Situation of changes in the significant construction in progress projects in the current period (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	596,300,000.00	76.51	90.00	0.00	0.00	0.00	Fund-raising and self-funded
Agricultural high-power diesel engine project (phase two)	199,000,000.00	97.79	80.00	12,829,031.02	0.00	4.404-6.9	Fund-raising and self-funded
New giant parts workshop of No. 3 Assembling Factory	93,000,000.00	87.28	85.00	0.00	0.00	0.00	Self-funded
Quality improvement of heat treatment	14,800,000.00	88.24	90.00	0.00	0.00	0.00	Self-funded
400 and LF904 welding automatic production line (2014)	6,275,000.00	72.00	72.00	0.00	0.00	0.00	Self-funded
Command and display center project	3,980,000.00	54.49	54.49	0.00	0.00	0.00	Self-funded
Hood automatic welding production line (2015)	5,304,000.00	53.00	53.00	0.00	0.00	0.00	Self-funded
Double disks cooler	2,100,000.00	64.73	64.73	0.00	0.00	0.00	Self-funded
Sand core coating surface drying furnace	4,250,000.00	31.76	30.00	0.00	0.00	0.00	Self-funded
Jaw crusher	1,300,000.00	84.16	90.00	0.00	0.00	0.00	Self-funded
Total	926,309,000.00	/	/	12,829,031.02	0.00	/	/

(3) There is no situation of newly increased accruals on the impairment provision for construction in progress in this period.

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Impairment provision of construction in progress	8,533,977.20	0.00	0.00	8,533,977.20

XVII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (*CONTINUED*)

14. INTANGIBLE ASSETS

(1). Situation of intangible assets

Item	Land use right	Patents	Trademarks	Software	Right to use houses	Others	Total
I. Book value							
1. Beginning balance	554,719,439.40	1,477,553.68	59,501,000.00	32,933,467.37	0.00	0.00	648,631,460.45
2. Amount increased in this period	0.00	0.00	0.00	620,416.07	0.00	0.00	620,416.07
(1) Purchase	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(2) Others	0.00	0.00	0.00	620,416.07	0.00	0.00	620,416.07
3. Amount decreased in this period	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	554,719,439.40	1,477,553.68	59,501,000.00	33,553,883.44	0.00	0.00	649,251,876.52
II. Accumulated amortization							
1. Beginning balance	56,965,498.09	312,226.03	0.00	20,705,748.98	0.00	0.00	77,983,473.10
2. Amount increased in this period	6,930,882.60	84,468.72	0.00	2,677,616.50	0.00	0.00	9,692,967.82
(1) Accrual	6,930,882.60	84,468.72	0.00	2,677,616.50	0.00	0.00	9,692,967.82
3. Amount decreased in this period	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	63,896,380.69	396,694.75	0.00	23,383,365.48	0.00	0.00	87,676,440.92
III. Impairment provision							
1. Beginning balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Amount increased in this period	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. Amount decreased in this period	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
IV. Book value							
1. Ending balance of book value	490,823,058.71	1,080,858.93	59,501,000.00	10,170,517.96	0.00	0.00	561,575,435.60
2. Beginning balance of book value	497,753,941.31	1,165,327.65	59,501,000.00	12,227,718.39	0.00	0.00	570,647,987.35

Situation of land use right which has not yet obtained the property license: None.

VII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

15. LONG-TERM DEFERRED EXPENSES

Item	Beginning balance	Amount	Amortization	Other decrease amount	Ending balance
		increased in this period	amount in this period		
Mould amortization	24,274,292.65	5,518,378.87	4,139,419.23	0.00	25,653,252.29
Maintenance cost	7,053,949.52	1,229,673.64	990,669.12	0.00	7,292,954.04
Others	471,329.50	42,307.69	139,416.90	0.00	374,220.29
Total	<u>31,799,571.67</u>	<u>6,790,360.20</u>	<u>5,269,505.25</u>	<u>0.00</u>	<u>33,320,426.62</u>

16. DEFERRED TAX ASSETS/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
Impairment provision for inventories	27,009,623.24	4,051,443.48	24,421,605.73	3,663,240.86
Termination welfare	14,807,305.97	2,221,095.89	16,933,198.85	2,539,979.82
Wages payable and accrued expense	65,762,060.72	9,864,309.11	19,163,405.20	2,874,510.78
Deferred revenue	43,645,549.72	6,546,832.46	49,269,216.39	7,387,007.46
Total	<u>151,224,539.65</u>	<u>22,683,680.94</u>	<u>109,787,426.17</u>	<u>16,464,738.92</u>

XVII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

16. DEFERRED TAX ASSETS/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
Fair value change of available-for-sale financial assets	22,896,681.82	3,434,502.27	27,716,181.82	4,157,427.27

(3) Deductible temporary difference of unrecognized deferred tax assets

Item	Ending balance	Beginning balance
Bad debt provision	215,069,703.86	210,141,207.75
Impairment provision of long-term equity investments	25,954,515.65	25,954,515.65
Impairment provision of available-for-sale financial assets	4,322,800.00	4,322,800.00
Impairment provision of fixed assets	5,020,549.89	5,020,549.89
Impairment provision of construction in progress	8,533,977.20	8,533,977.20
Total	258,901,546.60	253,973,050.49

VII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

17. SHORT TERM BORROWINGS

(1) Classification of short term borrowings

Item	Ending balance	Beginning balance
Credit loans	<u><u>1,287,524,320.00</u></u>	<u><u>1,953,532,480.00</u></u>

(2) There are no short-term loans overdue but not yet repaid in the current period ending balance.

18. NOTES PAYABLE

Categories	Ending balance	Beginning balance
Bank acceptance notes	<u>1,023,665,051.29</u>	1,180,076,296.92
Commercial acceptance notes	<u>79,947,362.07</u>	<u>91,583,957.43</u>
Total	<u><u>1,103,612,413.36</u></u>	<u><u>1,271,660,254.35</u></u>

VII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

19. ACCOUNTS PAYABLE

(1) Listing of accounts payable

Item	Ending balance	Beginning balance
Purchase payable	1,216,010,166.26	983,356,328.59
Purchase of construction materials payable	91,124,813.37	70,264,294.75
Service fee payable	257,851.86	0.00
Others	5,474,385.85	56,174.65
Total	<u><u>1,312,867,217.34</u></u>	<u><u>1,053,676,797.99</u></u>

(2) Aging analysis of accounts payable

Item	Ending balance	Beginning balance
Within 1 year	1,196,824,117.08	930,406,891.14
1–2 years	30,750,366.09	86,602,642.27
2–3 years	58,807,926.01	12,235,505.91
Over 3 years	26,484,808.16	24,431,758.67
Total	<u><u>1,312,867,217.34</u></u>	<u><u>1,053,676,797.99</u></u>

XVII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

19. ACCOUNTS PAYABLE (CONTINUED)

(3) Accounts payable with significant amount aged over 1 year

Item	Ending balance	Reason of outstanding or carried over
Luoyang Tractors Research Institute Co., Ltd.	47,526,070.00	Unsettled
Zhangjiagang Bonded Area Yetai International trade Co., Ltd	6,976,852.39	Unsettled
Benxi Steel Plates Co., Ltd.	1,789,968.08	Unsettled
YTO International Economic and Trade Co., Ltd.	1,720,806.50	Unsettled
SCVIC Engineering Corporation	1,362,747.00	Unsettled
Total	59,376,443.97	/

20. ADVANCES FROM CUSTOMERS

(1) Listing of advances from customers

Item	Ending balance	Beginning balance
Within 1 year (including 1 year)	98,252,819.45	127,316,720.89
Over 1 year	4,368,300.98	4,519,184.20
Total	102,621,120.43	131,835,905.09

Significant advances from customers aged over 1 year: None.

VII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

21. EMPLOYEE BENEFITS PAYABLE

(1) Listing of employee benefits payable:

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
I. Short-term remuneration	19,049,436.56	283,438,498.79	282,894,943.72	19,592,991.63
II. Post-employment welfare – Defined contribution plan	335,835.97	41,575,516.11	41,759,205.92	152,146.16
III. Termination welfare	16,933,198.85	1,211,203.87	3,337,096.75	14,807,305.97
Total	36,318,471.38	326,225,218.77	327,991,246.39	34,552,443.76

(2) Listing of short-term remuneration:

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
I. Wages or salaries, bonuses, allowances and subsidies	11,241,066.00	228,406,123.15	228,535,061.75	11,112,127.40
II. Staff welfare	0.00	10,766,373.95	9,308,433.84	1,457,940.11
III. Social securities	41,226.69	15,618,569.83	15,659,796.52	0.00
Including: Medical insurance	0.00	13,290,173.31	13,290,173.31	0.00
Work-related injury insurance	0.00	1,525,134.64	1,525,134.64	0.00
Maternity insurance	41,226.69	803,261.88	844,488.57	0.00
IV. Housing funds	1,408,284.06	17,114,163.19	18,522,447.25	0.00
V. Labor union & education funds	6,122,485.13	6,341,333.39	5,677,269.08	6,786,549.44
VI. Short-term paid leave	0.00	0.00	0.00	0.00
VII. Short-term profit sharing plan	0.00	0.00	0.00	0.00
VIII. Others	236,374.68	5,191,935.28	5,191,935.28	236,374.68
Total	19,049,436.56	283,438,498.79	282,894,943.72	19,592,991.63

XVII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

21. EMPLOYEE BENEFITS PAYABLE (CONTINUED)

(3) Listing of defined contribution plan

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
1. Basic pension	73,269.36	32,918,101.68	32,991,371.04	0.00
2. Enterprise annuity	262,566.61	6,372,224.60	6,482,645.05	152,146.16
3. Unemployment insurance	0.00	2,285,189.83	2,285,189.83	0.00
Total	<u>335,835.97</u>	<u>41,575,516.11</u>	<u>41,759,205.92</u>	<u>152,146.16</u>

22. TAXES PAYABLE

Item	Ending balance	Beginning balance
VAT	-267,372,912.85	-317,938,682.26
Business tax	0.00	111,918.80
Enterprise income tax	15,288,513.19	6,426,484.55
Individual income tax	431,203.51	754,689.10
Urban maintenance and construction tax	0.00	7,844.37
Property tax	2,891,746.03	3,092,636.44
Land use tax	901,313.19	901,313.19
Educational surcharges	0.00	5,603.12
Other taxes and fees	140,596.50	148,375.80
Total	<u>-247,719,540.43</u>	<u>-306,489,816.89</u>

XVII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (*CONTINUED*)

23. INTERESTS PAYABLE

Item	Ending balance	Beginning balance
Interest payable on corporate bonds	15,097,040.85	50,382,301.08
Interests payable on short term loans	890,000.00	2,608,376.94
Total	15,987,040.85	52,990,678.02

24. DIVIDEND PAYABLES

Item	Ending balance	Beginning balance
Common stock dividend	39,133,747.57	0.00

25. OTHER PAYABLES

(1) Listing of other payables by the nature of payments

Item	Ending balance	Beginning balance
Receivables and payables between companies	74,472,723.08	93,478,121.68
Security on deposits	54,483,947.42	51,389,168.16
Expenses payable	171,422.76	876,274.06
Collections and payments on behalf of others	7,453,860.99	8,367,279.90
Others	10,277,204.36	6,515,803.35
Total	146,859,158.61	160,626,647.15

XVII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

25. OTHER PAYABLES (CONTINUED)

(2) Significant other payables aged over 1 year

Item	Ending balance	Reason of outstanding or carried over
YTO Group Corporation	49,340,612.33	Unsettled
YTO (Luoyang) Harvesting Machinery Co., Ltd	4,031,683.97	Unsettled
Total	53,372,296.30	-

26. NON-CURRENT LIABILITIES DUE WITHIN ONE YEAR

Item	Ending balance	Beginning balance
Long-term loans due within 1 year	18,437,500.00	17,738,000.00
Deferred revenue due within 1 year	12,314,000.00	7,144,000.00
Total	30,751,500.00	24,882,000.00

27. OTHERS CURRENT LIABILITIES

Item	Ending balance	Beginning balance
Discounts and allowances	0.00	0.00
Sales and three guarantees service charge	41,458,812.63	6,047,526.20
Agent fees	0.00	1,820,000.00
Others	13,191,120.69	54,813.00
Total	54,649,933.32	7,922,339.20

VII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

28. LONG-TERM LOANS

Item	Ending balance	Beginning balance
Credit loans	36,875,000.00	44,345,000.00
Less: The portion due within one year	18,437,500.00	17,738,000.00
Total	18,437,500.00	26,607,000.00

29. BONDS PAYABLE

(1) Bonds payable

Item	Ending balance	Beginning balance
12 YTO 01 Corporate bond	798,028,689.18	797,472,004.37
12 YTO 02 Corporate bond	697,430,874.24	696,805,753.82
Total	1,495,459,563.42	1,494,277,758.19

VII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

29. BONDS PAYABLE (CONTINUED)

(2) INCREASE OR DECREASE CHANGES OF BONDS PAYABLE:(NOT INCLUDING OTHER FINANCIAL INSTRUMENTS OF PREFERRED SHARES AND PERPETUAL DEBTS ETC. WHICH ARE CLASSIFIED AS FINANCIAL LIABILITIES)

Unit: Yuan Currency: RMB

Bond name	Book value	Issue date	Term of bond	Amount issued	Amount issued	Interest	Amortization	Repayment	Ending	
					Beginning	in the current	accrued on			on premiums
					balance	period	face value	or discounts	in this period	balance
12 YTO 01 Corporate bond	600,000,000.00	2013/3/4	5 years	794,550,000.00	797,472,004.37	0.00	127,614,246.63	3,478,688.18	38,400,000.00	798,028,688.18
12 YTO 02 Corporate bond	700,000,000.00	2013/6/30	5 years	683,734,150.95	686,805,753.82	0.00	97,175,342.51	3,696,723.29	31,500,000.00	687,430,874.24
Total	1,500,000,000.00	-	-	1,488,284,150.95	1,494,277,758.19	0.00	224,789,589.14	7,175,412.47	69,900,000.00	1,495,459,563.42

(3) Notes on the other financial instruments which are classified as financial liabilities

None

XVII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

30. DEFERRED REVENUE

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance	Reason of formation
Government grants	119,031,862.41	2,805,000.00	9,821,166.67	112,015,695.74	Government grants

Projects related to government grants:

Unit: Yuan Currency: RMB

Item of government grants	Beginning balance	Amount of grants newly increased in this period	Amount recognized in non-operating income in this period	Other changes	Ending balance	Related to assets/Related to revenue
New wheeled tractor core capacity upgrade	53,200,000.00	0.00	0.00	0.00	53,200,000.00	Related to assets
High power diesel engine for non-road use	49,000,000.00	0.00	0.00	5,716,666.67	43,283,333.33	Related to assets
Diesel engine crankshaft forging line	3,390,000.00	0.00	0.00	1,695,000.00	1,695,000.00	Related to assets
Technical transformation of wheeled tractor	4,152,000.00	0.00	0.00	1,384,000.00	2,768,000.00	Related to assets
Grants for C series government project	3,580,000.00	0.00	0.00	358,000.00	3,222,000.00	Related to assets
Heavy wheeled tractor power shift with an annual output of 1,000 large horsepower	2,750,000.00	0.00	0.00	0.00	2,750,000.00	Related to assets
Project of processing production line of energy saving and environmental protection diesel engine and crankshaft machine	2,407,500.00	2,700,000.00	0.00	562,500.00	4,545,000.00	Related to assets
Special fund for rapid development and demonstration application of new products of tractor and diesel engine casting	419,960.00	0.00	0.00	0.00	419,960.00	Related to assets
Award by government to support enterprise development	0.00	105,000.00	105,000.00	0.00	0.00	Related to revenue
Other items	132,402.41	0.00	0.00	0.00	132,402.41	Related to assets
Total	119,031,862.41	2,805,000.00	105,000.00	9,716,166.67	112,015,695.74	/

Note: The other changes are the deferred revenue which has been transferred to non-current liabilities due within one year.

XVII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

31. SHARE CAPITAL

	Beginning balance	Issue new stock	Increase or decrease in the current period (+, -)			Subtotal	Ending balance
			Bonus share	Equity fund transferred into shares	Others		
Total amount of shares	995,900,000.00	0.00	0.00	0.00	0.00	0.00	995,900,000.00

32. CAPITAL RESERVE

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Share premium	1,953,153,395.43	0.00	0.00	1,953,153,395.43
Other capital reserve	64,872,267.48	0.00	0.00	64,872,267.48
Total	2,018,025,662.91	0.00	0.00	2,018,025,662.91

VII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

33. OTHER COMPREHENSIVE INCOME

Item	Amount incurred in this period						Ending balance
	Beginning balance	Amount incurred in this period	Less: Amount previously recognized as other comprehensive income and transferred to profit or loss in current period	Less: Income tax expense	Amount attributable to the parent company after income tax	Amount attributable to minority shareholders after income tax	
I. Other comprehensive income that will not be reclassified into profit or loss afterwards	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II. Other comprehensive income that will be reclassified into profit or loss afterwards	23,558,754.55	-4,819,500.00	0.00	-722,925.00	-4,096,575.00	0.00	19,462,179.55
Profit or loss from fair value change of available-for-sale financial assets	23,558,754.55	-4,819,500.00	0.00	-722,925.00	-4,096,575.00	0.00	19,462,179.55
Foreign currencies translation differences	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total other comprehensive income	23,558,754.55	-4,819,500.00	0.00	-722,925.00	-4,096,575.00	0.00	19,462,179.55

XVII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

34. SPECIAL RESERVES

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Safety production costs	0.00	3,890,781.76	3,890,781.76	0.00

35. SURPLUS RESERVES

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Statutory surplus reserves	315,250,942.22	0.00	0.00	315,250,942.22
Discretionary surplus reserves	0.00	0.00	0.00	0.00
Total	315,250,942.22	0.00	0.00	315,250,942.22

XVII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

36. RETAINED EARNINGS

Item	Current period	Last period
Ending balance of the last year	1,367,616,267.12	1,231,464,769.67
Add: Retained earnings adjustment on the beginning balance	0.00	0.00
Beginning balance of the current period	1,367,616,267.12	1,231,464,769.67
Add: Net profit attributable to owners of the parent company in the current period	222,901,586.86	244,950,248.11
Less: Accrual of statutory surplus reserves	0.00	0.00
Appropriation to general risks reserves	0.00	0.00
Dividends payable on common stock	40,831,900.00	50,790,900.00
Ending balance of current period	1,549,685,953.98	1,425,624,117.78

37. OPERATING REVENUE AND OPERATING COST

Unit: Yuan Currency: RMB

Item	Current period		Last period	
	Revenue	Cost	Revenue	Cost
Main business	3,807,985,155.86	3,322,759,305.70	4,085,010,080.24	3,514,782,870.80
Other business	30,759,749.56	389,696.30	51,086,925.82	31,466,143.77
Total	3,838,744,905.42	3,323,149,002.00	4,136,097,006.06	3,546,249,014.57

XVII. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY *(CONTINUED)*

38. INVESTMENT INCOME

Item	Current period	Last period
Long-term equity investments measured by cost method	29,802,000.00	45,072,343.00
Long-term equity investments measured by equity method	8,478,089.73	1,893,556.87
Investment income generated from disposal of long-term equity investments	0.00	0.00
Investment income on financial assets measured at fair value and the changes are recorded into profit or loss in the holding period	0.00	0.00
Investment income on disposal of financial assets measured at fair value and the changes are recorded into profit or loss in the current period	0.00	0.00
Investment income on held-to-maturity investment during the holding period	0.00	0.00
Investment income on financial assets available-for-sale during the holding period	0.00	2,376,000.00
Investment income on disposal of available-for-sale financial assets	0.00	0.00
After the loss of control, gains from re-measuring the remaining equity at fair value	0.00	0.00
Others	192,000.00	96,000.00
Total	38,472,089.73	49,437,899.87

XVIII. SUPPLEMENTARY INFORMATION

1. DETAILS OF CURRENT PERIOD EXTRA-ORDINARY PROFIT OR LOSS

Item	Amount	Note
Disposal gains or loss from non-current assets	-198,562.61	
Tax return and deduction due to ultra vires approval or without formal approval documents	0.00	
Government grants recognized into current period profit or loss (Not including the grants closely related to business operations, and the government grants entitled to according to the national standard quota or quantity)	11,372,972.87	
Capital occupation fee charged to non-finance enterprises in the current profit or loss	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	380,988.49	
Enterprise restructuring costs, such as expenditures on staff placement and integration costs	0.00	
Profit or loss in excess of the portion of the fair value generated from transactions of which the transactional price is obviously unfair	0.00	
Current net profit and loss of the subsidiary under the common control from the beginning date to the consolidated date	0.00	
Gain or loss from non-related business operations or contingencies	0.00	
Profit or loss from changes of the fair value of trading financial assets and trading financial liabilities held and investment income from disposal of trading financial assets and trading financial liabilities and financial assets available for sale, except for hedging related to daily operations of the companies	7,543,586.43	
Reversal of impairment of receivables on individually impairment test	0.00	
Gain or loss from entrusted loans to outside parties	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	
Impact on gain or loss from one-time 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	
Other non-operating income and expenses except for mentioned above	1,889,826.51	
Gain or loss from other extraordinary items	0.00	
Effects on income tax	-3,752,757.98	
The amount of influence on minority shareholders' equity	-1,534,161.64	
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Total	15,701,892.07	
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XVIII. SUPPLEMENTARY INFORMATION (CONTINUED)

2. RETURN ON EQUITY AND EARNINGS PER SHARE

Profit in the reporting period	Weighted average rate of return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders of the parent company	3.36	0.1590	0.1590
Net profit attributable to shareholders of the parent after non-operating profit or loss	3.02	0.1432	0.1432

X. DOCUMENTS AVAILABLE FOR INSPECTION

Documents available for inspection	2016 Interim Report and its summary signed by the legal representative of the Company and affixed with the Company seal
	Financial statements signed and sealed by the Legal Representative, Chief Financial Officer, and Accounting Manager of the Company
	The written confirmation and opinion on the 2016 interim 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: 25 August 2016