



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)

2017 INTERIM REPORT



IMPORTANT NOTICE

- I. The board of directors (the “**Board**”) and the 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 herein.
- II. Absence of Directors in the Board meeting considering the Interim Report of the Company

Title of the absent Director	Name of absent Director	Explanation on absence of Director	Name of Proxy
Director	Yin Dongfang	Due to business engagement	Zhao Yanshui
Independent Director	Yu Zengbiao	Due to business engagement	Yang Minli
Independent Director	Wu Tak Lung	Due to cancellation of flight in a typhoon	Xing Min

- 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 report in the Interim Report.
- V. Proposals of profit distribution or capitalization from capital reserves for the six months ended 30 June 2017 (the “**Reporting Period**”) as considered by the Board.
- Nil. Payment of any interim dividend for the six months ended 30 June 2017 was not recommended (2016: Nil).
- VI. Statement for the Risks Involved in Forward-looking Statements
- Forward-looking statements such as the development strategy and operation plan of the Company contained in the Interim Report do not constitute any substantive commitment to investors by the Company. Investors are advised to pay attention to any investment risks.
- VII. Any misappropriation of 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
- IX. Significant risks warning
- Please refer to “Section IV Management Discussion and Analysis” of the Interim Report.

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I. DEFINITIONS

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

agricultural machinery	various machinery used in the crop farming and animal husbandry production, and the primary processing of agricultural and animal products
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
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
crawler tractor	tractor with crawler as walking device
CSRC	China Securities Regulatory Commission
diesel engine	internal combustion engine that uses diesel as fuel

I. DEFINITIONS (CONTINUED)

Group	the Company and its controlled subsidiaries
hi-powered wheeled tractor	wheeled tractor with horsepower of 70 (inclusive) or above
Hong Kong	the Hong Kong Special Administrative Region of the PRC
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
Interim Report	the 2017 Interim Report of the Company
Jiangyan Power Company	YTO (Jiangyan) Power Machinery Company Limited (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 of Hong Kong Limited (as amended from time to time)
low-powered wheeled tractor	wheeled tractor with a power of less than 25 horsepower
mid-powered wheeled tractor	wheeled tractor with horsepower of 25 (inclusive) to 70
power machinery	products including diesel engine and fuel injection pump

I. DEFINITIONS (CONTINUED)

PRC	The People's Republic of China which, for the purpose of the Interim Report, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
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 Flag	YTO (Luoyang) Flag Auto-Body Company Limited(一拖(洛陽)福萊格車身有限公司), a wholly-owned subsidiary of the Company

I. DEFINITIONS (CONTINUED)

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 (一拖法國農業裝備有限公司), 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 Company Limited (采埃孚一拖(洛陽)車橋有限公司), an equity participating company of the Company

II. COMPANY PROFILE AND KEY FINANCIAL INDICATORS

I. INFORMATION OF THE COMPANY

Chinese name of the Company	第一拖拉機股份有限公司
Abbreviation of the Company in Chinese	一拖股份
English name of the Company	First Tractor Company Limited
Abbreviation of the Company 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 Li'na	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) 6496 7038	(86 379) 6497 0213
Facsimile	(86 379) 6496 7438	(86 379) 6496 7438
E-mail	yulina@ytogroup.com	weiyajun027@163.com

III. CHANGES IN 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
Index for detail of changes during the Reporting Period	/

II. COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

IV. CHANGES IN PLACES 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 half-year report (A Shares) 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 half-year 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
Index for detail of changes during the Reporting Period	/

V. BASIC INFORMATION OF THE COMPANY'S SHARES

Type	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	/

II. COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

VI. OTHER RELATED INFORMATION

The Company has completed the change of business registration in registered capital and combination of three licenses in July 2017. Please refer to the "Announcement in Relation to Completion of Change of Business Registration of the Company in Registered Capital and Combination of Three Licenses of Business License, Organization Code Certificate and Tax Registration Certificate into One License" published by the Company on the website of the Shanghai Stock Exchange, China Securities Journal and Shanghai Securities News on 26 July 2017 and the announcement published by the Company on the website of the Stock Exchange on 25 July 2017 for details.)

VII. 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 Reporting Period (January to June)	For the corresponding period of last year	Year-on-year increase/decrease during the Reporting Period (%)
Total operating revenue	4,264,741,651.34	5,158,780,013.03	-17.33
Operating revenue	4,203,320,225.06	5,041,260,182.13	-16.62
Net profit attributable to shareholders of the Company	32,265,644.86	158,349,583.86	-79.62
Net profit attributable to shareholders of the Company after deduction of non-recurring profit or loss	991,043.46	142,647,691.79	-99.31
Net cash flows from operating activities	-949,254,026.96	487,141,637.61	-294.86

II. COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

VII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

(I) Key Accounting Data (Continued)

Unit: Yuan Currency: RMB

	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	4,792,058,162.10	4,829,340,535.85	-0.77
Total assets	<u>12,572,973,544.94</u>	<u>13,210,513,281.43</u>	<u>-4.83</u>

II. COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

VII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

(II) Key Financial Indicators

Currency: RMB

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>Yuan/share</i>)	0.0326	0.1590	-79.50
Diluted earnings per share (<i>Yuan/share</i>)	0.0326	0.1590	-79.50
Basic earnings per share after deduction of non-recurring profit or loss items (<i>Yuan/share</i>)	0.0010	0.1432	-99.30
Weighted average return on net assets (%)	0.67	3.36	decreased by 2.69 percentage points
Weighted average return on net assets after deduction of non-recurring profit or loss items (%)	0.02	3.02	decreased by 3 percentage points

Explanation on the Key Accounting Data and Financial Indicators

Basic earnings per share and diluted earnings per share were calculated based on weighted average of the number of shares, deducting the repurchased H Shares, as at the end of the Reporting Period.

The significant decrease in the basic earnings per share and diluted earnings per share during the period as compared with the corresponding period of last year, was mainly due to the relatively greater year-on-year decline in the net profit attributable to shareholders of the Company during the Reporting Period.

II. COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

VIII. ITEMS AND AMOUNT OF NON-RECURRING PROFIT OR LOSS

Unit: Yuan Currency: RMB

<u>Items of Non-recurring Profit or Loss</u>	<u>Amounts</u>
Gain or loss from disposal of non-current assets	-391,959.48
Government grants credited to current profit or loss (except for those which are closely related to the Company's ordinary business, in accordance with national policies and continuously received in certain standard amounts and quantities)	27,745,231.58
Profit or loss from debt restructuring	-113,611.28
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 for effective hedging business related to the Company's ordinary business)	-8,119,610.86
Non-operating income and expenses other than those stated above	20,078,091.05
Impact on minority shareholders equity interests	-2,944,600.79
Effects of income tax	-4,978,938.82
Total	<u><u><u>31,274,601.40</u></u></u>

III. OVERVIEW OF THE BUSINESS OF THE COMPANY

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

The Company aims to provide agricultural equipment with advanced technology and reliable quality for agricultural mechanization in the PRC. The current principal business segments of the Company include agricultural machinery business, power machinery business and finance business, among which, the agricultural machinery business includes research and development, manufacturing and sales of full series of wheeled and crawler tractors and their key components including castings, gears, gear boxes and covering parts. The leading products of power machinery business are off-road diesel engines, and their parts including fuel injection pump and fuel injector, and are mainly supporting agricultural machinery, such as tractors and harvesters. YTO Finance, a controlled subsidiary of the Company, is principally engaged in the business of funds settlement, financing and other financial services. The Company possesses leading industrial technology research and development and independent innovation capacity in the PRC, and the most comprehensive production and manufacturing system for tractors in the PRC. The PRC marketing network of the Company is extensive, covering 31 provinces, autonomous regions and municipalities. The hi-powered and mid-powered tractors and off-road diesel engines of the Company maintain the leading positions in the industry.

During the Reporting Period, there was no alteration to the principal businesses and operation modes of the Company.

Please refer to the Section IV “MANAGEMENT DISCUSSION AND ANALYSIS” of this report in relation to information of the industry during the Reporting Period.

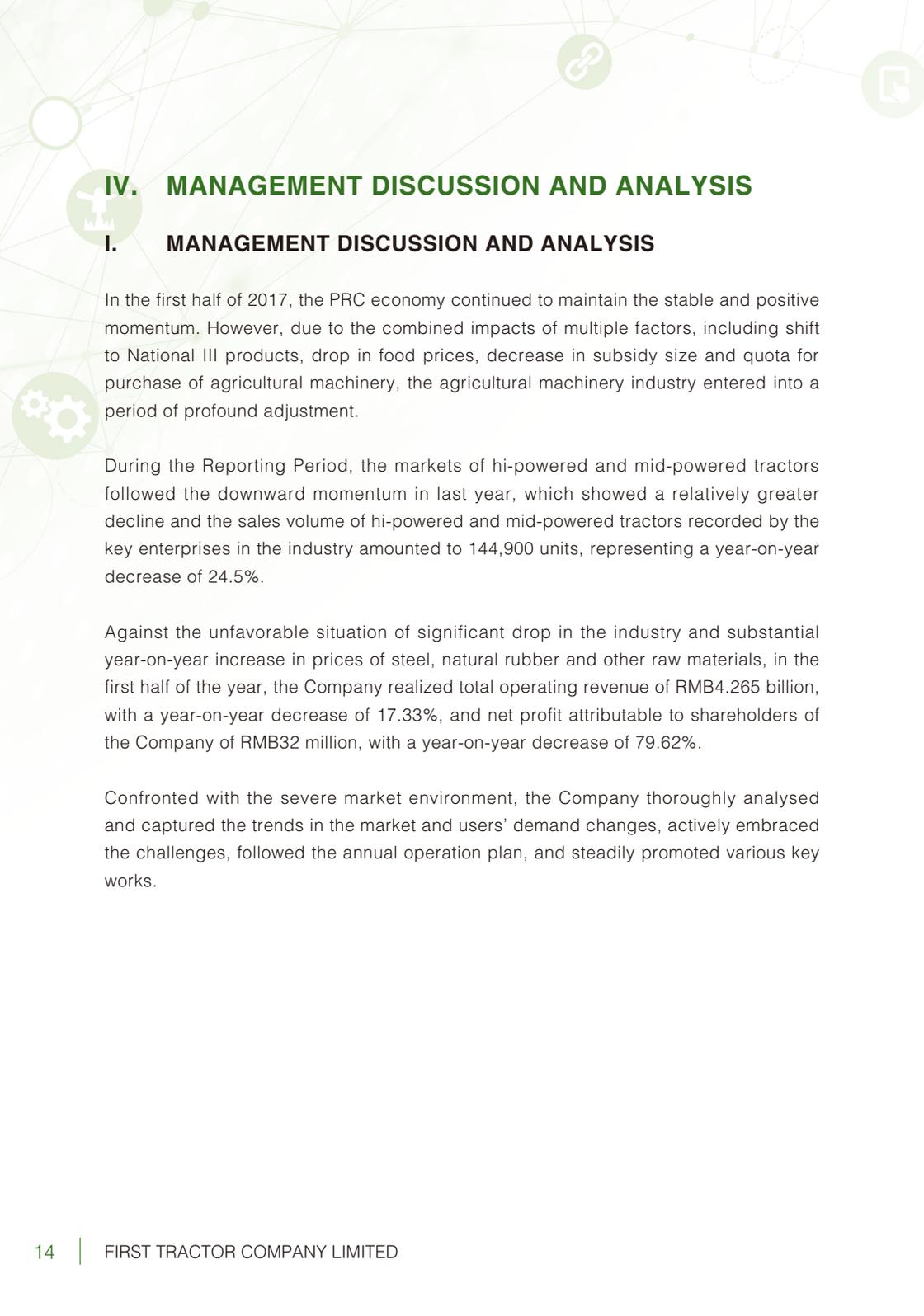
III. OVERVIEW OF THE BUSINESS OF THE COMPANY (CONTINUED)

II. EXPLANATION ON MATERIAL CHANGES IN THE KEY ASSETS OF THE COMPANY DURING THE REPORTING PERIOD

As at the end of the Reporting Period, the total assets of the Company amounted to RMB12.57297 billion, among which assets outside the PRC was RMB432.14 million, accounting for 3.44% of the total assets. The original value of construction in progress amounted to approximately RMB476.95 million, representing an increase of RMB84.10 million as compared with that as at the beginning of the period, mainly due to the formal implementation of the project of new model application of intelligent manufacturing of new wheeled tractor during the Reporting Period. Completion of construction of such project will significantly promote the level of manufacturing intelligentization of agricultural machinery of the Company.

III. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

During the Reporting Period, there was no alteration in the core competitiveness of the Company.



IV. MANAGEMENT DISCUSSION AND ANALYSIS

I. MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2017, the PRC economy continued to maintain the stable and positive momentum. However, due to the combined impacts of multiple factors, including shift to National III products, drop in food prices, decrease in subsidy size and quota for purchase of agricultural machinery, the agricultural machinery industry entered into a period of profound adjustment.

During the Reporting Period, the markets of hi-powered and mid-powered tractors followed the downward momentum in last year, which showed a relatively greater decline and the sales volume of hi-powered and mid-powered tractors recorded by the key enterprises in the industry amounted to 144,900 units, representing a year-on-year decrease of 24.5%.

Against the unfavorable situation of significant drop in the industry and substantial year-on-year increase in prices of steel, natural rubber and other raw materials, in the first half of the year, the Company realized total operating revenue of RMB4.265 billion, with a year-on-year decrease of 17.33%, and net profit attributable to shareholders of the Company of RMB32 million, with a year-on-year decrease of 79.62%.

Confronted with the severe market environment, the Company thoroughly analysed and captured the trends in the market and users' demand changes, actively embraced the challenges, followed the annual operation plan, and steadily promoted various key works.

IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(I) Proactively responding to market changes and maintaining industrial leading advantages

Regarding the agricultural machinery business, as affected by the “combined impacts” of significant drop in the hi-powered and mid-powered wheeled tractors industry and lower-priced competition from some enterprises, the Company sold 26,800 units of hi-powered and mid-powered wheeled tractors, with a year-on-year decrease of 36.6%. Under the unfavourable market environment, the Company achieved certain results in some product series and some regional markets, with its hi-powered and mid-powered tractor products maintaining the position of No. 1 in the industry in the PRC, through speeding up products improvement, satisfying differentiated demands, continuous improvement in channel and network and other measures. Meanwhile, by seizing the strategic opportunities brought by the “One Belt and One Road” initiative, the Company made breakthroughs in some key overseas markets including Middle Asia, Eastern Europe, Southeastern Asia and Africa. In the first half of the year, there was relatively greater year-on-year growth in markets including Africa and Myanmar. Meanwhile, the Company steadily promoted key overseas projects and gradually optimized overseas marketing network layout.

Regarding the power machinery business, as affected by the slow-moving market of tractors and harvesters, the Company sold 60,800 units of diesel engines in the first half of the year, representing a year-on-year decrease of 29%. During the Reporting Period, the sales volume of heavy-duty diesel engines of the Company recorded a relatively significant year-on-year growth, with a further improving market recognition.

Regarding the financial business, under the downward market situation, YTO Finance actively adjusted business structure by focusing on managing operational risks, actively developed the function of centralized capital management and improved capital utilization efficiency by utilizing and carefully managing the different capital cycles of various business units, which provided solid capital support to the production and operation of the Company.



IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(II) Continuously promoting technical upgrade of principal products and enriching product reserve

The Company followed the market trend in demanding for upgrade, focusing on the mid to high-end product markets, insisting on technical innovation and continuous ongoing investment in product research and development. The Company steadily promoted product upgrade and technical innovation in order to be well-prepared to lead the industry transformation and upgrade with reserve. While consolidating the product technical basis for synergic development of new and existing businesses, the Company carried out the research and development works on projects including the new generation of 110–140 horse power tractor, LF3204 power-shift tractor, and LX2204–4, LG1504–4 and other models of National IV tractors. Industrialized application in intelligent agricultural equipment for automatic driving technology of agricultural machinery had also achieved active progress. Regarding the power machinery, the Company accelerated the pace of synchronous promotion of National III common rail products into the market while facilitating the research and development and merchandising progress of National IV products, and completed the product layout plan for the new generation of National V diesel engines.

IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(III) Steadily promoting the key strategic tasks and accelerating corporate transformation and upgrade

Focusing on the change in agricultural development model and the corporate transformation and upgrade, the Company steadily promoted various key strategic tasks. In particular, the Company established project departments for various key strategic tasks, which provided organizational guarantee for breakthroughs in key businesses. During the Reporting Period, investigation and surveying was carried out in relation to the provision of the whole-set solution business in combination with the advantages of the Company in leading the product markets, and research and exploration on the feasibility of extension to agricultural operation service area was carried out. Furthermore, following its development strategy, the Company facilitated the construction of overseas marketing centers. Moreover, the Company fully commenced the project of construction of modern agricultural equipment intelligent cockpit digitalized factory, and promoted implementation of projects including application of new wheeled tractor intelligent manufacturing mode and upgrade and transformation of National IV diesel engines (phase I), whilst speeding up the corporate transformation and upgrade progress.

IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(IV) Continuously enhancing internal management and consolidating the operational basis for quality and efficiency enhancement

Under the unfavorable situations of stagnant external market and a substantial increase in the macroscopic capital costs and bulk raw material prices in the first half of the year, the Company effectively reduced its finance costs by comprehensively utilizing the PRC domestic and foreign financing instruments. The Company continuously deepened the role of procurement platform and managed procurement costs to mitigate the impacts of rising raw material prices on the performance of the Company. Meanwhile, the Company devoted more efforts on the disposal of losing businesses and low-efficiency or ineffective assets, and made relatively greater progress in the disposal of mine trucks business and related assets. Moreover, the Company completed transfer of equity interest in YTO (Luoyang) Forklift Truck Company Limited in August this year, which will gradually eliminate the unfavourable impacts of some existing losing businesses on performance of the Company and bring positive cash flow and other contribution to the Company. Regarding management of accounts receivable and inventories, the Company further strengthened disposal and recovery of overdue accounts receivable, and therefore the amount of impairment losses on assets dropped significantly year-on-year during the Reporting Period.

Through various measures implemented in the first half of the year, under the profound adjustment in the industry and the relatively greater impacts on earnings of the Company, the Company maintained its competitive position in the industry in core businesses, as well as proactively promoting product upgrade and new businesses expansion. The Company focused on proactively maintaining a relatively steady and moderate asset and liability structure, in order to go through the industrial adjustment period in a steady manner, and reserve energy for future development.

IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(IV) Continuously enhancing internal management and consolidating the operational basis for quality and efficiency enhancement (Continued)

In the second half of 2017, the situation in the agricultural machinery market will remain complicated. The Company will follow the work direction and operation plan confirmed in the beginning of the year, to capture market opportunities brought by implementation of projects including launch of the winter wheat market, subsoiling and returning of straw to field, to utilize its advantages in manufacturing, quality, procurement and brands to improve price-performance ratio of products, to enhance accuracy and effectiveness in marketing strategies, in order to strive to increase sales volume of principal products. Meanwhile, the Company will accelerate the pace of research and development and speedy commercialization of new tractor and diesel engine products, as well as continuously building up its advantages in mid to high-end products. The Company will also utilize its advantages in products, markets and resources, to effectively consolidate its relevant resources and develop innovative business model. By fully capturing the strategic opportunities from the “One Belt and One Road” initiative, the Company will optimize its international strategic layout and further expand its market space in international market. Further, the Company will continue to manage risks comprehensively, enhance management of the risks relating to “inventories and accounts receivable”, accelerate the disposal and integration of low-efficiency assets and losing businesses, and actively respond to the industry trough with steady and moderate operation strategies, with an aim to achieve healthy and stable operational development of the Company for the period.

IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(I) Analysis on Principal Business

1 Analysis on Changes in Items of the Income Statement

Unit: Yuan Currency: RMB

Items	For the Reporting Period	For the corresponding period of last year	Changes (%)
Operating revenue	4,203,320,225.06	5,041,260,182.13	-16.62
Operating costs	3,573,686,562.10	4,109,134,374.24	-13.03
Selling costs	206,587,590.03	266,328,954.70	-22.43
Administrative expenses	419,869,185.88	422,892,390.25	-0.71
Among which: Research and development expenses	191,086,806.70	190,476,732.63	0.32
Finance costs	18,527,873.08	40,452,792.56	-54.20
Loss in asset impairment	19,511,704.56	72,263,138.96	-73.00
Gain from change in fair value	-7,613,860.79	-442,878.26	N/A
Non-operating expenses	1,827,637.76	755,594.73	141.88

The year-on-year decline in operating revenue and operating costs was mainly due to the decline in sales of products of the Company during the Reporting Period.

The year-on-year decline in selling costs was mainly due to the decline in sales of products and the enhanced costs control of the Company at the same time during the Reporting Period.

Administrative expenses basically remained the same as the corresponding period of last year, and the Company will continue to actively strengthen costs control.

IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(I) Analysis on Principal Business (Continued)

1 Analysis on Changes in Items of the Income Statement (Continued)

Research and development expenses basically remained the same as the corresponding period of last year, mainly because the Company is currently in the product transformation phase and will maintain the continuous investment in research and development for products technical transformation and upgrade.

The relatively greater year-on-year decline in finance costs was mainly due to the active and enhanced cash management and improved capital utilization efficiency of the Company during the Reporting Period, and at the same time changes in exchange rates at different time points, leading to a year-on-year decrease in exchange loss.

The year-on-year significant decline in loss in asset impairment was mainly due to the year-on-year decline in overdue receivables and the significant year-on-year decline in newly added bad debt risk of the Company during the Reporting Period.

The year-on-year decline in gain from change in fair value was mainly due to the decrease in value of foreign exchange swap settlement contracts of the Company during the Reporting Period.

The year-on-year significant increase in non-operating expenses was mainly due to the increase in the net loss on disposal of fixed assets and the loss on debt restructuring of the Company during the Reporting Period.

IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(I) Analysis on Principal Business (Continued)

2 Analysis on Changes in Items of the 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	-949,254,026.96	487,141,637.61	-294.86
Net cash flow from investing activities	465,510,144.17	-336,699,358.99	N/A
Net cash flow from financing activities	-162,444,702.34	-207,611,250.33	N/A

Explanation on change in net cash flow from operating activities: the year-on-year increase in outflow of cash flow from operating activities was caused by the impact of the decrease in agricultural machinery subsidies and the progress of subsidies, and the increase in accounts receivable as compared to the corresponding period of last year during the Reporting Period.

Explanation on change in net cash flow from investing activities: net cash flow from investing activities during the period increased by an inflow of RMB802.21 million as compared with the corresponding period of last year, mainly due to the increases in collection of wealth management products and structured deposit as compared with the corresponding period of last year, and the decreases in purchase of wealth management products and structured deposit as compared to the corresponding period of last year during the Reporting Period.

Explanation on change in net cash flow from financing activities: the amount for the period decreased by an outflow of RMB45.17 million as compared with the corresponding period of last year, mainly due to the decrease in bank loan repayment as compared to the corresponding period of last year during the Reporting Period.

IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(II) Analysis on Asset and Liability

1. Assets and liabilities situation

Unit: Yuan Currency: RMB

Items	Balance as at the end of the Reporting Period	Balance as at the end of the Reporting Period as a percentage of total assets	Balance as at the end of last period	Balance as at the end of last period as a percentage of total assets	Change in balance as at the end of the Reporting Period as compared with balance as at the end of last period	Explanation
		(%)		(%)	(%)	
Loans to banks and other financial institutions	100,000,000.00	0.80	0.00	0.00	N/A	Loans to banks and other financial institutions made by YTO Finance during the Reporting Period
Derivative financial assets	4,951,285.18	0.04	14,833,000.00	0.11	-66.62	Decrease in value of foreign exchange swap settlement contract during the Reporting Period
Notes receivable	267,934,847.82	2.13	554,932,731.17	4.20	-51.72	Due to the decreases in sales and receipts from product sales during the Reporting Period

IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(II) Analysis on Asset and Liability (Continued)

1. Assets and liabilities situation (Continued)

Unit: Yuan Currency: RMB

Items	Balance as at the end of the Reporting Period	Balance as the end of the Reporting Period as a percentage of total assets (%)	Balance as at the end of last period	Balance as at the end of last period as a percentage of total assets (%)	Change in balance as at the end of the Reporting Period as compared with balance as at the end of last period (%)	Explanation
Accounts receivable	1,349,249,833.15	10.73	674,313,323.03	5.10	100.09	The return circle of accounts receivable was prolonged due to the decrease in agricultural machinery subsidies and the progress of subsidies, leading to an increase as at the end of the Reporting Period as compared with the beginning of the Reporting Period
Interest receivable	19,792,145.78	0.16	12,027,545.45	0.09	64.56	Increase in interest receivable of YTO Finance during the Reporting Period
Loans from banks and other financial institutes	0.00	0.00	250,000,000.00	1.89	-100.00	Repayment of loans from banks and other financial institutes by YTO Finance during the Reporting Period
Interests payable	21,293,171.22	0.17	55,151,085.52	0.42	-61.39	Payment of corporate bonds interest during the Reporting Period

IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(II) Analysis on Asset and Liability (Continued)

1. Assets and liabilities situation (Continued)

Unit: Yuan Currency: RMB

Items	Balance as at the end of the Reporting Period	Balance as at the end of the Reporting Period as a percentage of total assets		Balance as at the end of last period as a percentage of total assets		Change in balance as at the end of the Reporting Period as compared with balance as at the end of last period (%)	Explanation
		(%)	(%)	(%)	(%)		
Dividends payable	54,466,423.70	0.43	0.00	0.00	N/A	Announcement of distribution of dividends for the year 2016 during the Reporting Period	
Non-current liabilities due within one year	1,531,585,341.46	12.18	34,422,532.04	0.26	4,349.37	Transfer of corporate bonds and long-term loans due within one year during the Reporting Period	
Long-term loans	0.00	0.00	9,133,500.00	0.07	-100.00	Transfer of long-term loans due within one year to non-current liabilities due within one year during the Reporting Period	
Bonds payable	0.00	0.00	1,496,694,996.06	11.33	-100.00	Transfer of corporate bonds due within one year to non-current liabilities due within one year during the Reporting Period	
Other comprehensive income	1,170,888.55	0.01	-2,685,750.24	-0.02	N/A	Increase in fair value of available-for-sale financial assets held during the Reporting Period	

IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(II) Analysis on Asset and Liability (Continued)

2. *Restrictions on the Key Assets as at the End of the Reporting Period*

As at the end of the Reporting Period, the Group's cash and cash equivalents with restrictions on any rights, including being charged and/or pledged, amounted to RMB183,513,118.63, including People's Bank of China statutory deposited funds of RMB43,878,449.27, bank's acceptance bill deposits of RMB115,567,413.30 and other guarantee deposits of RMB24,067,256.06.

As at the end of the Reporting Period, the Group's original value of fixed assets and intangible assets with restrictions on any rights, including being charged and/or pledged, amounted to a total of RMB100,098,120.94, and the net value amounted to a total of RMB85,776,904.07, which were buildings and lands mortgaged to the banks for short-term loans to the Group.

3. *Other Explanation*

(1) *Key financial ratio*

<u>Items</u>	<u>As at the end of the Reporting Period</u>	<u>As at the beginning of the year</u>	<u>Year-on-year change</u>
Gearing ratio (%)	56.50	58.34	decreased by 1.84 percentage points
Current ratio	1.01	1.27	decreased by 0.26
Quick ratio	0.85	1.10	decreased by 0.25

IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(II) Analysis on Asset and Liability (Continued)

3. Other Explanation (Continued)

(2) Bank loans

Bank loans of the Group are mainly in the currency units of RMB, USD and Euro. As at the end of the Reporting Period, bank loans of the Group due within one year amounted to RMB1.5508069 billion, in which loans in foreign currency amounted to RMB780.8069 million (mainly denominated in USD and Euro); bank loans due over one year amounted to RMB0; and bank loans with fixed interest rate amounted to RMB1.4578117 billion. The Company has good bank credit rating and financing ability in the PRC and overseas.

(3) Foreign exchange risk

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

IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(III) Analysis on Investments

1. Overall analysis on external equity investments

During the Reporting Period, the Company had no material external equity investments.

(1) Financial assets under fair value measurement

Unit: Yuan Currency: RMB

Items	Balance as at the beginning of the Reporting Period	Balance as at the end of the Reporting Period	Change during the Reporting Period	Amount affecting profit for the Reporting Period
Change in fair value of financial assets credited to current profit or loss under fair value measurement (excluding derivative financial assets)	62,657,466.94	75,288,483.83	12,631,016.89	13,212,083.03
Derivative financial assets	14,833,000.00	4,951,285.18	-9,881,714.82	-9,881,714.82
Available-for-sale financial assets	47,604,558.74	49,888,493.65	2,283,934.91	884,680.08
Total	<u>125,095,025.68</u>	<u>130,128,262.66</u>	<u>5,033,236.98</u>	<u>4,215,048.29</u>

Note: The derivative financial assets of the Company was the foreign exchange swap settlement contract entered into between the Company and Bank of Communications Company Limited Luoyang branch in order to prevent exchange loss brought to the Company by the exchange rate fluctuation of USD loans.

IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(IV) Analysis on the Key Subsidiaries

1. Information on the Key Subsidiaries

Currency: RMB, unless otherwise specified

Name of company	Registered capital (0'000 Yuan)	Principal business	As at 30 June 2017		Realized during 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	460,227	76,482	7,813	3,502
YTO Diesel Engine	USD16 million	Manufacturing and sales of engines	152,562	97,473	88,656	5,526
Jiangyan Power Company	20,000	Manufacturing and sales of multi-bore small size diesel engines and castings	48,998	24,967	20,013	331
YTO Fuel Injection Pump	16,192	Manufacturing and sales of products including fuel injector and fuel injection pump of diesel engines	25,932	20,765	6,012	-1,388
Tractors Research Company	44,500	Research and development of tractor products	76,096	66,783	13,590	1,069
YTO International Trade	6,600	International sales of agricultural machinery	53,567	8,313	19,754	-438
YTO France	Euro 22.60 million	Manufacturing and sales of agricultural machinery components	41,343	20,966	8,120	-624

IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(IV) Analysis on the Key Subsidiaries (Continued)

1. Information on the Key Subsidiaries (Continued)

Currency: RMB, unless otherwise specified

Name of company	Registered capital (0'000 Yuan)	Principal business	As at 30 June 2017		Realized during the Reporting Period	
			Total assets (0'000 Yuan)	Net assets (0'000 Yuan)	Operating revenue (0'000 Yuan)	Net profit (0'000 Yuan)
YTO Foundry	24,883	Processing and sales of rough and semi-finished products and finished products of castings and forging products	31,363	24,339	6,060	1,042
Changtuo Company	28,200	Manufacturing and sales of agricultural machineries and spare parts	17,483	4,943	12	-1,484
YTO Shentong	5,300	Manufacturing and sales of mining trucks and other agricultural machinery products	4,294	-27,612	540	125
Changxing Company	300	Sales of products including agricultural machinery, spare parts and diesel engines	124,476	-31,470	244,177	-4,443

IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(IV) Analysis on the Key Subsidiaries (Continued)

2. Acquisition and Disposal of the Subsidiaries during the Reporting Period

The Company convened the 2016 Annual General Meeting on 13 June 2017, which considered and approved the "Resolution on Merger and Absorption by the Company of YTO (Luoyang) Drive Axle Company Limited", details of which are set out in the "Announcement on the Resolutions Passed at the 2016 Annual General Meeting, the 2017 First A Share Class Meeting and the 2017 First H Share Class Meeting of First Tractor Company Limited" published by the Company on the website of the Shanghai Stock Exchange on 14 June 2017, and the announcement published by the Company on the website of the Stock Exchange on 13 June 2017. As at 24 August 2017, deregistration of YTO (Luoyang) Drive Axle Company Limited had not yet completed. Such merger did not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules of the Stock Exchange.

IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(IV) Analysis on the Key Subsidiaries (Continued)

3. *The Key Subsidiaries Contributing more than 10% to the Net Profit of the Company*

Unit: 0'000 Yuan Currency: RMB

Number	Name of company	Operating revenue during the Reporting Period	Operating profit during the Reporting Period	Net profit during the Reporting Period
1	YTO Finance	7,813	4,695	3,502
2	YTO Diesel Engine	88,656	5,419	5,526
3	Jiangyan Power Company	20,013	467	331
4	YTO Fuel Injection Pump	6,012	-1,398	-1,388
5	YTO International Trade	19,754	-362	-438
6	YTO France	8,120	-624	-624
7	YTO Foundry	6,060	879	1,042
8	Changtuo Company	12	-1,442	-1,484
9	Changxing Company	244,177	-3,914	-4,443
10	Tractors Research Company	13,590	1,054	1,069
11	YTO Flag	8,995	-750	-363
12	YTO Transportation	869	-366	-360

IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(IV) Analysis on the Key Subsidiaries (Continued)

4. *Explanation on the Key Subsidiaries with over 30% change in their operating businesses*

YTO Diesel Engine: During the Reporting Period, as affected by the substantial decrease in sales volume in the whole machines markets including tractors and harvesters, the market demand for diesel engine products declined and the net profit decreased by 43.08% year-on-year.

YTO Foundry: By actively exploring external markets during the Reporting Period, the operating revenue increased by 113.64% year-on-year and the net profit increased by RMB12.39 million year-on-year.

YTO Shentong: Due to the enhancement in costs control and active sales of mining trucks in inventories by this company at the same time during the Reporting Period, the net profit increased by RMB17.67 million year-on-year.

YTO Fuel Injection Pump: As affected by the upgrade of national emission standard of off-road diesel engines and a relatively substantial decline in sales of traditional products, the operating revenue decreased by 39.86% year-on-year and the net profit decreased by RMB17.62 million year-on-year.

YTO Finance: there was provision of impairment of RMB28.15 million for held-to-maturity investment in the corresponding period of last year, without additional impairment loss during the period, and the net profit increased by 103.72% year-on-year.

IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

II. OTHER DISCLOSEABLE EVENTS

(I) Potential risks

1. *Market risks*

The agricultural machinery industry went through the golden period of rapid development and entered into the shifting period and the adjustment period for industrial development. As affected by various factors including change in subsidy policy on purchase of agricultural machinery, increase in costs due to National III product upgrade, decrease in purchase power of users due to decrease in food price and saturated regional market product, the downward momentum of market demand in the tractors industry is not expected to have obvious improvement for a period of time in the future.

2. *The risk of fluctuation in raw material prices*

Since 2016, the impact from supply side reform has been gradually revealed. The excessive production capacity in the steel industry is eliminating gradually and prices of main raw materials including steel are fluctuating and increasing. As the ratio of steel and rubber in raw material procurement of the Company is relatively high, if the raw material price keeps increasing in the future, the Company would have the risk of increase in production costs.

3. *Product technical upgrade risk*

Following the gradual advancement in the level of agricultural mechanization in the PRC, there is a shift of requirements of users who purchased agricultural machinery towards direction including efficient operation, intelligent operation, energy saving and environmental protection, as well as increasing demand on stability and reliability on product functions. It is a challenge for enterprises manufacturing agricultural machinery to meet the changes in market demand in the future with the required capability to have continuous research and development and improvement on products and speed for product transformation, upgrade and generation shift.

V. SIGNIFICANT EVENTS

I. CORPORATE GOVERNANCE DURING THE REPORTING PERIOD

(I) Briefs of General Meetings

Session of meeting	Convening Date	Index for the designated website for publishing the voting results	Date of publication of the voting results
2017 First Extraordinary General Meeting	3 March 2017	“Announcement of First Tractor Company Limited on Resolutions of 2017 First Extraordinary General Meeting” published on the Shanghai Stock Exchange	4 March 2017
		Announcement published on the website of the Stock Exchange (www.hkexnews.hk)	3 March 2017
2016 Annual General Meeting	13 June 2017	“Announcement of First Tractor Company Limited on Resolutions of 2016 Annual General Meeting” published on the Shanghai Stock Exchange	14 June 2017
		Announcement published on the website of the Stock Exchange (www.hkexnews.hk)	13 June 2017

V. SIGNIFICANT EVENTS (CONTINUED)

I. CORPORATE GOVERNANCE DURING THE REPORTING PERIOD (CONTINUED)

(I) Briefs of General Meetings (Continued)

Session of meeting	Convening Date	Index for the designated website for publishing the voting results	Date of publication of the voting results
2017 First A Share Class Meeting	13 June 2017	"Announcement of First Tractor Company Limited on Resolutions of 2017 First A Share Class Meeting" published on the Shanghai Stock Exchange	14 June 2017
		Announcement published on the website of the Stock Exchange (www.hkexnews.hk)	13 June 2017
2017 First H Share Class Meeting	13 June 2017	"Announcement of First Tractor Company Limited on Resolutions of 2017 First Extraordinary General Meeting" published on the Shanghai Stock Exchange	14 June 2017
		Announcement published on the website of the Stock Exchange (www.hkexnews.hk)	13 June 2017

V. SIGNIFICANT EVENTS (CONTINUED)

I. CORPORATE GOVERNANCE DURING THE REPORTING PERIOD (CONTINUED)

(I) Briefs of General Meetings (Continued)

Explanation on General Meetings

During the Reporting Period, all resolutions presented at the 2017 First Extraordinary General Meeting, the 2016 Annual General Meeting, the 2017 First A Share Class Meeting and the 2017 First H Share Class Meeting of the Company were considered and approved.

(II) Corporate Governance

1. Corporate Governance Code

During the Reporting Period, the Company has complied with the principles and 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.

2. Audit Committee under the Board

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

V. SIGNIFICANT EVENTS (CONTINUED)

I CORPORATE GOVERNANCE DURING THE REPORTING PERIOD (CONTINUED)

(II) Corporate Governance (Continued)

2. *Audit Committee under the Board (Continued)*

During the Reporting Period, 4 meetings of the Audit Committee under the Board were held, which considered resolutions including the preparation plan for the 2016 annual report and financial statement, the 2016 annual report, the 2016 internal control evaluation report, the implementation of continuing connected transactions for the year 2016, and the appointment of financial auditor and internal control auditor of the Company for the year 2017, and the 2017 first quarterly report, exerting effective support from special committees under the Board to the Board in formulating scientific decisions. It conducted effective supervision on implementation of material matters including preparation of annual report, annual financial audit, quarterly financial report and daily connected transactions, which ensured that the Board performed duties in compliance with regulations and operated effectively.

The Audit Committee under the Board has reviewed the Group's 2017 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 Group's unaudited interim financial report for the six months ended 30 June 2017.

3. *Model Code for Securities Transactions by the Directors*

The Company has adopted a set of code of conduct regarding securities transactions by the Directors and the Supervisors on terms no less exacting than the required standard in 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 formulated 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 of the Company 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 standard in the Company's existing code of conduct in relation to the Directors' securities transactions during the Reporting Period.

V. SIGNIFICANT EVENTS (CONTINUED)

II. PROPOSAL OF PROFIT DISTRIBUTION OR CAPITALIZATION FROM CAPITAL RESERVES

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

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

III. FULFILLMENT OF UNDERTAKINGS

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

Background of undertaking	Type of undertaking	Party making undertaking	Content of undertaking	Term and deadline of the undertaking	Is there any deadline for performance	Is it performed in a timely and strict manner
Undertaking related to the initial public offering	Solutions to business competition	The Company	Commencing from 11 January 2012, YTO (Luoyang) Machinery Equipment Company Limited no longer engages in the purchase, assembly and sale of agricultural machinery and equipment products other than the supporting sale of the agricultural machinery and equipment products which have been purchased or ordered. The Company and all of its controlled subsidiaries shall not engage in the processing, production or assembly of agricultural machinery and equipment, except the supporting sale and relevant procurement.	Long-term	No	Yes

V. SIGNIFICANT EVENTS (CONTINUED)

III. FULFILLMENT OF UNDERTAKINGS (CONTINUED)

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

Background of undertaking	Type of undertaking	Party making undertaking	Content of undertaking	Term and deadline of the undertaking	Is there any deadline for performance	Is it performed in a timely and strict manner
	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 operation. In addition, where YTO or other enterprises controlled by it may bring unfair impact on the Company in areas including market share, business opportunity and resources allocation, YTO will voluntarily give up and procure other enterprises controlled by it to give up business competition with the Company.	Long-term	No	Yes
	Solutions to 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 operation. In addition, where Sinomach or other enterprises controlled by it may bring unfair impact on the Company in areas including market share, business opportunity and resources allocation, Sinomach will voluntarily give up and procure other enterprises controlled by it to give up business competition with the Company.	Long-term	No	Yes

V. SIGNIFICANT EVENTS (CONTINUED)

III. FULFILLMENT OF UNDERTAKINGS (CONTINUED)

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

Background of undertaking	Type of undertaking	Party making undertaking	Content of undertaking	Term and deadline of the undertaking	Is there any deadline for performance	Is it performed in a timely and strict manner
	Other	YTO	YTO and YTO Finance entered into the Deposit Agreement and Loan Agreement, which stipulated the annual caps 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 amounts 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 YTO will ensure the safety of its subsidiaries' loan through various measures.	Long-term	No	Yes

IV. APPOINTMENT OR DISMISSAL OF AUDITOR

Explanation on appointment or dismissal of auditor

As considered and approved at the 2016 annual general meeting, the Company continued to appoint ShineWing Certified Public Accountants LLP as the auditor for financial statements and internal control of the Company for the year 2017, and the Board was authorized to determine the remuneration of the auditor.

V. SIGNIFICANT EVENTS (CONTINUED)

V. MATERIAL LITIGATION AND ARBITRATION

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

VI. EXPLANATION ON INTEGRITY OF THE COMPANY, ITS CONTROLLING SHAREHOLDER AND ULTIMATE CONTROLLER DURING THE REPORTING PERIOD

During the Reporting Period, the Company, YTO, its controlling shareholder, and Sinomach, its ultimate controlling shareholder, operated according to the laws and with integrity. There was no situation of dishonesty of non-performance of court judgement or non-repayment of relative large amount of debt when due, etc.

VII. MATERIAL CONNECTED TRANSACTIONS

(I) Connected transactions relating to daily operations

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

On 13 June 2017, the “Resolution on the Increase in 2017 and 2018 Annual Cap Amounts of Continuing Connected Transactions in Material Procurement, Sales of Goods and Composite Services” was considered and approved at the 2016 annual general meeting of the Company. For details, please refer to the “Announcement on the Resolutions Passed at 2016 Annual General Meeting, the 2017 First A Share Class Meeting and the 2017 First H Share Class Meeting of First Tractor Company Limited” published by the Company on the website of the Shanghai Stock Exchange on 14 June 2017, and the announcement published by the Company on the website of the Stock Exchange on 13 June 2017.

V. SIGNIFICANT EVENTS (CONTINUED)

VII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Connected transactions relating to daily operations (Continued)

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

The cap amounts and actual transaction amounts of the connected transactions of the Company as at the end of the Reporting Period were set out in the table below:

Unit: 0'000 Yuan Currency: RMB

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

No.	Name of the agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated	Actual	As a
						cap for transaction amount in 2017	transaction amount from January to June 2017	Percentage in the amount of same type of transactions (%)
1	Material Procurement Agreement	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, the associates of YTO, Sinomach, 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)).	149,800	39,886	13.24

V. SIGNIFICANT EVENTS (CONTINUED)

VII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Connected transactions relating to daily operations (Continued)

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

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

No.	Name of the agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated	Actual	As a
						cap for transaction amount in 2017	transaction amount from January to June 2017	Percentage in the amount of same type of transactions (%)
2	Sales of Goods Agreement	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 (taxi-inclusive), which is not more than 30% (i.e. price = cost x (1 + percentage mark-up)).	46,000	13,901	3.30
3	Composite Services Agreement	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 (taxi-inclusive), which is not more than 30% (i.e. price = cost x (1 + percentage mark-up)).	21,500	7,972	93.26

V. SIGNIFICANT EVENTS (CONTINUED)

VII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Connected transactions relating to daily operations (Continued)

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

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

No.	Name of the agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated	Actual	As a
						cap for transaction amount in 2017	transaction amount from January to June 2017	Percentage in the amount of same type of transactions (%)
4	Energy Procurement Agreement	YTO	Controlling shareholder	Provision of energy and related services to the Company and its subsidiaries by YTO	(1) the governmental guidance price; (2) if there is no governmental guidance price, the market price or the transaction price between the Group and an independent third party; (3) if none of the above is applicable, the transaction price between YTO and an independent third party; and (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)).	19,200	8,139	91.88
5	Properties Lease Agreement	YTO	Controlling shareholder	Lease of properties by YTO to the Company and its subsidiaries	(1) the transaction price between the lessor and an independent third party; and (2) if the above is not applicable, determined after arm's length negotiation between the parties with reference to the market rent of similar property.	1,800	423	100
6	Land Lease Agreement	YTO	Controlling shareholder	Lease of land by YTO to the Company and its subsidiaries	(1) the transaction price between the lessor and an independent third party; and (2) if the above is not applicable, determined after arm's length negotiation between the parties with reference to the market rent of similar property.	1,900	313	100

V. SIGNIFICANT EVENTS (CONTINUED)

VII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Connected transactions relating to daily operations (Continued)

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

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

No.	Name of the agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated	Actual	As a
						cap for transaction amount in 2017	transaction amount from January to June 2017	Percentage in the amount of same type of transactions (%)
7	Deposit Service Agreement	YTO	Controlling shareholder	Provision of deposit services by YTO Finance to YTO	in accordance with the provisions of the People's Bank of China (the "PBOC").	160,000	103,768	27.20
8	Loan Service Agreement	YTO	Controlling shareholder	Provision of loan services by YTO Finance to YTO	(1) the rate prescribed by the CBRC or the PBOC; (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 (3) if none of the above is applicable, determined after arm's length negotiation between YTO Finance and YTO after considering the fair rate offered by the third party on comparable transactions in the same industry, and their financial positions and terms and size of the transactions as the main factors.	85,000	79,025	74.90

V. SIGNIFICANT EVENTS (CONTINUED)

VII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Connected transactions relating to daily operations (Continued)

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

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

No.	Name of the agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated	Actual	As a
						cap for transaction amount in 2017	transaction amount from January to June 2017	Percentage in the amount of same type of transactions (%)
9	Bills Acceptance Service Agreement	YTO	Controlling shareholder	Provision of bills acceptance services by YTO Finance to YTO	(1) the rate in relation to the same type and same period of bills acceptance services prescribed by the CBRC or the PBOC; (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; and (3) if none of the above is applicable, determined after arm's length negotiation between YTO Finance and YTO after considering the fair rate offered by the third party on the comparable transactions in the same industry, and their financial positions and terms and size of the transactions as the main factors.	28,000	26,618	13.83

V. SIGNIFICANT EVENTS (CONTINUED)

VII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Connected transactions relating to daily operations (Continued)

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

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

No.	Name of the agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated	Actual	As a
						cap for transaction amount in 2017	transaction amount from January to June 2017	Percentage in the amount of same type of transactions
								(%)
10	Bills Discounting Service Agreement	YTO	Controlling shareholder	Provision of bills discounting services by YTO Finance to YTO	(1) the rate in relation to the same type and same period of bills discounting services prescribed by the CBRC or the PBOC; (2) if the above rate is not applicable (as the rate prescribed by the CBRC or the PBOC currently is a bills rediscounting rate), the rate charged in applicable industry for the same type and same period of bills discounting services; and (3) if none of the above is applicable, determined after arm's length negotiation between YTO Finance and YTO after considering the fair rate offered by the third party on the comparable transactions in the same industry, and their financial positions and terms and size of the transactions as the main factors.	46,000	10,909	9.75

V. SIGNIFICANT EVENTS (CONTINUED)

VII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Connected transactions relating to daily operations (Continued)

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

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

No.	Name of the agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated	Actual	As a
						cap for transaction amount in 2017	transaction amount from January to June 2017	Percentage in the amount of same type of transactions (%)
11	Interbank Business Service Agreement	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	(1) based on the Shanghai Interbank Offered Rate 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; (2) with reference to the deposit rates for the same type and same period of funds announced by other financial institutions for interbank deposit; (3) with reference to the market price of the target assets in capital financing announced by other financial institutions for credit asset transfer; and (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.	80,000	60,000	23.63
12	Common Resource Services Agreement	YTO	Controlling shareholder	Provision of services including green services, cleaning services and logistic support 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%.	1,400	503	100

V. SIGNIFICANT EVENTS (CONTINUED)

VII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Connected transactions relating to daily operations (Continued)

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

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

No.	Name of the agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated	Actual	As a
						cap for transaction amount in 2017	transaction amount from January to June 2017	Percentage in the amount of same type of transactions (%)
13	Technology Services Agreement	Tractors Research Company	Subsidiary of YTO	Provision of technology research and development, consultation and other technology services by Tractors Research Company to the Company	(1) the transaction price between Tractors Research Company 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 equipment, cost of research and development staff, testing fee and other costs used in the research and development (for research and development services).	11,000	4,794	100

V. SIGNIFICANT EVENTS (CONTINUED)

VII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Connected transactions relating to daily operations (Continued)

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

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

No.	Name of the agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated	Actual	As a
						cap for transaction amount in 2017	transaction amount from January to June 2017	Percentage in the amount of same type of transactions (%)
14	Premise Tenancy Agreement	ZF YTO Drive Axle	Associated corporation	Lease of land and properties to ZF YTO Drive Axle by the Company	The annual lease fee of RMB7.7446 million was determined by both parties under market principles and negotiation	774.46	763	69.95
15	Technologies License Agreement	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 products applying these technologies as technologies authorization fee of to the Company.	240	0	0

V. SIGNIFICANT EVENTS (CONTINUED)

VII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Connected transactions relating to daily operations (Continued)

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

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

No.	Name of the agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated	Actual	As a
						cap for transaction amount in 2017	transaction amount from January to June 2017	Percentage in the amount of same type of transactions (%)
16	Procurement Framework Agreement	ZF YTO Drive Axle	Associated corporation	Purchase of components such as gears and drive shafts for the production of drive axles by ZF-YTO Drive Axle from the Company	Prices of components are determined under negotiations between both parties based on prices of past years, the then prevailing market price and factors such as raw material price fluctuations.	20,000	2,684	0.64
17	Sales Framework Agreement	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 factors such as prices of past years, the then prevailing market price and raw material price fluctuations. The price of goods sold by ZF YTO Drive Axle to the Company or any of its branches and subsidiaries shall not exceed that of the same types of goods sold to ZF Hangzhou.	30,000	8,830	2.93

V. SIGNIFICANT EVENTS (CONTINUED)

VII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Connected transactions relating to daily operations (Continued)

2. Matters not disclosed in the provisional announcements

Connected counterparty	Connected relationship	Type of the connected transaction	Content of the connected transaction	Pricing principle of the connected transaction	Estimated	Actual	As a
					cap for transaction amount in 2017	transaction amount from January to June 2017	Percentage in the amount of same type of transactions (%)
YTO	Controlling shareholder	Other inflow	Lease of properties from the Company and its subsidiaries	The 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.	370	200	26.75
YTO	Controlling shareholder	Other inflow	Lease of land from the Company and its subsidiaries	The 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.	240	128	37.28

V. SIGNIFICANT EVENTS (CONTINUED)

VII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Connected transactions relating to daily operations (Continued)

2. Matters not disclosed in the provisional announcements (Continued)

Connected counterparty	Connected relationship	Type of the connected transaction	Content of the connected transaction	Pricing principle of the connected transaction	Estimated	Actual	As a
					cap for transaction amount in 2017	transaction amount from January to June 2017	Percentage in the amount of same type of transactions
YTO	Controlling shareholder	Provision of services	Provision of process and technical services to YTO by the Company	The 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.	350	224	45.56
YTO	Controlling shareholder	Provision of services	Provision of calibration services and calibration instrument testing services to YTO by the Company	The 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.	80	38.50	39.97

(%)

V. SIGNIFICANT EVENTS (CONTINUED)

VII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Connected transactions relating to daily operations (Continued)

2. Matters not disclosed in the provisional announcements (Continued)

Connected counterparty	Connected relationship	Type of the connected transaction	Content of the connected transaction	Pricing principle of the connected transaction	Estimated	Actual	As a
					cap for transaction amount in 2017	transaction amount from January to June 2017	Percentage in the amount of same type of transactions (%)
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%.	700	8	100
Total				/	<u>1,740</u>	<u>598.50</u>	/

Details on return of large-sum sales
Explanation on connected transactions

Nil
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.

V. SIGNIFICANT EVENTS (CONTINUED)

VII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(II) Amounts due to and from connected parties

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

Event details

Query index

Provision of entrusted loan with a total amount of no more than RMB15 million by the Company to Changtuo Company.

For details, please refer to the “Announcement on Provision of Entrusted Loan and Connected Transaction” of the Company published on the website of the Shanghai Stock Exchange on 29 December 2016 and the announcement of the Company dated 28 December 2016 published on the website of the Stock Exchange.

Acceptance of entrusted loan with an amount of RMB700 million provided by YTO, the controlling shareholder, to the Company, for the term of one year.

For details, please refer to the “Announcement on Acceptance of Financial Assistance from Controlling Shareholder” of the Company published on the website of the Shanghai Stock Exchange on 8 July 2016 and the overseas regulatory announcement of the Company published on the website of the Stock Exchange on 7 July 2016.

The entrusted loan of RMB700 million accepted by the Company provided by the controlling shareholder was due on 7 July 2017. Upon negotiation by both parties, YTO continued to provide an entrusted loan of RMB700 million to the Company on 10 July 2017. For details, please refer to the “Announcement of First Tractor Company Limited on the Acceptance of Financial Assistance from the Controlling Shareholder” published on 11 July 2017 on the website of the Shanghai Stock Exchange, China Securities Journal and Shanghai Securities News, as well as the overseas regulatory announcement of the Company dated 10 July 2017 published on the website of the Stock Exchange.

V. SIGNIFICANT EVENTS (CONTINUED)

VIII. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF

(I) 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.

V. SIGNIFICANT EVENTS (CONTINUED)

VIII. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF (CONTINUED)

(II) 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)	Commencement date of guarantee	Expiration date of guarantee	Type of guarantee	Whether the guarantee is discharged	Whether the guarantee is overdue	Amount of overdue guarantee	Whether there is any counterguarantee	Whether it is a connected party guarantee	Connected relationship
	Company	Beneficiary											
The Company	Business dealers of Dianpiaolong (电票通)	Company headquarter	1,250	13 June 2017			Guarantee with joint liability	No	No	0	Yes	No	Nil
Total amount of guarantees provided during the Reporting Period (excluding guarantees provided for subsidiaries)												2,357	
Total outstanding guarantee amount as at the end of the Reporting Period (A) (excluding guarantees provided for subsidiaries)												1,250	
Guarantees provided by the Company for its subsidiaries													
Total amount of the guarantees provided to subsidiaries during the Reporting Period												6,074.80	
Total outstanding amount of the guarantees provided to subsidiaries as at the end of the Reporting Period (B)												15,262.12	
Total amount of the guarantees provided by the Company (including guarantees for subsidiaries)													
Total amount of guarantees (A+B)												16,512.12	
Total amount of guarantees as a percentage to the net assets of the Company (%)												3.44	
Of which:													
Amount of guarantees provided to shareholders, ultimate controller and its associates (C)												0	
Amount of guarantees directly or indirectly provided for debt of parties with a gearing ratio exceeding 70% (D)												14,512.12	
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)												14,512.12	
Explanation on possible several and joint liability for immature guarantees												Nil	
Explanation on guarantee												Nil	

V. SIGNIFICANT EVENTS (CONTINUED)

IX. POVERTY ALLEVIATION BY THE COMPANY

(I) Precise Poverty Alleviation Planning

As required under the spirit for poverty alleviation by the central, provincial and municipal governments, in accordance with the uniform plan for poverty alleviation in Luoyang, the Company provided targeted support for Zhifang Village of Tantou Town, Luanchuan County and stationed the First Secretary in the village to innovate poverty alleviation work mechanism based on the local situations, focused on the solution of salient problems constraining local development, gave priority to precise poverty alleviation in aspects such as infrastructure construction project, public service construction project, industrial development programs, employment of workers, relocation to other places, school admission for children, and social security in an effort to enhance the self-development ability of the targets of poverty alleviation and quicken the pace of precise poverty alleviation and the development towards a moderately prosperous society.

(II) Summary of Precise Poverty Alleviation during the Reporting Period

During the first half of 2017, the Company seriously implemented the planned requirements for poverty alleviation by the central government, including the “four principles”, “six targets” and “five batches”. The Company innovated its work methods, clarified its work idea, and truly implemented the policies of “One Village, One Product” and “One Policy for One Family”. The employees of the Company and families in poverty were matched in the engagement for one-to-one pairing activities for poverty alleviation activities twice. According to the poverty alleviation plan of “industry support plus market support”, we helped promote the sales and marketing of the green agricultural products in Zhifang Village, which substantially improved the living standards of the local poverty families. During the season of wheat harvest, we established our Dongfanghong tractor team to commence the three summer services activities. As at the end of 2016, 203 persons went out of poverty and the number of persons in poverty decreased to 30; during the first half of 2017, 23 families went out of poverty and the number of persons in poverty decreased to 7. It is expected that all of them will go out of poverty within this year.

V. SIGNIFICANT EVENTS (CONTINUED)

IX. POVERTY ALLEVIATION BY THE COMPANY (CONTINUED)

(III) Table of Precise Targeted Poverty Alleviation by the Company during the Reporting Period

Unit: 0'000 Yuan Currency: RMB

Index	Number and implementation information
I. General information	The Company's employees and families in poverty in the Zhifang Village, Tantou Town, Luanchuan County were matched in the engagement for one-to-one pairing activities for poverty alleviation. The Company helped Zhifang Village sell green agricultural products with the sales income reaching RMB934,700.
Including:	
1. Capital	
2. Funds converted from materials	13.8
3. Number of registered and recorded people in poverty went out of poverty with support (Person)	23
II. Itemized input	
1. Poverty alleviation through industrial development	
Including:	
1.1 Type of industrial poverty alleviation projects	Poverty alleviation through agricultural and forestry industry Poverty alleviation through asset profit
1.2 Number of industrial poverty alleviation projects	1
1.3 Amount invested in industrial poverty alleviation projects	93.47

V. SIGNIFICANT EVENTS (CONTINUED)

IX. POVERTY ALLEVIATION BY THE COMPANY (CONTINUED)

(III) Table of Precise Targeted Poverty Alleviation by the Company during the Reporting Period (continued)

Unit: 0'000 Yuan Currency: RMB

Index	Number and implementation information	
1.4	Number of registered and recorded people in poverty went out of poverty with support (<i>Person</i>)	6
2.	Poverty alleviation through job transfer	
Including:	2.1 Amount invested in occupational skills training	
	2.2 Number of participants of occupational skills training (<i>Person/time</i>)	
	2.3 Number of registered and recorded people in poverty went out of poverty with support (<i>Person</i>)	5
3.	Poverty alleviation through relocation	
Including:	3.1 Number of people who is employed after relocation (<i>Person</i>)	12

V. SIGNIFICANT EVENTS (CONTINUED)

IX. POVERTY ALLEVIATION BY THE COMPANY (CONTINUED)

(IV) Follow-Up Precise Poverty Alleviation Planning

Reinforcement was made for families went out of poverty in 2016 to prevent them from returning to poverty. Follow-up support will be rendered for the families went out of poverty in 2017. We will strive to carry out the pilot work with the arrangement from senior officers of village-level collective economy and joint stock partnership of rural economy to explore rules of collective economy and further consolidate the function of independent development of Zhifang Village. The pavement of the 3.5km main road in Zhifang Village will be widened and hardened. Meanwhile, we will establish a tractor team to teach the villagers how to use agricultural machinery and be responsible for the repair and maintenance of those donated machinery.

X. OTHER MATTERS

(I) Contingent Liabilities

Save for the contingent events in external guarantees, as at 30 June 2017, the Company had no other material contingent liabilities.

(II) The Group's Staff, Remuneration Policy and Training

As at 30 June 2017, the Group had 11,082 employees. During the Reporting Period, the total remuneration paid to employees of the Group was approximately RMB610.89 million.

During the Reporting Period, the Company implemented basic salary system to determine remuneration mainly based on the designated staff position with reference to work performance, competence and other basis, and paid remuneration in a timely manner.

During the Reporting Period, the Group conducted the planned, multi-tier and cross-system trainings for the staff, in order to improve the abilities and qualities of staff in different levels and of different kinds, according to the need of their posts and the development of the Company, and organized technical, management, operational and other training in a timely manner.

VI. CHANGES IN ORDINARY 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 of the Company.

2. Explanation on changes in shares

The Company convened the 2015 Annual General Meeting, the 2016 First A Share Class Meeting and the 2016 First H Share Class Meeting on 27 May 2016, which considered and approved the “Resolution on the General Mandate to Repurchase some H Shares by the Company” respectively. The Company started to implement the repurchase of H Shares in July 2016 in accordance with such general mandate. During the Reporting Period, the Company repurchased a total of 4,008,000 H Shares.

As at 24 August 2017, the Company repurchased a total of 10,050,000 H Shares. The repurchased H Shares had been cancelled, and the change of business registration procedure in respect of registered capital reduction of the Company had been completed. After the capital reduction, the total number of the shares of the Company was 985,850,000 shares, and its registered capital was RMB985,850,000.

II. SHAREHOLDERS

(I) Total number of shareholders:

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

36,356 including 35,983 holders of A Shares and 373 holders of H Shares

VI. CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

II. SHAREHOLDERS (CONTINUED)

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

Unit: Share

Name of shareholder (full name)	Shareholdings of the top ten shareholders						Nature 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 Status of shares	Number	
YTO Group Corporation	0	410,690,578	41.24%	0	Nil	0	State-owned legal person
HKSCC NOMINEES LIMITED (Note 1)	-10,042,000	388,003,399	38.96%	0	Unknown	/	Overseas legal person
China Huarong Asset Management Co., Ltd.	-1,651,000	14,069,296	1.41%	0	Unknown	/	State-owned legal person
China Construction Bank Corporation Henan Province Branch	0	9,444,950	0.95%	0	Unknown	/	Others
Hong Kong Securities Clearing Company Limited (Note 2)	257,153	1,710,909	0.17%	0	Unknown	/	Overseas legal person
Qian Manhong	1,088,852	1,088,852	0.11%	0	Unknown	/	Domestic natural person

VI. CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

II. SHAREHOLDERS (CONTINUED)

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

Name of shareholder (full name)	Shareholdings of the top ten shareholders						Nature 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 Status of shares	Number	
Tibet Dongfang Kaishuo Investment Company Limited	1,059,745	1,059,745	0.11%	0	Unknown	/	Others
Jiao Yanfeng	0	1,000,000	0.10%	0	Unknown	/	Domestic natural person
Zhang Chenghong	850,000	850,000	0.09%	0	Unknown	/	Domestic natural person
LIU HON NAM	0	726,000	0.07%	0	Unknown	/	Overseas natural person
	=====	=====	=====	=====		=====	

VI. CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

II. SHAREHOLDERS (CONTINUED)

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

Shareholdings of the top ten shareholders without selling restrictions

Name of shareholder	Number of non-restricted circulating shares held	Number and class of shares	
		Class	Number
YTO Group Corporation	410,690,578	Ordinary shares denominated in RMB	410,690,578
HKSCC NOMINEES LIMITED <i>(Note 1)</i>	388,003,399	Overseas listed foreign shares	388,003,399
China Huarong Asset Management Co., Ltd.	14,069,296	Ordinary shares denominated in RMB	14,069,296
China Construction Bank Corporation Henan Province Branch	9,444,950	Ordinary shares denominated in RMB	9,444,950
Hong Kong Securities Clearing Company Limited <i>(Note 2)</i>	1,710,909	Ordinary shares denominated in RMB	1,710,909
Qian Manhong	1,088,852	Ordinary shares denominated in RMB	1,088,852
Tibet Dongfang Kaishuo Investment Company Limited	1,059,745	Ordinary shares denominated in RMB	1,059,745
Jiao Yanfeng	1,000,000	Ordinary shares denominated in RMB	1,000,000

VI. CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

II. SHAREHOLDERS (CONTINUED)

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

Shareholdings of the top ten shareholders without selling restrictions

Name of shareholder	Number of non-restricted circulating shares held	Number and class of shares	
		Class	Number
Zhang Chenghong	850,000	Ordinary shares denominated in RMB	850,000
LIU HON NAM	726,000	Overseas listed foreign shares	726,000

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

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

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

N/A

VI. CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

II. SHAREHOLDERS (CONTINUED)

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

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 2017, 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	Total number of shares interested ¹	Percentage of the relevant share capital ¹	Percentage of the total capital share	Type of share
				underlying shares held				
YTO ²	Beneficial owner	Beneficial interest	410,690,578 (L)	/	410,690,578 (L)	69.15 (%)	41.24 (%)	A Share

Note 1: (L) – Long position

Note 2: Sinomach is the controlling shareholder of YTO. Sinomach is deemed to have the same interest in the Company as those owned by YTO by virtue of the SFO, holding 410,690,578 A Shares of the Company.

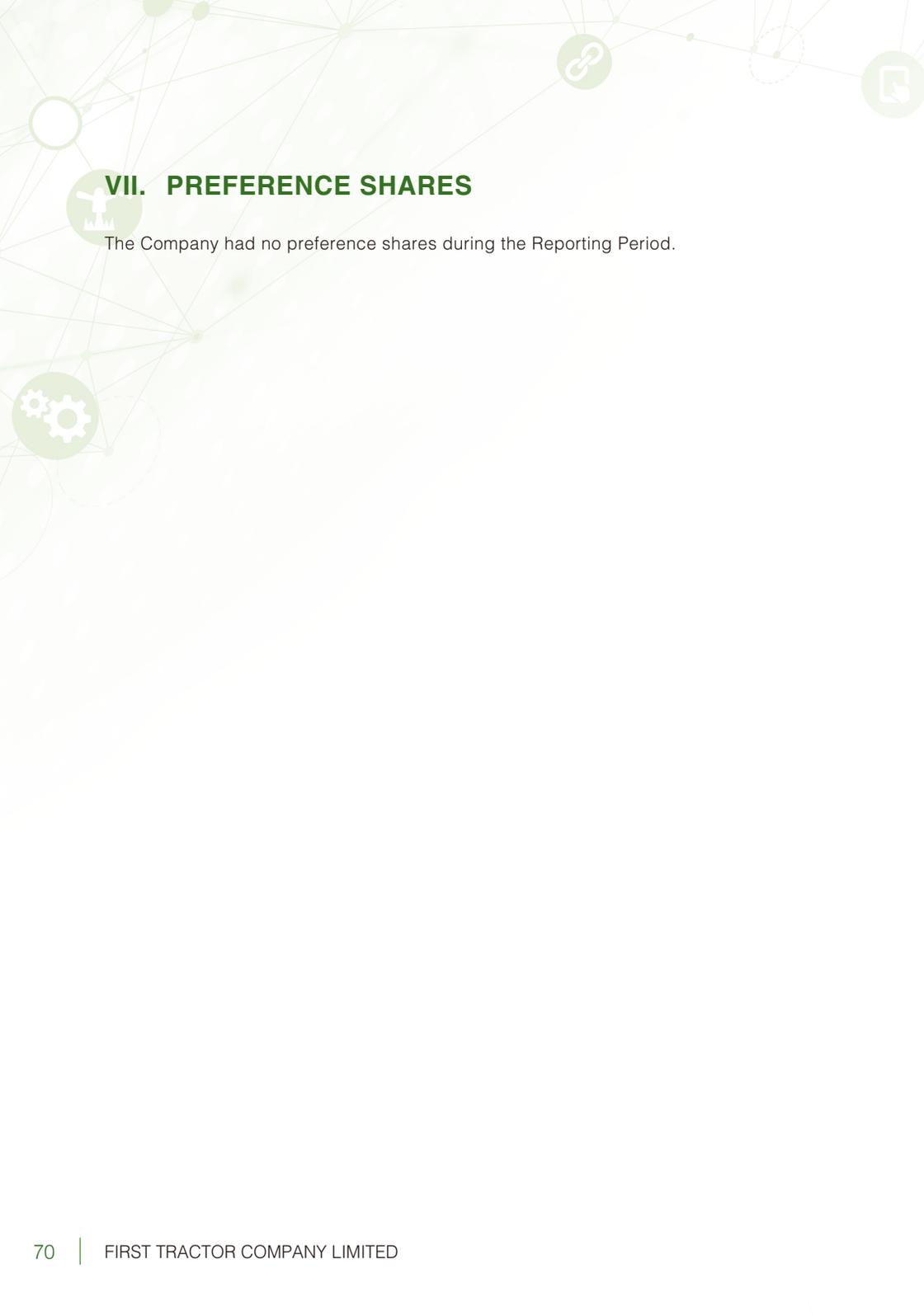
VI. CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

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

The Company convened the 2015 Annual General Meeting, the 2016 First A Share Class Meeting and the 2016 First H Share Class Meeting on 27 May 2016, which considered and approved the "Resolution on the General Mandate to Repurchase some H Shares by the Company" respectively. The Company started to implement the repurchase of H Shares in July 2016 in accordance with such general mandate. The Company repurchased H Shares at the appropriate time to boost investors' confidence, as well as improving return to its shareholders. As at 24 August 2017, a total of 10,050,000 H Shares were repurchased on the Stock Exchange for a total consideration of HK\$41,944,440 (excluding commission and other expenses). As at 24 August 2017, the repurchased H Shares had been cancelled, and the change of business registration procedures in respect of reduction of registered capital of the Company had been completed. The total number of the shares of the Company decreased by 10,050,000 shares to 985,850,000 shares, while its registered capital decreased by RMB10,050,000 to RMB985,850,000. The monthly breakdown of the repurchase of the H Shares during the Reporting Period is as follows:

Month of Repurchase	Number of H Shares repurchased	The highest price paid per H Share (HK\$)	The lowest price paid per H Share (HK\$)	Aggregate consideration paid (HK\$)
May 2017	4,008,000	4.13	3.95	16,176,360

Save as disclosed above, neither the Company nor its subsidiaries repurchased, sold or redeemed any of the Company's listed securities during the Reporting Period.



VII. PREFERENCE SHARES

The Company had no preference shares during the Reporting Period.

VIII. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. OTHER EXPLANATION

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

As at 30 June 2017, the interests or short positions of the Directors, Supervisors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (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 (including the interests and short positions considered or deemed to be held by such Directors, Supervisors and chief executives under provisions such as 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 Appendix 10 to 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		Type of share
						the relevant issued class of share capital (%)	Percentage of the total issued share capital (%)	
Wu Tak Lung	The Company	Beneficial owner	Beneficial interest	10,000 (Long position)	10,000 (Long position)	0.0026	0.0010	H Share

Save as disclosed above, none of the Directors, Supervisors or chief executives of the Company as at 30 June 2017, had any interests or short positions in any shares, underlying shares or 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.

IX. 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 (%)	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

IX. RELEVANT INFORMATION ON CORPORATE BONDS (CONTINUED)

I. BASIC SITUATION OF THE CORPORATE BONDS (CONTINUED)

Interest payment of the corporate bond

The Company paid the interests for the “12 First Tractor 01” and “12 First Tractor 02” bonds for the year 2016 to the respective holders of the bonds on schedule and in full on 6 March and 31 May 2017 respectively (For details, please refer to the “Announcement on the Payment of Interests for the Publicly Issued Corporate Bonds of First Tractor Company Limited in 2012 (Tranche I) for the Year 2017” and the “Announcement on the Payment of Interests for the Publicly Issued Corporate Bonds of First Tractor Company Limited in 2012 (Tranche II) for the Year 2017” of the Company published on the website of the Shanghai Stock Exchange on 24 February and 19 May 2017, respectively, as well as the overseas regulatory announcements of the Company published on the website of the Stock Exchange on 23 February and 18 May 2017).

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
Credit rating agency	Phone	(86)021-22169999
	Name	Shanghai Brilliance Credit Rating & Investors Service Company Limited
	Office address	14/F, Huasheng Building, No. 398 Hankou Road, Shanghai, the PRC

IX. RELEVANT INFORMATION ON CORPORATE BONDS (CONTINUED)

III. USE OF FUNDS RAISED BY CORPORATE BONDS

According to the “Prospectus for the Publicly Issued Corporate Bonds in 2012 (Tranche I)”, the funds raised by the current bonds, after deducting the issuing expenses, are intended to be fully used to supplement working capital and repay bank loans. As at 30 June 2017, the Company had used RMB700 million of raised funds for the repayment of bank loans, and the rest were used to supplement its working capital.

According to the “Prospectus for the Publicly Issued Corporate Bonds in 2012 (Tranche II)”, the funds raised by the current bonds, after deducting the issuing expenses, are intended to be fully used to supplement working capital. As at 30 June 2017, the Company had used all of the raised funds to supplement its working capital.

IV. CREDIT RATING OF CORPORATE BONDS

During the Reporting Period, based on the comprehensive analysis and evaluation of the Company’s business conditions and conditions of the relevant industries, Shanghai Brilliance Credit Rating & Investors Service Company Limited issued the “Tracking Credit Rating Report on 12 First Tractor 01 and 12 First Tractor 02 of First Tractor Company Limited”. 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+. (For details, please refer to the “Announcement of First Tractor Company Limited on the Tracking Credit Rating Results of Corporate Bonds 12 First Tractor 01 and 12 First Tractor 02” of the Company published on the website of the Shanghai Stock Exchange on 4 May 2017, and the overseas regulatory announcement of the Company published on the website of the Stock Exchange on 3 May 2017.)

V. PERFORMANCE OF DUTIES BY THE CORPORATE BOND TRUSTEE

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

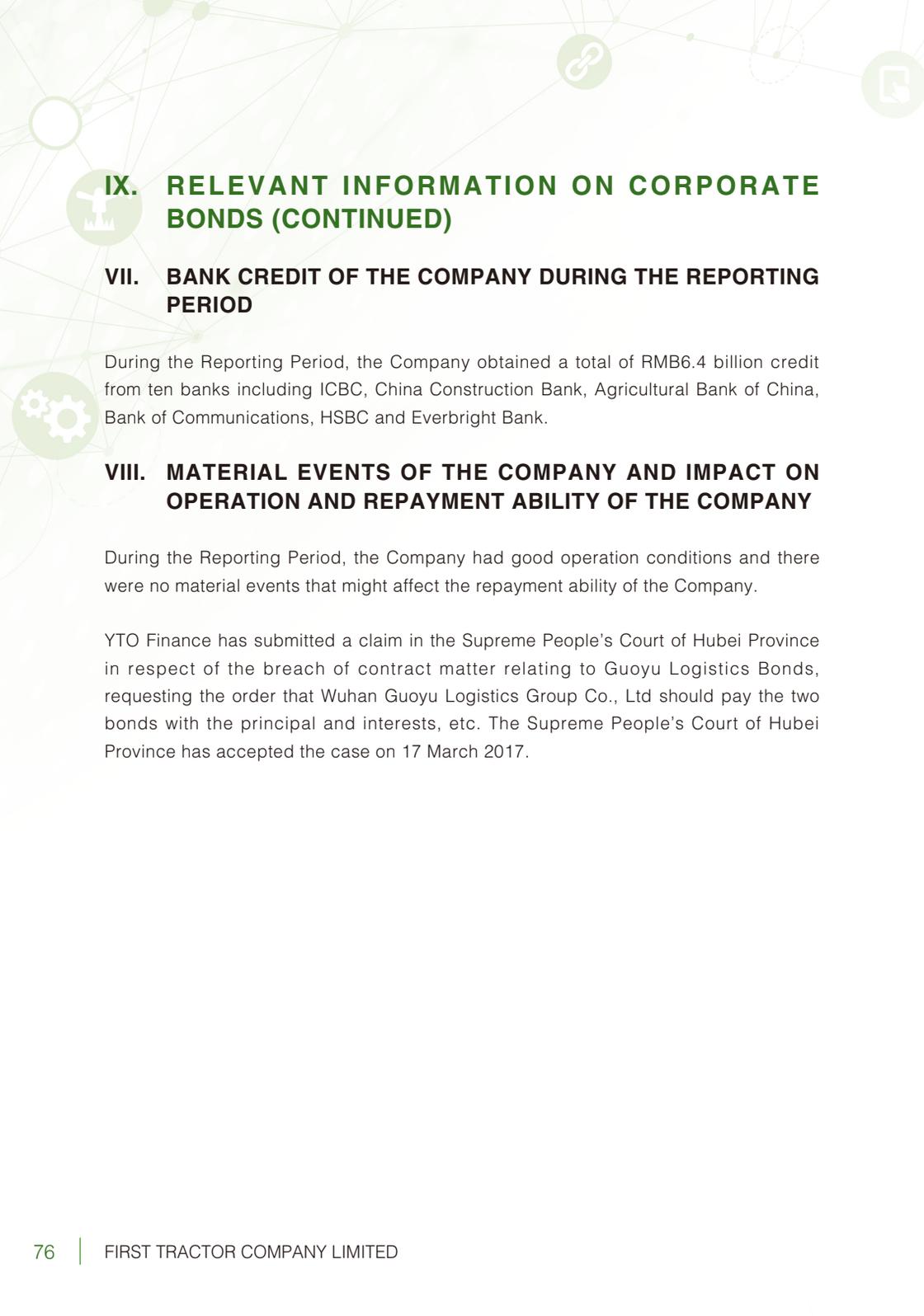
IX. RELEVANT INFORMATION ON CORPORATE BONDS (CONTINUED)

VI. 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	As at	As at the end	Increase/decrease
	the end of		as at the end of the
	the Reporting	of last year	Reporting Period
	Period		as compared with
			the end of last year
			(%)
Current Ratio	1.01	1.27	-20.47
Quick Ratio	0.85	1.10	-22.73
Asset-liability ratio	56.50%	58.34%	decreased by 1.84 percentage points
Loan repayment rate	100%	100%	0

Key indicators	For the	For the	Year-on-year
	Reporting		increase/decrease
	Period	corresponding	during the
	(January	period of last year	Reporting Period
	to June)		as compared with
			the corresponding
			period last year
			(%)
EBITDA interest coverage ratio	4.86	7.69	-36.8
Interest coverage rate	100%	100%	0



IX. RELEVANT INFORMATION ON CORPORATE BONDS (CONTINUED)

VII. BANK CREDIT OF THE COMPANY DURING THE REPORTING PERIOD

During the Reporting Period, the Company obtained a total of RMB6.4 billion credit from ten banks including ICBC, China Construction Bank, Agricultural Bank of China, Bank of Communications, HSBC and Everbright Bank.

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

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

YTO Finance has submitted a claim in the Supreme People's Court of Hubei Province in respect of the breach of contract matter relating to Guoyu Logistics Bonds, requesting the order that Wuhan Guoyu Logistics Group Co., Ltd should pay the two bonds with the principal and interests, etc. The Supreme People's Court of Hubei Province has accepted the case on 17 March 2017.

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

CONSOLIDATED BALANCE SHEET

As at 30 June 2017

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Ending balance	Beginning balance
Current assets:			
Cash and cash equivalents	V.1	2,433,951,595.34	3,261,735,812.98
Settlement reserves for balance		0.00	0.00
Loans to banks and other financial institutions	V.2	100,000,000.00	0.00
Financial assets measured at fair value and its movement recorded through profit and loss	V.3	75,288,483.83	62,657,466.94
Derivative financial assets	V.4	4,951,285.18	14,833,000.00
Notes receivable	V.5	267,934,847.82	554,932,731.17
Accounts receivable	V.6	1,349,249,833.15	674,313,323.03
Advances to suppliers	V.7	115,852,597.35	143,734,037.70
Premium receivables		0.00	0.00
Reinsurance receivables		0.00	0.00
Reinsurance contract reserves receivable		0.00	0.00
Interest receivable	V.8	19,792,145.78	12,027,545.45
Dividend receivable	V.9	1,809,345.00	0.00
Other receivables	V.10	84,059,191.91	104,926,297.50
Financial assets purchased with agreement to re-sale	V.11	341,114,661.86	354,848,615.72
Inventories	V.12	1,103,041,049.43	1,014,713,967.01
Assets classified as held for sale		0.00	0.00
Non-current assets due within one year		0.00	0.00
Other current assets	V.13	1,056,911,561.56	1,412,930,377.64
Total current assets		6,953,956,598.21	7,611,653,175.14

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2017

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Ending balance	Beginning balance
Non-current assets:			
Loans and advances to customers	V.14	778,862,152.34	748,364,409.66
Available-for-sale financial assets	V.15	238,017,835.06	235,733,900.15
Held-to-maturity investments	V.16	57,604,793.48	58,352,738.68
Long-term receivables		0.00	0.00
Long-term equity investments	V.17	143,978,258.30	149,098,999.76
Investment properties		0.00	0.00
Fixed assets	V.18	2,893,274,944.19	2,970,855,427.52
Construction in progress	V.19	460,557,243.50	376,823,261.61
Construction materials		0.00	0.00
Disposal of fixed assets		0.00	0.00
Productive biological assets		0.00	0.00
Oil and gas assets		0.00	0.00
Intangible assets	V.20	883,510,259.58	896,641,004.79
Research and development expenses		0.00	0.00
Goodwill	V.21	0.00	0.00
Long-term prepayments	V.22	38,169,407.72	40,223,194.44
Deferred tax assets	V.23	125,042,052.56	122,767,169.68
Other non-current assets		0.00	0.00
Total non-current assets		<u>5,619,016,946.73</u>	<u>5,598,860,106.29</u>
Total assets		<u><u>12,572,973,544.94</u></u>	<u><u>13,210,513,281.43</u></u>

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2017

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Ending balance	Beginning balance
Current liabilities:			
Short-term loans	V.24	1,531,432,918.74	1,579,448,510.67
Borrowings from central bank		0.00	0.00
Receipts of deposits and deposits from other banks	V.25	626,834,989.61	588,286,840.09
Loans from other banks	V.26	0.00	250,000,000.00
Financial liabilities at fair value through profit or loss		0.00	0.00
Derivative financial liabilities		0.00	0.00
Notes payable	V.27	1,126,396,121.71	1,417,113,769.49
Accounts payable	V.28	1,378,312,882.07	1,384,168,457.64
Advance from customers	V.29	142,196,566.61	199,663,201.54
Funds from selling out and repurchasing financial assets		0.00	0.00
Fee and commission payable		0.00	0.00
Employee benefits payable	V.30	118,458,243.17	105,911,905.79
Taxes payables	V.31	21,527,658.02	25,426,038.74
Interests payable	V.32	21,293,171.22	55,151,085.52
Dividends payable	V.33	54,466,423.70	0.00
Other payables	V.34	253,756,326.69	257,257,848.82
Reinsurance accounts payables		0.00	0.00
Reserves for insurance contracts		0.00	0.00
Brokerage for trading securities		0.00	0.00
Brokerage for consigning securities		0.00	0.00
Liabilities classified as held for sale		0.00	0.00
Non-current liabilities due within one year	V.35	1,531,585,341.46	34,422,532.04
Other current liabilities	V.36	79,243,264.50	93,369,345.75
Total current liabilities		6,885,503,907.50	5,990,219,536.09

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2017

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Ending balance	Beginning balance
Non-current liabilities:			
Long-term loans	V.37	0.00	9,133,500.00
Bonds payable	V.38	0.00	1,496,694,996.06
Including: Preference shares		0.00	0.00
Perpetual bond		0.00	0.00
Long-term payables		0.00	0.00
Long-term employee salary payable		0.00	0.00
Special payables		0.00	0.00
Contingent liabilities		0.00	0.00
Deferred income	V.39	184,295,520.20	176,628,594.78
Deferred tax liabilities	V.23	33,866,585.81	34,198,365.33
Other non-current liabilities		0.00	0.00
Total non-current liabilities		218,162,106.01	1,716,655,456.17
Total liabilities		7,103,666,013.51	7,706,874,992.26

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2017

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Ending balance	Beginning balance
Shareholders' equity			
Share capital	V.40	985,850,000.00	995,900,000.00
Other equity instruments		0.00	0.00
Including: Preferred shares		0.00	0.00
Perpetual bond		0.00	0.00
Capital reserves	V.41	2,099,684,537.23	2,126,685,588.57
Less: Treasury shares	V.42	0.00	19,140,912.00
Other comprehensive income	V.43	1,170,888.55	-2,685,750.24
Special reserves	V.44	5,184,797.94	4,485,866.00
Surplus reserves	V.45	423,908,219.34	423,908,219.34
General risk reserves	V.46	10,774,059.81	10,774,059.81
Retained earnings	V.47	1,265,485,659.23	1,289,413,464.37
Total equity attributable to shareholders of the Company		4,792,058,162.10	4,829,340,535.85
Minority interests		677,249,369.33	674,297,753.32
Total shareholders' equity		5,469,307,531.43	5,503,638,289.17
Total liabilities and shareholders' equity		12,572,973,544.94	13,210,513,281.43

Legal representative:
Zhao, Yanshui

Chief financial officer:
Yao, Weidong

Accounting manager:
Zhou, Juan

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

BALANCE SHEET OF THE PARENT COMPANY

As at 30 June 2017

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Ending balance	Beginning balance
Current assets:			
Cash and cash equivalents	XV.1	1,953,527,863.98	2,332,459,180.15
Financial assets measured at fair value and its movement recorded through profit and loss		0.00	0.00
Derivative financial assets	XV.2	4,951,285.18	14,833,000.00
Notes receivable	XV.3	112,676,121.18	143,070,848.93
Accounts receivable	XV.4	1,123,016,250.45	647,872,610.08
Advances to suppliers	XV.5	254,533,195.77	265,250,773.93
Interests receivable	XV.6	13,500,234.77	5,782,316.41
Dividends receivable	XV.7	800,925.00	0.00
Other receivables	XV.8	15,892,072.78	9,714,113.36
Inventories	XV.9	488,431,009.11	471,316,763.14
Assets classified as held for sale		0.00	0.00
Non-current assets due within one year		0.00	0.00
Other current assets	XV.10	933,372,394.73	1,129,216,874.12
Total current assets		4,900,701,352.95	5,019,516,480.12

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

BALANCE SHEET OF THE PARENT COMPANY (CONTINUED)

As at 30 June 2017

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Ending balance	Beginning balance
Non-current assets:			
Available-for-sale financial assets	XV.11	128,172,000.00	127,021,500.00
Held-to-maturity investments		0.00	0.00
Long-term receivables		0.00	0.00
Long-term equity investments	XV.12	2,997,999,418.27	2,807,650,845.03
Investment properties		0.00	0.00
Fixed assets	XV.13	1,581,097,566.82	1,617,355,502.09
Construction in progress	XV.14	279,240,382.87	249,165,495.36
Construction materials		0.00	0.00
Disposal of fixed assets		0.00	0.00
Productive biological assets		0.00	0.00
Oil and gas assets		0.00	0.00
Intangible assets	XV.15	546,546,419.73	554,742,502.20
Research and development expenses		0.00	0.00
Goodwill		0.00	0.00
Long-term deferred expenditures	XV.16	34,919,110.89	36,748,015.17
Deferred tax assets	XV.17	26,920,655.53	20,276,789.40
Other non-current assets		0.00	0.00
Total non-current assets		5,594,895,554.11	5,412,960,649.25
Total assets		10,495,596,907.06	10,432,477,129.37

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

BALANCE SHEET OF THE PARENT COMPANY (CONTINUED)

As at 30 June 2017

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Ending balance	Beginning balance
Current liabilities:			
Short-term loans	XV.18	1,677,440,000.00	1,393,700,000.00
Financial liabilities at fair value through profit or loss		0.00	0.00
Derivative financial liabilities		0.00	0.00
Notes payable	XV.19	861,386,587.43	1,160,974,722.95
Accounts payable	XV.20	912,131,351.55	850,915,338.66
Advance from customers	XV.21	121,627,780.40	118,528,607.00
Employee benefits payable	XV.22	42,443,532.36	41,532,696.11
Taxes payable	XV.23	5,881,488.46	6,726,459.77
Interests payable	XV.24	18,547,040.92	54,564,051.15
Dividends payables	XV.25	54,466,423.70	0.00
Other payables	XV.26	169,729,934.48	152,170,170.20
Liabilities classified as held for sale		0.00	0.00
Non-current liabilities due within one year	XV.27	1,528,113,173.06	30,767,363.64
Other current liabilities	XV.28	43,824,987.90	13,304,237.40
Total current liabilities		5,435,592,300.26	3,823,183,646.88

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

BALANCE SHEET OF THE PARENT COMPANY (CONTINUED)

As at 30 June 2017

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Ending balance	Beginning balance
Non-current liabilities:			
Long-term loans	XV.29	0.00	9,133,500.00
Bonds payable	XV.30	0.00	1,496,694,996.06
Including: Preferred shares		0.00	0.00
Perpetual bond		0.00	0.00
Long-term payables		0.00	0.00
Long-term employee salary payable		0.00	0.00
Special payables		0.00	0.00
Contingent liabilities		0.00	0.00
Deferred income	XV.31	123,861,898.13	113,239,856.95
Deferred tax liabilities	XV.17	1,937,345.45	1,764,770.45
Other non-current liabilities		0.00	0.00
Total non-current liabilities		125,799,243.58	1,620,833,123.46
Total liabilities		5,561,391,543.84	5,444,016,770.34

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

BALANCE SHEET OF THE PARENT COMPANY (CONTINUED)

As at 30 June 2017

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Ending balance	Beginning balance
Shareholders' equity:			
Share capital	XV.32	985,850,000.00	995,900,000.00
Other equity instruments		0.00	0.00
Including: Preference shares		0.00	0.00
Perpetual bond		0.00	0.00
Capital reserves	XV.33	1,991,024,611.57	2,018,025,662.91
Less: Treasury shares	XV.34	0.00	19,140,912.00
Other comprehensive income	XV.35	10,978,290.91	10,000,365.91
Special reserves	XV.36	0.00	0.00
Surplus reserves	XV.37	349,414,935.51	349,414,935.51
Retained earnings	XV.38	1,596,937,525.23	1,634,260,306.70
Total shareholders' equity		4,934,205,363.22	4,988,460,359.03
Total liabilities and shareholders' equity		10,495,596,907.06	10,432,477,129.37

Legal representative:
Zhao, Yanshui

Chief financial officer:
Yao, Weidong

Accounting manager:
Zhou, Juan

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

CONSOLIDATED INCOME STATEMENT

January – June 2017

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Current period	Last period
I. Total operating revenue		4,264,741,651.34	5,158,780,013.03
Including: Operating revenue	V.48	4,203,320,225.06	5,041,260,182.13
Interest income	V.49	61,175,720.09	117,300,250.87
Earned insurance premiums		0.00	0.00
Fees and commission income	V.50	245,706.19	219,580.03
II. Total operating cost		4,269,925,008.79	4,975,939,902.34
Including: Operating cost	V.48	3,573,686,562.10	4,109,134,374.24
Interest expenses	V.49	6,034,067.26	52,559,932.21
Fees and commission expense	V.50	92,186.59	202,887.40
Refunded premiums		0.00	0.00
Net amount of compensation payout		0.00	0.00
Net amount of reserves for reinsurance contract		0.00	0.00
Policy dividend payment		0.00	0.00
Reinsurance expenses		0.00	0.00
Taxes and surcharges	V.51	25,615,839.29	12,105,432.02
Selling and distribution expenses	V.52	206,587,590.03	266,328,954.70
Administrative expenses	V.53	419,869,185.88	422,892,390.25
Financial expenses	V.54	18,527,873.08	40,452,792.56
Loss on impairment of assets	V.55	19,511,704.56	72,263,138.96
Add: Gain arising from the changes in fair value (loss listed with "-")	V.56	-7,613,860.79	-442,878.26
Investment income (Loss listed with "-")	V.57	30,522,732.87	28,612,715.99
Including: income from investments in associates and joint ventures (Loss listed with "-")	V.57	1,862,338.14	8,360,417.05
Exchange gain (Loss listed with "-")		0.00	0.00
Other gains		0.00	0.00

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

CONSOLIDATED INCOME STATEMENT (CONTINUED)

January – June 2017

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Current period	Last period
III. Operating profit (Loss listed with “-”)		17,725,514.63	211,009,948.42
Add: Non-operating income	V.58	49,145,389.63	14,200,819.99
Including: Gain from disposal of non-current assets	V.58	524,668.71	329,167.53
Less: Non-operating expenses	V.59	1,827,637.76	755,594.73
Including: Loss on disposal of non-current assets	V.59	916,628.19	527,730.14
IV. Total profit (Loss listed with “-”)		65,043,266.50	224,455,173.68
Less: Income tax expenses	V.60	30,325,382.12	58,757,262.37
V. Net profit (Net loss listed with “-”)		34,717,884.38	165,697,911.31
Net profit attributable to owners of the parent company		32,265,644.86	158,349,583.86
Non-controlling interest		2,452,239.52	7,348,327.45
VI. Net other comprehensive income after tax		4,356,757.06	-4,792,708.40
Net other comprehensive income after tax attributable to owners of the parent company	V.61	3,856,638.79	-4,830,940.82
(I) Other comprehensive income that can not be reclassified to profit or loss in subsequent periods	V.61	0.00	0.00
1. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans		0.00	0.00
2. Share of other comprehensive income of investee that will be subsequently reclassified to profit or loss under equity method		0.00	0.00

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

CONSOLIDATED INCOME STATEMENT (CONTINUED)

January – June 2017

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Current period	Last period
(II) Other comprehensive income that will be subsequently reclassified to profit or loss	V.61	3,856,638.79	-4,830,940.82
1. Share of other comprehensive income of investee that will be subsequently reclassified to profit or loss under equity method		0.00	0.00
2. Gains and losses from changes in fair value of available-for-sale financial assets	V.61	1,817,712.65	-6,464,362.91
3. Gains and losses from held-to-maturity investment reclassified as available-for-sale financial assets		0.00	0.00
4. Effective part of hedging gains and losses from cash flows		0.00	0.00
5. Exchange differences from retranslation of financial statements	V.61	2,038,926.14	1,633,422.09
6. Others		0.00	0.00
Net other comprehensive income after tax attributable to minority interests	V.61	500,118.27	38,232.42

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

CONSOLIDATED INCOME STATEMENT (CONTINUED)

January – June 2017

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Current period	Last period
VII. Total comprehensive income		39,074,641.44	160,905,202.91
Total comprehensive income attributable to shareholders of the parent company		36,122,283.65	153,518,643.04
Total comprehensive income attributable to minority interests		2,952,357.79	7,386,559.87
VIII. Earnings per share:			
(I) Basic earnings per share (<i>Yuan/share</i>)	XVI.2	0.0326	0.1590
(II) Diluted earnings per share (<i>Yuan/share</i>)	XVI.2	0.0326	0.1590
		=====	=====

Legal representative:
Zhao, Yanshui

Chief financial officer:
Yao, Weidong

Accounting manager:
Zhou, Juan

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

INCOME STATEMENT OF THE PARENT COMPANY

January – June 2017

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Current period	Last period
I. Operating revenue	XV.39	3,038,649,822.76	3,838,744,905.42
Less: Operating cost	XV.39	2,734,047,974.31	3,323,149,002.00
Taxes and surcharges		10,107,776.45	1,194,044.22
Selling and distribution expenses		24,959,326.20	47,354,062.33
Administrative expenses		253,680,718.64	240,642,043.89
Financial expenses		-3,491,986.36	17,382,346.56
Loss on impairment of assets		12,623,262.74	7,516,513.62
Add: Gain arising from the changes in fair value (Loss listed with "-")		-9,881,714.82	0.00
Investment income (Loss listed with "-")	XV.40	1,990,019.53	38,472,089.73
Including: Gain from investments in associates and joint ventures		1,868,144.27	8,478,089.73
Other gains			
II. Operating profit (Loss listed with "-")		-1,168,944.51	239,978,982.53
Add: Non-operating income		16,186,416.55	5,275,261.09
Including: Gain from disposal of non-current assets		307,860.12	38,410.01
Less: Non-operating expenses		445,821.15	414,375.56
Including: Loss from disposal of non-current assets		192,342.92	414,375.56
III. Total profit (Total loss listed with "-")		14,571,650.89	244,839,868.06
Less: Income tax expenses		-4,299,017.64	21,938,281.20
IV. Net profit (Net loss listed with "-")		18,870,668.53	222,901,586.86

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

INCOME STATEMENT OF THE PARENT COMPANY (CONTINUED)

January – June 2017

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Current period	Last period
V. Net other comprehensive income after tax		977,925.00	-4,096,575.00
(I) Other comprehensive income that can not be reclassified to profit or loss in subsequent periods		0.00	0.00
1. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans		0.00	0.00
2. Share of other comprehensive income of investee that will not be subsequently reclassified to profit or loss under equity method		0.00	0.00

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

INCOME STATEMENT OF THE PARENT COMPANY (CONTINUED)

January – June 2017

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Current period	Last period
(II) Other comprehensive income that will be subsequently reclassified to profit or loss		977,925.00	-4,096,575.00
1. Share of other comprehensive income of investee that will be subsequently reclassified to profit or loss under equity method		0.00	0.00
2. Gains and losses from changes in fair value of available-for-sale financial assets		977,925.00	-4,096,575.00
3. Gains and losses from held-to-maturity investment reclassified as available-for-sale financial assets		0.00	0.00
4. Effective part of hedging gains and losses from cash flows		0.00	0.00
5. Exchange differences from retranslation of financial statements		0.00	0.00
6. Others		0.00	0.00
VI. Total comprehensive income		<u><u>19,848,593.53</u></u>	<u><u>218,805,011.86</u></u>

Legal representative:

Zhao, Yanshui

Chief financial officer:

Yao, Weidong

Accounting manager:

Zhou, Juan

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

CONSOLIDATED CASH FLOW STATEMENT

January – June 2017

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		4,046,531,675.85	5,395,996,826.22
Net increase in deposits from customers and deposits from other banks		38,548,149.52	-220,006,039.80
Net increase in loans from central bank		0.00	0.00
Net increase in loans from other financial institutions		-350,000,000.00	-650,000,000.00
Cash receipts of premium of direct insurance contracts		0.00	0.00
Net cash received from reinsurance contracts		0.00	0.00
Net increase in deposits from insurance policy holders and investment		0.00	0.00
Net increase in disposal of financial assets at fair value through profit or loss		0.00	0.00
Cash receipts of interest, fees and commission		53,656,825.95	111,363,897.16
Net increase in placement from banks and other financial institution		0.00	0.00
Net increase in sales and repurchase operations		13,733,953.86	797,369,493.18
Cash received from taxes refund		16,456,639.56	21,166,012.10
Cash received relating to other operating activities	V.62	51,622,625.29	87,361,142.92
Sub-total of cash inflows from operating activities		<u>3,870,549,870.03</u>	<u>5,543,251,331.78</u>

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

January – June 2017

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Current period	Last period
Cash paid for goods and services		3,805,648,723.87	3,745,481,592.14
Net increase in loans and disbursement to customers		31,106,321.75	216,683,409.75
Net increase in deposit with central bank and inter-banks		2,698,370.47	-18,036,491.28
Cash paid for claims of direct insurance contracts		0.00	0.00
Cash paid for interest, fee and commission		3,897,953.31	52,345,292.63
Cash paid for dividends of insurance policies		0.00	0.00
Cash paid to and on behalf of employees		602,526,396.59	626,608,804.77
Payments of taxes and surcharges		115,243,466.50	129,962,126.40
Cash paid relating to other operating activities	V.62	258,682,664.50	303,064,959.76
Sub-total of cash outflows from operating activities		4,819,803,896.99	5,056,109,694.17
Net cash flows from operating activities		-949,254,026.96	487,141,637.61

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

January – June 2017

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		608,549,143.33	181,988,598.94
Cash received from investments income		56,020,109.94	31,003,203.83
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		2,028,476.34	932,704.89
Net cash received from disposal of subsidiaries and other business units		0.00	0.00
Cash received relating to other investing activities	V.62	11,900,000.00	2,700,000.00
Sub-total of cash inflows from investing activities		678,497,729.61	216,624,507.66
Cash paid to acquire fixed assets, intangible assets and other long-term assets		161,987,585.44	90,585,854.65
Cash paid for investments		51,000,000.00	462,738,012.00
Net increase in pledged deposits		0.00	0.00
Net cash paid to acquire subsidiaries and other business units		0.00	0.00
Cash paid relating to other investing activities		0.00	0.00
Sub-total of cash outflow from investing activities		212,987,585.44	553,323,866.65
Net cash flows from investing activities		465,510,144.17	-336,699,358.99

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

January – June 2017

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		0.00	0.00
Including: Cash received by subsidiaries from investment absorption of minority interest		0.00	0.00
Cash received from loans granted		36,722,250.00	30,829,380.00
Cash received from issue of bonds		0.00	0.00
Cash received relating to other financing activities		0.00	0.00
Sub-total of cash inflows from financing activities		<u>36,722,250.00</u>	<u>30,829,380.00</u>
Cash paid for settlement of borrowings		85,057,361.52	140,584,960.00
Cash paid for dividends, profits appropriation or payments of interest		96,199,451.48	97,855,670.33
Including: Dividends and profits paid to minority interests		0.00	2,112,000.00
Cash paid relating to other financing activities	V.62	17,910,139.34	0.00
Sub-total of cash outflows from financing activities		<u>199,166,952.34</u>	<u>238,440,630.33</u>
Net cash flows from financing activities		<u><u>-162,444,702.34</u></u>	<u><u>-207,611,250.33</u></u>

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

January – June 2017

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		2,321,254.36	3,017,872.87
V. Net increase in cash and cash equivalents		-643,867,330.77	-54,151,098.84
Add: Cash and cash equivalents at the beginning of the reporting period	V.63	2,894,305,807.48	1,690,285,427.32
VI. Cash and cash equivalents at the end of the reporting period	V.63	<u><u>2,250,438,476.71</u></u>	<u><u>1,636,134,328.48</u></u>

Legal representative:
Zhao, Yanshui

Chief financial officer:
Yao, Weidong

Accounting manager:
Zhou, Juan

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

CASH FLOW STATEMENT OF THE PARENT COMPANY

January – June 2017

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		3,023,073,136.23	4,105,553,954.11
Cash received from taxes refund		2,118,224.71	771,773.10
Cash received relating to other operating activities		30,681,256.09	14,508,502.69
Sub-total of cash inflows from operating activities		3,055,872,617.03	4,120,834,229.90
Cash paid for goods and services		3,120,754,796.54	2,959,449,818.11
Cash paid to and on behalf of employees		313,618,234.37	328,314,731.98
Payments of taxes and surcharges		25,926,685.72	32,196,652.41
Cash paid relating to other operating activities		138,018,699.47	420,158,184.16
Sub-total of cash outflows from operating activities		3,598,318,416.10	3,740,119,386.66
Net cash flows from operating activities		-542,445,799.07	380,714,843.24

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

CASH FLOW STATEMENT OF THE PARENT COMPANY (CONTINUED)

January – June 2017

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		391,820,950.26	448,320,788.24
Cash received from investments income		28,936,179.33	80,691,766.88
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,871,851.24	601,785.26
Net cash received from disposal of subsidiaries and other business units		0.00	0.00
Cash received relating to other investing activities		11,900,000.00	2,700,000.00
Sub-total of cash inflows from investing activities		434,528,980.83	532,314,340.38
Cash paid to acquire fixed assets, intangible assets and other long-term assets		93,324,026.49	53,112,766.34
Cash paid for investments		174,636,428.97	751,738,012.00
Net cash paid to acquire subsidiaries and other business units		0.00	0.00
Cash paid relating to other investing activities		0.00	0.00
Sub-total of cash outflows from investing activities		267,960,455.46	804,850,778.34
Net cash flows from investing activities		166,568,525.37	-272,536,437.96

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

CASH FLOW STATEMENT OF THE PARENT COMPANY (CONTINUED)

January – June 2017

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		0.00	0.00
Cash received from loans granted		500,000,000.00	200,000,000.00
Cash received from issuing bonds		0.00	0.00
Cash received relating to other financing activities		0.00	0.00
		500,000,000.00	200,000,000.00
Sub-total of cash inflows from financing activities		500,000,000.00	200,000,000.00
Cash paid for settlement of borrowings		209,775,361.52	887,371,760.00
Cash paid for dividends, profits appropriation or payments of interest		93,059,268.64	93,206,571.22
Cash paid relating to other financing activities		17,910,139.34	0.00
		320,744,769.50	980,578,331.22
Sub-total of cash outflows from financing activities		320,744,769.50	980,578,331.22
Net cash flows from financing activities		179,255,230.50	-780,578,331.22

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

CASH FLOW STATEMENT OF THE PARENT COMPANY (CONTINUED)

January – June 2017

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	<i>Note</i>	Current period	Last period
IV. Effect of changes in foreign exchange rate on cash and cash equivalents		696,975.55	69,154.46
V. Net increase in cash and cash equivalents		-195,925,067.65	-672,330,771.48
Add: Cash and cash equivalents at the beginning of the reporting period		1,878,879,800.16	2,246,586,151.42
VI. Cash and cash equivalents at the end of the reporting period		<u><u>1,682,954,732.51</u></u>	<u><u>1,574,255,379.94</u></u>

Legal representative:

Zhao, Yanshui

Chief financial officer:

Yao, Weidong

Accounting manager:

Zhou, Juan

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

January – June 2017

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Current period										Total shareholders' equity	
	Equity attributable to the shareholders of the parent company											
	Share capital	Preference shares	Other equity instruments	Capital reserves	Treasury shares	Less: comprehensive income	Other	Special reserves	Surplus reserves	General risk reserves		Retained earnings
I. Ending balance of the last year	995,900,000.00			2,126,685,588.57	19,140,912.00	-2,685,750.24	4,485,865.00	423,908,218.34	10,774,059.81	1,289,413,464.37	674,297,753.32	5,503,638,289.17
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			2,126,685,588.57	19,140,912.00	-2,685,750.24	4,485,865.00	423,908,218.34	10,774,059.81	1,289,413,464.37	674,297,753.32	5,503,638,289.17
III. Increase/decrease of the period (Decrease listed with "-")												
(I) Total comprehensive income	-10,050,000.00			-27,001,051.34	-19,140,912.00	3,856,638.79	688,831.94			-23,927,805.14	2,951,616.01	-34,330,757.74
(II) Contribution and withdrawal of capital by shareholders	-10,050,000.00			-27,001,051.34	-19,140,912.00	3,856,638.79				32,265,644.86	2,952,357.79	39,074,641.44
1. Common shares contributed by shareholders	-10,050,000.00			-27,001,051.34	-19,140,912.00							-179,910,139.34
2. Capital contributed by holders of other equity instruments												-10,050,000.00
3. Share-based payments recognized in equity												
4. Others												-7,860,139.34

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)
January – June 2017

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Current period													
	Equity attributable to the shareholders of the parent company													
	Share capital	Preference shares	Perpetual bond	Other equity instruments	Capital reserves	Treasury shares	Less:	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Retained earnings	Minority interests	Total shareholders' equity
(III) Profit distribution														
1. Appropriation to surplus reserves														
2. Appropriation to general risks reserves														
3. Appropriation to equity holders (or shareholders)														
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. Current period appropriation									698,831.94					698,831.94
2. Utilization in the current period									7,251,093.82					7,251,093.82
(VI) Others									-6,892,161.88					-6,892,161.88
IV. Ending balance of the current period	955,950,000.00				2,099,594,437.23			1,170,888.55	5,184,197.94	423,902,213.94	10,774,059.81	1,265,465,659.23	677,249,369.33	5,463,307,351.43

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)
January – June 2017

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Last period												
	Equity attributable to the shareholders of the parent company												
	Other equity instruments		Less:		Other		Social reserves	Surplus reserves	General risk reserves	Retained earnings	Minority interests	Total shareholders' equity	
	Share capital	Preference shares	Capital reserves	Treasury shares	comprehensive income	income							
(VI) 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													
(VII) Special reserves													
1. Current period appropriation							1,196,607.65					1,196,173.17	
2. Utilization in the current period							9,242,503.87					9,639,352.63	
(VIII) Others							-8,045,696.22					-8,663,179.46	
IV. Ending balance of the current period	995,900,000.00	-	-	-	2,125,185,336.57	-	4,903,321.62	3,637,992.94	389,744,226.05	8,619,546.63	1,260,511,823.35	686,301,510.26	5,475,004,011.42

Legal representative:
Zhao, Yanshui

Chief financial officer:
Yao, Weidong

Accounting manager:
Zhou, Juan

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY January – June 2017

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Current period							Total shareholders' equity			
	Share capital	Preference shares	Perpetual bond	Others	Capital reserves	Less: 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	19,140,912.00	10,000,365.91		349,414,935.51	1,634,260,305.70	4,988,460,359.03
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	19,140,912.00	10,000,365.91		349,414,935.51	1,634,260,305.70	4,988,460,359.03
III. Increase/decrease for the current period (Decrease listed with "-")											
(i) Total comprehensive income	-10,050,000.00				-27,001,051.34	-19,140,912.00	977,925.00		-37,322,781.47	18,870,666.53	-54,254,965.81
(ii) Contribution and withdrawal of capital by shareholders	-10,050,000.00				-27,001,051.34	-19,140,912.00					-17,910,139.34
1. Common shares contributed by shareholders	-10,050,000.00										-10,050,000.00
2. Equity contributed by holders of other equity instruments											
3. Share-based payments recognized in equity											
4. Others											
(iii) Profit distribution					-27,001,051.34	-19,140,912.00				-66,193,450.00	-7,860,139.34
1. Appropriation to surplus reserves										-66,193,450.00	-66,193,450.00
2. Appropriation to equity holders (or shareholders)											
3. Others											-7,860,139.34
										-66,193,450.00	-66,193,450.00

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

January – June 2017

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	Less: Treasury shares	Other comprehensive income		Special reserves	Surplus reserves	Retained earnings	
(IV) Internal transfer within the shareholders' equity											
1. Transfer of capital reserve to share capital (for stock capital)											
2. Transfer of surplus reserves to share capital (for stock capital)											
3. Surplus reserves making up of losses											
4. Others											
(V) Special reserves											
1. Current period appropriation											3,807,701.00
2. Utilization in the current period											-3,807,701.00
(VI) Others											
IV. Ending balance of the current period	985,850,000.00					1,991,024,611.57		349,414,935.51	1,596,937,525.23		4,934,205,263.22

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

January – June 2017

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	Less: Treasury shares	Other comprehensive income	Special reserves		Surplus reserves
I. Ending balance of the last year	895,900,000.00			2,016,025,682.91		23,558,754.55	315,250,942.22	1,387,616,267.12	4,720,351,626.80
Adj: Changes in accounting policies									
Correction of prior periods errors									
Others									
II. Beginning balance of the current year	895,900,000.00			2,016,025,682.91		23,558,754.55	315,250,942.22	1,387,616,267.12	4,720,351,626.80
III. Increase/decrease for the current period (Decrease listed with "-")									
(I) Total comprehensive income						-4,086,575.00		182,089,866.86	177,973,111.86
(II) Contribution and withdrawal of capital by shareholders						-4,086,575.00		222,901,586.86	218,805,011.86
1. Common shares contributed by shareholders									
2. Equity contributed by holders of other equity instruments									
3. Share-based payments recognized in equity									
4. Others									
(III) Profit distribution								-40,831,900.00	-40,831,900.00
1. Appropriation to surplus reserves									
2. Appropriation to equity holders (or shareholders)								-40,831,900.00	-40,831,900.00
3. Others									

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

January – June 2017

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Last period										
	Share capital	Preference shares	Perpetual bond	Other equity instruments	Capital reserves	Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total shareholders' equity
(V) 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											
(VI) Special reserves											
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
(VI) Others											
IV. Ending balance of the current period	995,900,000.00	-	-	-	2,019,025,682.91	-	19,462,179.55	-	315,250,942.22	1,549,685,953.98	4,898,324,738.66

Legal representative:
Zhao, Yanshui

Chief financial officer:
Yao, Weidong

Accounting manager:
Zhou, Juan

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

I. 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.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

I. GENERAL INFORMATION OF THE COMPANY (CONTINUED)

1. Company profile (Continued)

On 27 May 2016, the 2015 annual general meeting, the first meeting of 2016 A share class shareholders' meeting, and the first meeting of 2016 H share class shareholders' meeting held by the Company reviewed and approved 'The bill about the general authorization of repurchasing part of the H shares'. According to the authorization, on 12 July 2016, the seventh meeting of the board of directors of the fifth meeting of the Company reviewed and agreed to establish the executive committee of H share repurchase to decide the specific repurchase proposal, and to implement the H share repurchase on 19 July 2016. By 30 June 2017, the total number of H shares repurchased by the Company was 10.05 million shares, accounting for the 2.5% of the total number of H shares held by the Company, and accounting for the 1.01% of the total share capital of the Company. The cumulative total amount of the repurchase funds paid was RMB37,051,051.34 (HKD42,041,806.78).

On 26 May 2017, the thirteenth meeting of the seventh board of directors reviewed and approved 'The bill about the reduction of the registered capital and the corresponding modification of the company's Articles of association', agreeing that the Company should cancel the repurchased 10.05 million H shares and reduce the Company's registered capital, at the same time, modifying the Company's 'Articles of association'. After the repurchased shares are cancelled, the registered capital of the Company will reduce by RMB10,050,000. The registered capital of the Company after the reduction is RMB985,850,000.

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

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

I. GENERAL INFORMATION OF THE COMPANY (CONTINUED)

1. Company profile (Continued)

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 that of the last year, the scope of the consolidated financial statements of this year does not change.

II. 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’.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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.

III. 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 for the Group 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 the financial statements.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

III. 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. 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.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

III. 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.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

III. 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.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

III. 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.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

III. 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.

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.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

III. 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

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

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

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

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.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

III. 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.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

III. 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.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

III. 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.

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.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Receivables (Continued)

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

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

(1) 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

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

III. 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

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

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.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Long-term equity investment (Continued)

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.

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.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Long-term equity investment (Continued)

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.

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 the long-term equity investment subsequently measured under the cost method, when an additional investment is made, the book value of the long-term equity investment cost is increased according to the fair value of the cost paid when the additional investment is paid and the related transaction costs incurred. The cash dividends or profits declared and distributed by the invested entities are recognized into the current period profit or loss according to the entitled amount.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Long-term equity investment (Continued)

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.

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.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Long-term equity investment (Continued)

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

For each transaction 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.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Investment properties

The investment properties of the Group refers 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.

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.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. Fixed assets (Continued)

(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 straightline method.

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

Classification	Depreciation period <i>(year)</i>	The rate of estimated residual value <i>(%)</i>	Annual rate of depreciation <i>(%)</i>
Land	Long-term	–	–
Houses and buildings	10–30	5–10	3.00–9.50
Machinery and equipment	10–14	5–10	6.40–9.50
Transportation equipment	8–12	5–10	7.50–11.90
Electric and office equipment	5–8	5–10	11.30–19.00
Others	5–14	5–10	6.40–19.00

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

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16. Construction in progress

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

17. Borrowing cost

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

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

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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.

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.

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III. 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.

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.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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.

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;

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Impairment on long-term assets (Continued)

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

20. Long-term prepayments

Long-term prepayments are expenditures that have been incurred but shall be amortised over the current period and subsequent periods of more than one year (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.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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.

(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.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Employee benefits (Continued)

(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.

(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.

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III. 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.

(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.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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.

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.

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III. 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.

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III. 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.

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III. 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.

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.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Lease (Continued)

(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.

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.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Segment information

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

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.

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.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Changes in significant accounting policies and accounting estimates

None.

IV. 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.

Starting from 1 January 2016, Luoyang Tractor Research Institute Co., Ltd, as the transformed scientific research institute, was exempted from import tariffs and VAT for importing reasonable quantities of technical research products that cannot be locally manufactured or whose performance cannot meet the needs according to the decisions of Cai Guan Shui [2016] No. 70 'the Ministry of Finance and the General Administration of Customs of the State Administration of Taxation on the '13th Five-Year' period to support technological innovation import tax policy notice' and Cai Guan Shui [2016] No. 72 'Notice on the publication of the exemption list of import scientific research, scientific and technological development and teaching supplies'.

Luoyang Tractor Research Institute Co., Ltd. is exempted from VAT when providing technology transfer, technology development and the related technology consulting and technology services according to the provision of (the twenty-sixth item) of the article 1 of the Appendix 3 'The rules of the pilot by replacing business tax with VAT transition policy' of the 'Notice of the Ministry of Finance and the State Administration of Taxation on the full implementation of the pilot by replacing business tax with VAT' (Cai shui [2016] No.36).

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

IV. TAXATION (CONTINUED)

Main categories of tax and tax rates (Continued)

1. Value added tax (VAT) (Continued)

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 Cai shui [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.

Since 1 May 2016, if the Group leases out the immovable properties acquired before 30 April 2016, the Group can choose to apply the simple tax calculation method with the application of 5% levy rate, and can also choose to apply the general method of tax calculation with the application of 11% tax rate. If the Group leases out the immovable properties acquired after 1 May 2016, the Group applies the general method of tax calculation with the application of 11% tax rate. The Group applies the 6% VAT rate when providing finance and modern services.

2. Urban construction and maintenance tax

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

3. 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.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

IV. TAXATION (CONTINUED)

Main categories of tax and tax rates (Continued)

4. 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.

5. 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.

6. Other taxes

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

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

V. 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 2017; 'Ending balance' refers to 30 June 2017; 'Current period' refers to the period from 1 January 2017 to 30 June 2017; 'Last period' refers to the period from 1 January 2016 to 30 June 2016, and the monetary unit is RMB.

1. Monetary fund

Item	Ending balance	Beginning balance
Cash on hand	812,643.53	875,133.16
Bank deposits	2,281,331,418.34	3,119,921,093.62
Other monetary funds	151,807,533.47	140,939,586.20
Total	2,433,951,595.34	3,261,735,812.98
Including: total amount deposited abroad	153,007,019.70	69,927,057.07

Note: As of 30 June 2017, the restricted monetary fund of the Group is RMB183,513,118.63. Among which, the statutory Central bank deposit reserve is RMB43,878,449.27 (with the beginning balance of RMB41,180,078.81). The security deposit of acceptance notes is RMB115,567,413.30 (with the beginning balance of RMB108,674,642.08). The other security deposit is RMB24,067,256.06 (with the beginning balance of RMB14,002,491.95).

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

V. 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	100,000,000.00	0.00
Total funds lent out	100,000,000.00	0.00
Impairment provision	0.00	0.00
Net amount of funds lent out	100,000,000.00	0.00

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

Item	Ending balance	Beginning balance
Mainland China	100,000,000.00	0.00
Abroad	0.00	0.00
Total funds lent out	100,000,000.00	0.00
Impairment provision	0.00	0.00
Net amount of funds lent out	100,000,000.00	0.00

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

V. 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	34,388,483.83	21,757,466.94
Including: Investments in debt instruments	11,374,583.90	0.00
Investments in equity instrument	23,013,899.93	21,757,466.94
Derivative financial assets	0.00	0.00
Others	0.00	0.00
Designated as financial assets measured at fair value and its movement recorded through profit or loss	40,900,000.00	40,900,000.00
Including: Investments in debt instruments	0.00	0.00
Investments in equity instrument	0.00	0.00
Others (Trust products)	40,900,000.00	40,900,000.00
Total	75,288,483.83	62,657,466.94

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

4. Derivative financial assets

Item	Ending balance	Beginning balance
Currency derivative instruments:	4,951,285.18	14,833,000.00
Currency forwards and swaps	4,951,285.18	14,833,000.00
Buy in of currency option	0.00	0.00
Sale out of currency option	0.00	0.00
Interest derivative instrument:	0.00	0.00
Commodity derivative instrument and others:	0.00	0.00
Total	4,951,285.18	14,833,000.00

Note: The Company signed a one-year loan contract with Bank of Communications Ltd Luoyang branch on 29 September 2016, with the loan amount of USD100 million. At the same time, the Company signed a swap agreement for the foreign exchange settlement and sale with the Bank of Communications Ltd Luoyang branch, agreeing that the Company shall purchase USD100 million according to the exchange rate of 6.7536 before 11 October 2017 with the method of first settling and then purchasing the foreign currency, and use the fund to repay the aforementioned loan. According to the provisions of 'Accounting standards for Business Enterprises No. 22 – recognition and measurement of financial instruments', when the Company becomes a party of a financial instrument contract, the Company should recognize an item of financial asset or financial liability. Therefore, the Company recognized such item of the financial instrument as a derivative financial asset.

The Company conducted the measurement on the derivative financial asset according to the fair value. When the Company performed the evaluation on the derivative financial asset, the main factors considered involved: time value of money, credit risk, foreign exchange prices, commodity prices, equity prices, volatility, performance risk, and the service fees of financial assets.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

5. Notes receivable

(1) Notes receivable listed by category

Item	Ending balance	Beginning balance
Bank acceptance notes	264,447,500.82	533,954,502.75
Commercial acceptance bill	3,487,347.00	20,978,228.42
Total	267,934,847.82	554,932,731.17

(2) The Company does not have any notes pledged at the end of the period

(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	1,096,770,501.52	0.00
Commercial acceptance bill	40,103,562.09	0.00
Total	1,136,874,063.61	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.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

6. Accounts receivable

Item name	Ending balance	Beginning balance
Accounts receivable	1,875,949,392.57	1,179,087,715.82
Less: provision for bad debts	526,699,559.42	504,774,392.79
Net amount	1,349,249,833.15	674,313,323.03

(1) Aging analysis of accounts receivable

Aging	Ending balance	Beginning balance
Within 1 year	1,128,641,277.47	459,244,684.80
1–2 years	173,649,425.63	204,736,479.38
2–3 years	36,979,939.84	0.00
Over 3 years	9,979,190.21	10,332,158.85
Net amount	1,349,249,833.15	674,313,323.03

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

6. Accounts receivable (Continued)

(2) Disclosure of accounts receivable by category

Classification	Book balance		Ending balance		Book balance
	Amount	Percentage (%)	Bad debt provision		
			Amount	Accrual percentage (%)	
Individually significant and provided for bad debts on individual basis	341,162,797.83	18.19	118,817,808.44	34.83	222,344,989.39
Receivables that are provided for bad debts on credit risk portfolio basis	1,524,099,616.86	81.24	400,657,221.77	26.29	1,123,442,395.09
Individually insignificant but provided for bad debts on individual basis	10,686,977.88	0.57	7,224,529.21	67.60	3,462,448.67
Total	1,875,949,392.57	100.00	526,699,559.42	-	1,349,249,833.15

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

6. Accounts receivable (Continued)

(2) Disclosure of accounts receivable by category (Continued)

Classification	Book balance		Beginning balance		Book balance
	Amount	Percentage (%)	Amount	Accrual percentage (%)	
Individually significant and provided for bad debts on individual basis	307,920,885.11	26.12	118,444,404.48	38.47	189,476,480.63
Receivables that are provided for bad debts on credit risk portfolio basis	859,356,940.82	72.88	378,542,660.99	44.05	480,814,279.83
Individually insignificant but provided for bad debts on individual basis	11,809,889.89	1.00	7,787,327.32	65.94	4,022,562.57
Total	1,179,087,715.82	100.00	504,774,392.79	-	674,313,323.03

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

6. Accounts receivable (Continued)

(2) 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 (%)	
Import and Export Company of Technical Product, TECNOIMPORT	198,815,785.91	2,282,443.44	1.15	Note
Ningxia Boxin Hengtong Mechanical Equipment Co., Ltd	80,570,530.57	70,591,340.36	87.61	Note
Shaanxi Linfeng Construction Machinery Co., Ltd	22,867,392.87	22,867,392.87	100.00	Note
Tumoteyouqi Santian Mining Co., Ltd	15,954,573.72	6,557,824.10	41.10	Note
Shanxi Dongyuan Auto Sales Co., Ltd	8,334,735.54	8,334,735.54	100.00	Note
Luoyang Jinjun Industry and Trade Co., Ltd	8,145,999.99	8,145,999.99	100.00	Note
Central Enterprise for Supply and Sales of Heavy Transportation Equipment and their Parts	6,473,779.23	38,072.14	0.59	Note
Total	341,162,797.83	118,817,808.44	-	-

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.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

6. Accounts receivable (Continued)

(2) 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	1,163,225,075.22	60,249,986.22	5.18
1-2 years	40,934,612.23	20,467,306.14	50.00
2-3 years	47,125,299.72	47,125,299.72	100.00
Over 3 years	<u>272,814,629.69</u>	<u>272,814,629.69</u>	<u>100.00</u>
Total	<u><u>1,524,099,616.86</u></u>	<u><u>400,657,221.77</u></u>	<u><u>-</u></u>

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

6. Accounts receivable (Continued)

(2) 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	Ending balance			Note
	Accounts receivable	Bad debt provision	Accrual percentage (%)	
Zhang, Yang	3,592,300.00	3,592,300.00	100.00	Note
Luoyang Jiangyang Hardware Co., Ltd	2,232,276.83	1,614,276.82	72.32	Note
ALGERIA SARL FRABIC IMPORT EXPORT	1,099,485.12	32,984.55	3.00	Note
TUNISIA INTER PARTS	792,617.87	4,189.08	0.53	Note
Ethiopia SUGAR CORPORATION	669,840.88	48,132.16	7.19	Note
Luoyang Glass Co., Ltd	586,836.21	586,836.21	100.00	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
Cameroon AGROMACIM.&.EX Co., Ltd	368,547.68	737.10	0.20	Note
Tumote right banner Sidaogou Mining Co., Ltd	282,262.75	282,262.75	100.00	Note
Tongliao Yutai Automobile Trading Co., Ltd	224,500.00	224,500.00	100.00	Note
Lu, Hui	14,858.54	14,858.54	100.00	Note
Total	10,686,977.88	7,224,529.21	-	-

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.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

6. Accounts receivable (Continued)

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

In this period, the amount of bad debt provision accrued is RMB26,992,090.74; In this period, the collection or reversal amount of bad debt provision is RMB5,083,369.26.

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

(5) *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 (%)
Import and Export Company of Technical Product, TECNOIMPORT	Non-related party	198,815,785.91	Within 1 year: RMB26,881,746.34; 1-2 years: RMB145,051,927.95; 2-3 years: RMB26,882,111.62	10.60
Liaoning Dongsheng Mechanized Equipment Co., Ltd	Non-related party	83,097,264.55	1-2 years RMB52,500; 2-3 years RMB558,700.00; 3-4 years RMB82,486,064.55;	4.43
Ningxia Boxin Hengtong Mechanical Equipment Co., Ltd	Non-related party	80,570,530.57	Within 1 year: RMB10,217,433.43; 1-2 years RMB1,991,914.66 2-3 years RMB264,158.39; Over 3 years: RMB68,097,024.09	4.29
Wulumuqi Shifeng Agricultural Machinery Co., Ltd	Non-related party	63,122,726.45	Over 3 years	3.36
Jiangsu Sannon Agricultural Equipment Co., Ltd	Non-related party	25,674,035.67	Within 1 year	1.37
Total	-	451,280,343.15	-	24.05

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

7. Advances to suppliers

(1) Advances to suppliers listed by aging

Aging	Ending balance		Beginning balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	60,308,989.84	52.06	122,098,423.37	84.95
1-2 years	47,616,621.34	41.10	17,743,647.41	12.35
2-3 years	6,557,735.68	5.66	2,348,955.83	1.63
Over 3 years	1,369,250.49	1.18	1,543,011.09	1.07
Total	115,852,597.35	100.00	143,734,037.70	100.00

Note: The reason of significant advances to suppliers over 1 year and not settled in time: The subsidiary of the Group, Sino-African Heavy Industry, paid China export credit insurance company Henan branch. RMB3,064,259.86 in advance, with the balance aging of 2-3 years, because the transaction between the two parties has not been completed, and the project is in progress.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

7. 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 (%)
Luoyang Yuekai Machinery and Equipment Manufacturing Co., Ltd	10,000,000.00	Within 1 year	8.63
Luoyang YTO Zhongcheng Accessories Manufacturing Co., Ltd	8,200,000.00	Within 1 year	7.08
Wuan Yuhua Iron and Steel Co., Ltd	6,000,000.00	Within 1 year	5.18
Anyang Steel Co., Ltd	4,807,589.24	Within 1 year	4.15
Luoyang Dinghe Power Construction Co., Ltd	4,323,541.60	Within 1 year	3.73
Total	33,331,130.84	-	28.77

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

8. Interests receivable

(1) Classification of interests receivable

Item	Ending balance	Beginning balance
Fixed term deposits	19,776,868.00	12,027,545.45
Interest on funds lent out	15,277.78	0.00
Total	19,792,145.78	12,027,545.45

(2) The Company does not have any overdue interest at the end of the period

9. Dividend receivables

Item	Ending balance	Beginning balance
Bank of Communications	800,925.00	0.00
Everbright Bank	1,008,420.00	0.00
Total	1,809,345.00	0.00

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

10. Other receivables

Item	Ending balance	Beginning balance
Other receivables	102,693,443.25	123,269,614.75
Less: Bad debt allowance	18,634,251.34	18,343,317.25
Net amount	84,059,191.91	104,926,297.50

(1) Aging analysis of other receivables

Item	Ending balance	Beginning balance
Within 1 year	64,996,756.98	85,275,371.51
1–2 years	5,824,149.50	9,226,565.07
2–3 years	2,913,420.97	5,074,934.78
Over 3 years	10,324,864.46	5,349,426.14
Net amount	84,059,191.91	104,926,297.50

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

10. Other receivables (Continued)

(2) Disclosure of the other receivables classification

Category	Book balance		Ending balance		Book value
	Amount	Percentage (%)	Bad debt allowance		
			Amount	Accrual percentage (%)	
Other receivables that are individually significant and are provided for bad debts on individual basis	6,490,000.00	6.32	2,292,959.42	35.33	4,197,040.58
Other receivables that are provided for bad debts on portfolio basis of credit risk characteristics	96,057,193.25	93.54	16,289,620.84	16.96	79,767,572.41
Other receivables that are individually insignificant but are individually provided for bad debts	146,250.00	0.14	51,671.08	35.33	94,578.92
Total	102,693,443.25	100.00	18,634,251.34	-	84,059,191.91

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

10. Other receivables (Continued)

(2) Disclosure of the other receivables classification (Continued)

Category	Book balance		beginning balance Bad debt allowance		Book value
	Amount	Percentage (%)	Amount	Accrual percentage (%)	
Other receivables that are individually significant and are provided for bad debts on individual basis	6,490,000.00	5.26	2,292,959.42	35.33	4,197,040.58
Other receivables that are provided for bad debts on portfolio basis of credit risk characteristics	116,633,364.75	94.62	15,998,686.75	13.72	100,634,678.00
Other receivables that are individually insignificant but are individually provided for bad debts	146,250.00	0.12	51,671.08	35.33	94,578.92
Total	<u>123,269,614.75</u>	<u>100.00</u>	<u>18,343,317.25</u>	<u>-</u>	<u>104,926,297.50</u>

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

10. Other receivables (Continued)

(2) Disclosure of the other receivables classification (Continued)

1) The ending balance of the other receivables with an individually significant amount, on which the bad debts provision is accrued individually:

Entity name	Other receivables	Ending balance Bad debt allowance	Accrual percentage (%)	Accrual reason
Shanghai Pengpu Machinery Co., Ltd	<u>6,490,000.00</u>	<u>2,292,959.42</u>	<u>35.33</u>	Note

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.

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

Aging	Other receivables	Ending balance Bad debt provision	Accrual percentage (%)
Within 1 year	23,730,034.34	969,087.56	4.08
1-2 years	1,295,027.81	647,513.92	50.00
2-3 years	1,559,715.40	1,559,715.40	100.00
Over 3 years	<u>13,113,303.96</u>	<u>13,113,303.96</u>	<u>100.00</u>
Total	<u><u>39,698,081.51</u></u>	<u><u>16,289,620.84</u></u>	<u><u>-</u></u>

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

10. Other receivables (Continued)

(2) Disclosure of the other receivables classification (Continued)

3) 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.	<u><u>56,359,111.74</u></u>	<u><u>0.00</u></u>	<u><u>0.00</u></u>

4) The ending balance of the other receivables with an individually insignificant amount, on which the bad debts provision is accrued individually:

Entity name	Other receivables	Ending balance		Accrual reason
		Bad debt allowance	Accrual percentage (%)	
Jurong Taibo Machinery Manufacturing Co., Ltd	<u><u>146,250.00</u></u>	<u><u>51,671.08</u></u>	<u><u>35.33</u></u>	<i>Note</i>

Note: According to the business nature of the Group, for other receivable of which the customers are of similar credit risk characteristics, these other receivables were classified as a special group. Provision for bad debts amount is based on the assessed loss rate.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

10. Other receivables (Continued)

(3) *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 RMB315,113.72. The amount of bad debts received or reversed for the period is RMB24,179.63.

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

(5) *Other receivables classified by nature*

Nature of payment	Ending book balance	Beginning book balance
Receivables and payables between companies	49,384,381.86	28,391,682.18
Guarantee deposit and petty cash	26,552,355.32	68,025,564.57
The collection and payment of social insurance on behalf of others	1,372,303.31	2,860,679.28
Others	6,750,151.42	5,648,371.47
Total	84,059,191.91	104,926,297.50

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

10. Other receivables (Continued)

(6) *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 Group Corporation	Deposit and receivables and payables between companies	14,823,033.28	Within 1 year: RMB13,694,958.54; 1-2 years: RMB16,200.00; Over 3 years: RMB1,111,874.74	14.43	1,062,634.74
National Tax Bureau of Jianxi, Luoyang	Tax refund on exports	9,467,962.80	Within 1 year	9.22	0.00
Shanghai Pengpu Machinery Co., Ltd	Receivables and payables between companies	6,490,000.00	Over 3 years	6.32	2,292,959.42
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	Receivables and payables between companies	3,586,331.70	Within 1 year	3.49	35,863.32
Haima Business Automotive Co., Ltd	Deposit	2,700,000.00	2-3 years	2.63	2,700,000.00
Total	-	37,067,327.78	-	36.09	6,091,457.48

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

11. Financial assets purchased with agreement to re-sale

Item	Ending balance	Beginning balance
Financial assets purchased with agreement to re-sale		
Domestic interbank	341,114,661.86	354,848,615.72
Domestic other financial institutions	0.00	0.00
Total	<u><u>341,114,661.86</u></u>	<u><u>354,848,615.72</u></u>

12. 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	485,289,181.15	48,739,253.25	436,549,927.90	437,045,529.52	44,985,679.65	392,059,849.87
Work in progress	272,577,588.72	19,862,518.08	252,715,070.64	284,228,490.13	18,091,727.32	266,136,762.81
Finished goods	422,181,819.50	16,591,057.90	405,590,761.60	372,760,722.03	23,328,733.26	349,431,988.77
Turnover materials	10,934,612.13	2,749,322.84	8,185,289.29	10,208,021.04	3,122,655.48	7,085,365.56
Total	<u><u>1,190,983,201.50</u></u>	<u><u>87,942,152.07</u></u>	<u><u>1,103,041,049.43</u></u>	<u><u>1,104,242,762.72</u></u>	<u><u>89,528,795.71</u></u>	<u><u>1,014,713,967.01</u></u>

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

12. 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	44,985,679.65	5,005,407.01	1,562,526.57	2,814,359.98	0.00	48,739,253.25
Work in progress	18,091,727.32	6,340,414.59	0.00	4,569,623.83	0.00	19,862,518.08
Finished goods	23,328,733.26	9,319,657.24	28,646.10	16,085,978.70	0.00	16,591,057.90
Turnover materials	3,122,655.48	0.00	143,845.07	517,177.71	0.00	2,749,322.84
Total	<u>89,528,795.71</u>	<u>20,665,478.84</u>	<u>1,735,017.74</u>	<u>23,987,140.22</u>	<u>0.00</u>	<u>87,942,152.07</u>

(3) Notes on the capitalized amount of the borrowing costs included in the ending balance of inventories:

None.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

13. Other current assets

Item	Ending balance	Beginning balance
Deferred expenses	2,502,047.33	2,558,317.81
Structured deposit	105,000,000.00	231,000,000.00
Prepaid enterprise income tax	35,112,801.13	20,288,679.64
Financial products	400,000,000.00	500,000,000.00
Prescribed collective asset management plan	165,000,000.00	308,000,000.00
Value-added tax left for deduction	349,296,713.10	351,083,380.19
Total	1,056,911,561.56	1,412,930,377.64

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

14. 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	1,661,987.77	1,679,823.91
Credit cards	0.00	0.00
Property mortgages	79,987.77	97,823.91
Others	1,582,000.00	1,582,000.00
Corporate loans and advances	800,697,995.17	769,573,837.28
Loans	726,644,600.00	631,400,000.00
Discounting of notes	74,053,395.17	138,173,837.28
Others	0.00	0.00
Total of loans and advances	802,359,982.94	771,253,661.19
Less: Total loss provision of loans	23,497,830.60	22,889,251.53
Including: Individual accrual amount	0.00	0.00
Accrual amount by portfolios	23,497,830.60	22,889,251.53
Book value of loans and advances	778,862,152.34	748,364,409.66

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

14. 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	800,697,995.17	99.79	769,573,837.28	99.78
Individual	1,661,987.77	0.21	1,679,823.91	0.22
Total of loans and advances	802,359,982.94	100.00	771,253,661.19	100.00
Less: Total loss provision of loans	23,497,830.60	2.93	22,889,251.53	2.97
Including: Individual accrual amount	0.00	0.00	0.00	0.00
Accrual amount by portfolios	23,497,830.60	2.93	22,889,251.53	2.97
Book value of loans and advances	778,862,152.34	-	748,364,409.66	-

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

14. 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	180,000,000.00	22.43	140,000,000.00	18.15
Central China	620,777,982.94	77.37	629,671,661.19	81.64
Northwest China	1,582,000.00	0.20	1,582,000.00	0.21
Total of loans and advances	802,359,982.94	100.00	771,253,661.19	100.00
Less: Total loss provision of loans	23,497,830.60	2.93	22,889,251.53	2.97
Including: Individual accrual amount	0.00	0.00	0.00	0.00
Accrual amount by portfolios	23,497,830.60	2.93	22,889,251.53	2.97
Book value of loans and advances	778,862,152.34	-	748,364,409.66	-

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

14. 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	266,194,600.00	275,400,000.00
Guaranteed loans	450,450,000.00	356,000,000.00
Loans secured by collateral	85,715,382.94	139,853,661.19
Including: Mortgages	10,079,987.77	0.00
Pledged loans	75,635,395.17	139,853,661.19
Total of loans and advances	802,359,982.94	771,253,661.19
Less: Total loss provision of loans	23,497,830.60	22,889,251.53
Including: Individual accrual amount	0.00	0.00
Accrual amount by portfolios	23,497,830.60	22,889,251.53
Book value of loans and advances	778,862,152.34	748,364,409.66

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

14. Loans issued and advances paid on behalf of others (Continued)

(5) Situation of total loan loss provision

Item	Amount in this period		Amount in last period	
	Individual	Portfolio	Individual	Portfolio
Beginning balance	0.00	22,889,251.53	0.00	22,087,888.51
Accrual in this period	0.00	608,579.07	0.00	5,509,591.58
Ending balance	0.00	23,497,830.60	0.00	27,597,480.09

15. 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:	49,888,493.65	0.00	49,888,493.65	47,604,558.74	0.00	47,604,558.74
Measured at fair value	49,888,493.65	0.00	49,888,493.65	47,604,558.74	0.00	47,604,558.74
Measured at cost	0.00	0.00	0.00	0.00	0.00	0.00
Others:	192,452,141.41	4,322,800.00	188,129,341.41	192,452,141.41	4,322,800.00	188,129,341.41
Total	242,340,635.06	4,322,800.00	238,017,835.06	240,056,700.15	4,322,800.00	235,733,900.15

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

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

(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 instrument	29,415,051.65	0.00	0.00	29,415,051.65
Fair value	49,888,493.65	0.00	0.00	49,888,493.65
Accumulated other comprehensive income from changes on fair value	20,473,442.00	0.00	0.00	20,473,442.00
Impairment amount accrued	0.00	0.00	0.00	0.00
	<u><u><u>0.00</u></u></u>	<u><u><u>0.00</u></u></u>	<u><u><u>0.00</u></u></u>	<u><u><u>0.00</u></u></u>

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

15. 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				Impairment provision				Shareholding percentage in the company (%)	Cash dividend in the current period
	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance		
		in the period	in the period			in the period	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	4.06	16,122,000.00
Total	192,452,141.41	0.00	0.00	192,452,141.41	4,322,800.00	0.00	0.00	4,322,800.00	-	16,122,000.00

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. and YTO (Luoyang) Dongfanghong Tire Co., Ltd. is not well, the Group has provided the full amount of the impairment provision on the investments in these companies.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

15. 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	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	0.00
Ending balance for impairment accrued	0.00	0.00	4,322,800.00	4,322,800.00

16. 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	113,827,052.18	56,222,258.70	57,604,793.48	114,574,997.38	56,222,258.70	58,352,738.68

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

16. Investments held to maturity (Continued)

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

Bond item	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	<u>20,000,000.00</u>	<u>7.50%</u>	<u>7.50%</u>	<u>2019-6-3</u>
Total	<u><u>110,000,000.00</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

17. Long-term equity investments

Invested company	Beginning balance	Additional investment	Reduced investment	Changes of increase or decrease in this period						Ending balance	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											
YTO (Shenyang) Co., Ltd. <i>(Note 1)</i>	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
Subtotal	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											
ZF & YTO (Luoyang) Drive Axle Co., Ltd.	148,051,770.93	0.00	0.00	2,019,823.95	0.00	0.00	7,056,000.00	0.00	0.00	143,015,594.88	0.00
YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd.	966,769.56	0.00	0.00	-51,059.71	0.00	0.00	0.00	0.00	0.00	905,709.85	0.00
Luoyang Fusaite Auto Co., Ltd. <i>(Note 1)</i>	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 Yizhong Technology Consulting Co., Ltd.	90,459.27	0.00	0.00	-33,505.70	0.00	0.00	0.00	0.00	0.00	56,953.57	0.00
Subtotal	156,103,515.41	0.00	0.00	1,935,258.54	0.00	0.00	7,056,000.00	0.00	0.00	150,982,773.95	7,004,515.65
Total	172,303,515.41	0.00	0.00	1,935,258.54	0.00	0.00	7,056,000.00	0.00	0.00	167,182,773.95	23,204,515.65

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.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

18. 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	7,547,924.40	2,086,924,056.49	3,836,351,493.04	54,203,027.42	140,199,088.74	15,128,370.71	6,140,353,960.80
2. Amount increased in this period	457,412.40	9,355,868.36	64,019,528.69	4,343,452.59	1,317,595.89	210,443.92	79,704,301.85
(1) Purchase	0.00	462,139.41	6,771,924.72	1,416,499.58	649,781.61	42,529.59	9,342,874.91
(2) Transferred in from construction in progress	0.00	8,776,222.84	54,484,013.49	917,867.91	655,089.38	0.00	64,833,193.62
(3) Others	457,412.40	117,506.11	2,763,590.48	2,009,085.10	12,724.90	167,914.33	5,528,233.32
3. Amount decreased in this period	0.00	1,228,019.96	27,956,936.17	1,476,890.95	4,085,744.63	0.00	34,747,591.71
(1) Disposal or scrap	0.00	1,228,019.96	27,956,936.17	1,476,890.95	4,085,744.63	0.00	34,747,591.71
4. Ending balance	8,005,336.80	2,095,051,904.89	3,872,414,085.56	57,069,589.06	137,430,940.00	15,338,814.63	6,185,310,670.94
II. Accumulated depreciation							
1. Beginning balance	0.00	829,480,660.21	2,201,286,942.26	31,149,869.51	77,239,244.95	8,643,281.23	3,147,799,998.16
2. Amount increased in this period	0.00	30,192,444.25	113,758,232.01	2,091,019.91	3,322,268.45	665,180.25	150,029,144.87
(1) Accrual	0.00	30,170,397.74	112,399,023.35	2,091,019.91	3,315,293.76	570,196.99	148,545,931.75
(2) Others	0.00	22,046.51	1,359,208.66	0.00	6,974.69	94,983.26	1,483,213.12
3. Amount decreased in this period	0.00	802,986.93	22,357,047.02	737,369.21	3,594,548.24	0.00	27,491,951.40
(1) Disposal or scrap	0.00	802,986.93	22,357,047.02	737,369.21	3,594,548.24	0.00	27,491,951.40
4. Ending balance	0.00	858,870,117.53	2,292,688,127.25	32,503,520.21	76,966,965.16	9,308,461.48	3,270,337,191.63
III. Impairment provision							
1. Beginning balance	0.00	1,469,889.40	19,787,168.81	155,400.88	0.00	286,076.03	21,698,535.12
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
4. Ending balance	0.00	1,469,889.40	19,787,168.81	155,400.88	0.00	286,076.03	21,698,535.12
IV. Book value							
1. Ending balance of book value	8,005,336.80	1,234,711,897.96	1,559,938,789.50	24,410,667.97	60,463,974.84	5,744,277.12	2,893,274,944.19
2. Beginning balance of book value	7,547,924.40	1,255,973,506.88	1,615,277,381.97	22,897,757.03	62,959,843.79	6,199,013.45	2,970,855,427.52

Note: The depreciation amount of fixed assets recognized as profit or loss for the period is RMB148,545,931.75.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

18. Fixed assets (Continued)

(1) Situation of fixed assets (Continued)

Note: (Continued)

Addition on fixed assets includes RMB64,833,193.62 transferred from construction in progress.

The net loss on the sale of fixed asset in the current period is RMB391,959.48.

In the ending balance of the current period, the original cost of fixed assets that have been fully depreciated but still in use is RMB1,688,802,963.41.

(2) Fixed assets leased out under operating leases

Item	Ending balance of book value
Houses and buildings	95,797,021.10
Machinery and equipment	1,892,775.56

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

18. 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
Main factory house and office building of subsidiary Fulaige Zhengzhou Branch	13,083,413.13	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	15,217,501.96	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 enterprise cannot afford such a huge amount of taxes because of the consecutive business losses suffered in the recent years. Therefore, the property ownership certificate application is still in progress.
Subsidiaries Jiangan power 100 thousand light diesel engine phase one plant	17,593,804.13	The land property certificate corresponding to the real estate property has not been completed.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

19. 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
High power agricultural diesel engine project	145,399,596.28	0.00	145,399,596.28	144,266,230.70	0.00	144,266,230.70
Public rental housing project	66,776,760.02	0.00	66,776,760.02	46,237,350.29	0.00	46,237,350.29
Application of new intelligent manufacturing model of wheeled tractor project	61,604,658.35	0.00	61,604,658.35	938,358.49	0.00	938,358.49
Company technical transformation project	39,658,199.97	0.00	39,658,199.97	44,291,032.24	0.00	44,291,032.24
Technical innovation project	28,897,524.31	0.00	28,897,524.31	23,738,898.21	0.00	23,738,898.21
Diesel engine upgrade project	12,789,743.55	0.00	12,789,743.55	12,789,743.55	0.00	12,789,743.55
Reconstruction project of old cylinder block line	9,110,117.95	0.00	9,110,117.95	9,110,117.95	0.00	9,110,117.95
Quality improvement and capacity improvement project of P type fuel injector and P injection pump	5,657,198.48	0.00	5,657,198.48	5,657,198.48	0.00	5,657,198.48
Construction in progress in France 400 and LF904 fender welding automatic production line	12,025,558.43	6,370,946.16	5,654,612.27	8,973,928.03	6,006,920.28	2,967,007.75
Core capability upgrading project of new type wheeled tractor	5,525,643.46	0.00	5,525,643.46	5,012,822.94	0.00	5,012,822.94
Newly built large-sized object workshop of the third equipment plant	5,400,764.62	0.00	5,400,764.62	14,342,024.77	0.00	14,342,024.77
Electrophoresis line	5,165,207.62	0.00	5,165,207.62	5,074,905.98	0.00	5,074,905.98
Forging crankshaft processing line project	4,571,112.96	0.00	4,571,112.96	4,571,112.96	0.00	4,571,112.96
Factory building foundation	4,564,037.25	0.00	4,564,037.25	4,401,730.99	0.00	4,401,730.99
Logistics service building and dismantling room project	2,206,437.39	0.00	2,206,437.39	2,206,437.39	0.00	2,206,437.39
Other	1,493,663.87	0.00	1,493,663.87	0.00	0.00	0.00
	66,100,856.69	10,018,891.54	56,081,965.15	61,237,180.46	10,018,891.54	51,218,288.92
Total	476,947,081.20	16,389,837.70	460,557,243.50	392,849,073.43	16,025,811.82	376,823,261.61

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

19. Construction in progress (Continued)

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

Item name	Beginning balance	Amount increased in this period	Amount transferred into fixed assets in the period	Amount of other decrease in the period	Ending balance
High power agricultural diesel engine project	144,266,230.70	1,314,000.00	0.00	180,634.42	145,399,596.28
Public rental housing project	46,237,350.29	20,539,409.73	0.00	0.00	66,776,760.02
Application of new intelligent manufacturing model of wheeled tractor project	938,358.49	68,100,383.76	0.00	7,434,083.90	61,604,658.35
Company technical transformation project	44,291,032.24	23,602,924.23	27,769,114.62	466,641.88	39,658,199.97
Technical innovation project	23,738,898.21	9,372,864.46	4,214,238.36	0.00	28,897,524.31
Diesel engine upgrade project	12,789,743.55	0.00	0.00	0.00	12,789,743.55
Construction in progress in France	8,973,928.03	4,795,637.15	0.00	1,744,006.75	12,025,558.43
Reconstruction project of old cylinder block line	9,110,117.95	0.00	0.00	0.00	9,110,117.95
Quality improvement and capacity improvement project of P type fuel injector and P injection pump	5,657,198.48	0.00	0.00	0.00	5,657,198.48
400 and LF904 fender welding automatic production line	5,012,822.94	512,820.52	0.00	0.00	5,525,643.46
Core capability upgrading project of new type wheeled tractor	14,342,024.77	342,616.75	9,276,900.00	6,976.90	5,400,764.62
Newly built large-sized object workshop of the third equipment plant	5,074,905.98	93,010.69	0.00	2,709.05	5,165,207.62
Electrophoresis line	4,571,112.96	0.00	0.00	0.00	4,571,112.96
Forging crankshaft processing line project	4,401,730.99	168,798.46	0.00	6,492.20	4,564,037.25
Factory building foundation	2,206,437.39	0.00	0.00	0.00	2,206,437.39
Logistics service building and dismantling room project	0.00	1,493,663.87	0.00	0.00	1,493,663.87
Other	61,237,180.46	34,452,768.82	23,572,940.64	6,016,151.95	66,100,856.69
Total	<u>392,849,073.43</u>	<u>164,788,898.44</u>	<u>64,833,193.62</u>	<u>15,857,697.05</u>	<u>476,947,081.20</u>

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

19. Construction in progress (Continued)

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

Item 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
High power agricultural diesel engine project	199,000,000.00	98.00	99.00	12,829,031.02	0.00	4.404-6.9	Fund-raising
Public rental housing project	90,000,000.00	90.00	90.00	0.00	0.00	0.00	Self-funded
Application of new intelligent manufacturing model of wheeled tractor project	349,700,000.00	19.00	35.00	0.00	0.00	0.00	Self-funded
Company technical transformation project	602,806,067.34	41.62	41.62	0.00	0.00	0.00	Fund-raising/ self-funded
Technical innovation project	43,709,000.00	67.65	67.65	0.00	0.00	0.00	Self-funded
Diesel engine upgrade project	53,000,000.00	24.13	24.13	0.00	0.00	0.00	Self-funded
Construction in progress in France	33,132,624.73	30.00	30.00	0.00	0.00	0.00	Self-funded
Reconstruction project of old cylinder block line	38,050,000.00	98.90	98.90	0.00	0.00	0.00	Self-funded
Quality improvement and capacity improvement project of P type fuel injector and P injection pump	126,000,000.00	80.20	100.00	0.00	0.00	0.00	Self-funded
400 and LF904 fender welding automatic production line	6,275,000.00	93.00	93.00	0.00	0.00	0.00	Self-funded
Core capability upgrading project of new type wheeled tractor	596,300,000.00	92.00	100.00	0.00	0.00	0.00	Fund-raising
Newly built large-sized object workshop of the third equipment plant	93,000,000.00	88.00	95.00	0.00	0.00	0.00	Self-funded
Electrophoresis line	4,900,000.00	53.29	53.29	0.00	0.00	0.00	Self-funded
Forging crankshaft processing line project	58,000,000.00	89.00	100.00	819,901.92	0.00	4.404-6.9	Self-funded
Factory building foundation	3,268,000.00	68.00	68.00	0.00	0.00	0.00	Self-funded
Logistics service building and dismantling room project	4,600,000.00	100.00	100.00	0.00	0.00	0.00	Self-funded
Total	2,301,740,692.07	-	-	13,648,932.94	0.00	-	-

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

19. Construction in progress (Continued)

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

Item	Amount accrued in this period	Reason of accrual
Construction in progress in France	364,025.88	—

20. Intangible assets

(1) *Situation of intangible assets*

Item	Land use right	Patents	Trademarks	Software	Others	Total
I. Book value						
1. Beginning balance	929,757,928.04	3,877,545.44	59,526,000.00	62,305,041.57	9,168,472.30	1,064,634,987.35
2. Amount increased in this period	0.00	284,473.26	0.00	877,591.99	1,590,091.44	2,752,156.69
(1)Purchase	0.00	14,102.10	0.00	877,591.99	1,200,073.69	2,091,767.78
(2)Others	0.00	270,371.16	0.00	0.00	390,017.75	660,388.91
3. Amount decreased in this period	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
4. Ending balance	929,757,928.04	4,162,018.70	59,526,000.00	63,182,633.56	10,758,563.74	1,067,387,144.04
II. Accumulated amortization						
1. Beginning balance	121,174,748.09	3,111,866.96	0.00	41,656,468.26	2,050,899.25	167,993,982.56
2. Amount increased in this period	11,991,507.98	250,127.48	0.00	3,195,211.21	446,055.23	15,882,901.90
(1)Accrual	11,991,507.98	8,360.22	0.00	3,195,211.21	367,849.33	15,562,928.74
(2)Others	0.00	241,767.26	0.00	0.00	78,205.90	319,973.16

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

20. Intangible assets (Continued)

(1) *Situation of intangible assets (Continued)*

Item	Land use right	Patents	Trademarks	Software	Others	Total
3. Amount decreased in this period	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
4. Ending balance	133,166,256.07	3,361,994.44	0.00	44,851,679.47	2,496,954.48	183,876,884.46
III. Impairment provision						
1. Beginning balance	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
(1) Accrual	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
(1) Disposal	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
IV. Book value						
1. Ending balance of book value	796,591,671.97	800,024.26	59,526,000.00	18,330,954.09	8,261,609.26	883,510,259.58
2. Beginning balance of book value	808,583,179.95	765,678.48	59,526,000.00	20,648,573.31	7,117,573.05	896,641,004.79

(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	217,722.92	Procedures not completed

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

21. 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

(2) Impairment provision 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

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

22. Long-term deferred expenses

Item	Beginning balance	Amount increased in this period	Amortization amount in this period	Other decrease amount	Ending balance
Right to the use of patent	60,541.30	0.00	10,683.76	0.00	49,857.54
Amortisation of equipment relocation expenses	1,619,244.82	0.00	80,962.26	0.00	1,538,282.56
Mould amortization	29,840,966.28	3,430,303.70	5,303,002.14	0.00	27,968,267.84
Amortisation of Maintenance cost	8,112,995.95	429,588.06	827,927.45	213,675.21	7,500,981.35
Others	589,446.09	691,282.06	168,709.72	0.00	1,112,018.43
Total	<u>40,223,194.44</u>	<u>4,551,173.82</u>	<u>6,391,285.33</u>	<u>213,675.21</u>	<u>38,169,407.72</u>

23. 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
Provision for asset impairment	39,457,111.32	6,662,267.73	36,818,261.38	5,862,971.13
Deductible losses	238,403,551.48	78,673,171.99	225,965,535.36	74,568,626.67
Termination welfare	13,939,172.90	2,192,645.65	15,432,209.99	2,418,617.23
Wages payable and accrued expense	104,844,824.66	18,803,420.32	109,768,630.32	22,461,383.54
Deferred revenue	123,756,154.29	18,710,546.87	114,226,151.87	17,455,571.11
Total	<u>520,400,814.65</u>	<u>125,042,052.56</u>	<u>502,210,788.92</u>	<u>122,767,169.68</u>

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

23. 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
Assets appreciation for business combination not under the common control	118,998,360.19	29,749,590.05	123,029,454.68	30,757,363.67
Fair value change of available-for-sale financial assets	20,473,442.00	3,826,796.86	18,189,507.08	3,370,863.13
Valuation of financial instruments held for trading and derivatives	1,160,795.64	290,198.90	280,554.12	70,138.53
Total	<u><u>140,632,597.83</u></u>	<u><u>33,866,585.81</u></u>	<u><u>141,499,515.88</u></u>	<u><u>34,198,365.33</u></u>

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

23. Deferred tax assets/deferred tax liabilities (Continued)

(3) Details of items that are not recognized as deferred tax assets

Item	Ending balance	Beginning balance
Bad debt provision	547,447,142.23	525,205,910.21
Inventories price falling provision	48,485,040.75	52,710,534.33
Impairment provision of long-term equity investments	23,204,515.65	23,204,515.65
Impairment provision of available-for-sale financial assets	4,322,800.00	4,322,800.00
Impairment provision of held-to-maturity investments	56,222,258.70	56,222,258.70
Impairment provision of goodwill	14,297,893.81	14,297,893.81
Impairment provision of fixed assets	21,698,535.12	21,698,535.12
Impairment provision of construction in progress	16,389,837.70	16,025,811.82
Impairment provision of loans issued and advances paid on behalf of others	23,497,830.60	22,889,251.53
Deductible losses	416,814,390.99	421,088,769.87
Total	1,172,380,245.55	1,157,666,281.04

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

23. Deferred tax assets/deferred tax liabilities (Continued)

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

Year	Ending balance	Beginning balance	Note
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	117,807,236.10	120,799,063.90	–
Year of 2021	114,679,382.47	115,961,933.55	–
Total	416,814,390.99	421,088,769.87	–

24. Short term loans

(1) Classification of short term loans

Item	Ending balance	Beginning balance
Pledged loans	0.00	0.00
Mortgaged loans	70,000,000.00	70,000,000.00
Guaranteed loans	73,621,200.00	105,948,600.00
Credit loans	1,387,811,718.74	1,403,499,910.67
Total	1,531,432,918.74	1,579,448,510.67

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

24. Short term loans (Continued)

(1) Classification of short term loans (Continued)

Situation of the mortgage loans: The ending balance includes the short-term loan borrowed by the subsidiary of the Group, Chang Tuo 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 EUR 9.5 million, with the amount converted into RMB73,621,200.00 from the Industrial and Commercial Bank of China Paris Branch, for which the Company was the guarantor.

25. Deposits absorbed and deposits in other financial institutes

Item	Ending balance	Beginning balance
Demand deposit	352,583,037.79	482,814,340.94
Including: Corporate	352,303,274.88	482,513,395.98
Individual	279,762.91	300,944.96
Term deposits (including notice deposits)	274,251,951.82	105,472,499.15
Including: Corporate	274,251,951.82	105,472,499.15
Individual	0.00	0.00
Other deposits (including outward remittance, remittance payable, etc.)	0.00	0.00
Total	626,834,989.61	588,286,840.09

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

26. Borrowed funds

Classification	Ending balance	Beginning balance
Borrowings from banks	0.00	0.00
Borrowings from non-banking financial institutions	0.00	250,000,000.00
Total	0.00	250,000,000.00

27. Notes payable

Classification	Ending balance	Beginning balance
Bank acceptance notes	117,571,235.83	167,736,890.85
Commercial acceptance notes	1,008,824,885.88	1,249,376,878.64
Total	1,126,396,121.71	1,417,113,769.49

Note: At the end of this period, the amount of notes payable due but not paid is RMB1,112,500.00.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

28. Accounts payable

(1) Listing of accounts payable

Item	Ending balance	Beginning balance
Purchase payable	1,258,290,186.89	1,308,157,751.41
Purchase of engineering equipment payable	104,073,515.83	45,879,477.81
Service fee payable	5,568,718.91	19,757,726.67
Others	10,380,460.44	10,373,501.75
Total	<u><u>1,378,312,882.07</u></u>	<u><u>1,384,168,457.64</u></u>

(2) Aging analysis of accounts payable

Item	Ending balance	Beginning balance
Within 1 year	1,224,773,776.06	1,240,833,573.76
1–2 years	70,855,360.50	49,711,952.26
2–3 years	34,322,298.61	34,579,850.82
Over 3 years	48,361,446.90	59,043,080.80
Total	<u><u>1,378,312,882.07</u></u>	<u><u>1,384,168,457.64</u></u>

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

28. Accounts payable (Continued)

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

Item	Ending balance	Reason of outstanding or carried over
YTO (Luoyang) Pioneer Equipment Technology Co., Ltd	16,140,152.07	Unsettled
LLAF INTERNATIONAL CO, LTD.	10,026,640.92	Unsettled
Zhangjiagang Bonded Area Yetai International trade Co., Ltd	11,352,401.56	Unsettled
Ethiopia DANA	6,976,852.39	Unsettled
Fourth Design and Research Institute of SCIVIC Engineering Corporation	1,720,806.50	Unsettled
Total	46,216,853.44	–

29. Advances from customers

(1) Listing of advances from customers

Item	Ending balance	Beginning balance
Within 1 year (including 1 year)	108,753,774.82	165,765,817.20
Over 1 year	33,442,791.79	33,897,384.34
Total	142,196,566.61	199,663,201.54

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

29. Advances from customers (Continued)

(2) Significant advances from customers aged over 1 year

Item	Ending balance	Reason of outstanding or carried over
Poly Technology Co., Ltd	4,291,619.50	Unsettled
M/SSARKERKABIRAHAMED	2,372,871.69	Unsettled
Shanxi Fei Yu Da Construction Engineering Co., Ltd	1,052,142.87	Unsettled
Total	7,716,634.06	–

30. 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	74,275,332.97	533,307,477.95	518,944,593.44	88,638,217.48
II. Post-employment welfare – Defined contribution plan	1,263,331.82	77,936,226.07	77,698,333.16	1,501,224.73
III. Termination welfare	30,373,241.00	12,195,553.40	14,249,993.44	28,318,800.96
Total	105,911,905.79	623,439,257.42	610,892,920.04	118,458,243.17

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

30. Employee benefits payable (Continued)

(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	49,290,342.94	356,453,823.53	350,404,913.28	55,339,253.19
II. Staff welfare	4,225,324.43	44,030,008.50	39,619,566.16	8,635,766.77
III. Social securities	148,553.53	31,757,080.66	31,749,600.72	156,033.47
Including: Medical insurance	148,553.53	27,281,392.64	27,273,912.70	156,033.47
Work-related injury insurance	0.00	2,892,519.00	2,892,519.00	0.00
Maternity insurance	0.00	1,583,169.02	1,583,169.02	0.00
IV. Housing funds	753,089.46	30,933,089.33	30,936,817.56	749,361.23
V. Labor union & education funds	19,550,079.20	12,522,012.85	8,659,600.88	23,412,491.17
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	307,943.41	57,611,463.08	57,574,094.84	345,311.65
Total	74,275,332.97	533,307,477.95	518,944,593.44	88,638,217.48

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

30. 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 insurance	318,077.28	62,091,168.55	61,595,907.33	813,338.50
2. Unemployment insurance	267.93	3,332,523.20	3,332,523.20	267.93
3. Enterprise annuity payment	944,986.61	12,512,534.32	12,769,902.63	687,618.30
Total	<u>1,263,331.82</u>	<u>77,936,226.07</u>	<u>77,698,333.16</u>	<u>1,501,224.73</u>

31. Taxes payable

Item	Ending balance	Beginning balance
VAT	4,286,972.58	3,805,459.33
Enterprise income tax	5,269,723.72	9,965,719.45
Individual income tax	724,954.13	4,038,209.68
Urban maintenance and construction tax	641,038.09	413,961.56
Property tax	6,723,409.94	4,343,139.14
Land use tax	3,014,723.13	1,597,460.36
Educational surcharges	459,003.50	295,686.82
Other taxes and fees	407,832.93	966,402.40
Total	<u>21,527,658.02</u>	<u>25,426,038.74</u>

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

32. Interests payable

Item	Ending balance	Beginning balance
Interest payable on corporate bonds	15,097,040.92	50,334,301.15
Interests payable on short term loans	3,534,168.41	4,475,913.57
Interest payable on deposit absorbed	2,661,961.89	340,870.80
Total	21,293,171.22	55,151,085.52

33. Dividend payable

Item	Ending balance	Beginning balance
Common stock dividend	54,466,423.70	0.00

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

34. Other payables

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

Item	Ending balance	Beginning balance
Receivables and payables between companies	65,148,378.36	76,273,526.26
Security on deposits	69,376,035.30	69,420,684.09
Expenses payable	70,845,676.62	74,305,168.25
Collections and payments on behalf of others	34,661,273.91	29,500,228.04
Others	13,724,962.50	7,758,242.18
Total	253,756,326.69	257,257,848.82

(2) Significant other payables aged over 1 year

Item	Ending balance	Reason of outstanding or carried over
YTO Group Corporation	51,793,303.56	Unsettled
House-building fund and housing maintenance payments	2,014,036.59	Unsettled
Work injury survivor subsidies	1,734,928.95	Unsettled
Total	55,542,269.10	–

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

35. Non-current liabilities due within one year

Item	Ending balance	Beginning balance
Long-term loans due within 1 year	19,374,000.00	18,267,000.00
Bonds payable due within 1 year	1,497,933,809.42	0.00
Deferred revenue due within 1 year	14,277,532.04	16,155,532.04
Total	1,531,585,341.46	34,422,532.04

36. Other current liabilities

Item	Ending balance	Beginning balance
Discounts and allowances	4,832,058.01	46,436,388.69
Three guarantees service charge	60,414,279.84	43,704,478.56
Agent fees	0.00	2,100,000.00
Others	13,996,926.65	1,128,478.50
Total	79,243,264.50	93,369,345.75

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

37. Long-term loans

(1) Classification of long-term loans

Item	Ending balance	Beginning balance
Credit loans	19,374,000.00	27,400,500.00
Less: The portion due within one year	19,374,000.00	18,267,000.00
Total	0.00	9,133,500.00

(2) Maturity date analysis of long-term loans

Item	Ending balance	Beginning balance
1-2 years	0.00	9,133,500.00

38. Bonds payable

(1) Bonds payable

Item	Ending balance	Beginning balance
12 YTO 01 Corporate bond	0.00	798,604,059.50
12 YTO 02 Corporate bond	0.00	698,090,936.56
Total	0.00	1,496,694,996.06

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

38. 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	Other	Ending balance
12 YTO 01 Corporate bond	800,000,000.00	2013-3-4	5 years	794,550,000.00	796,604,059.50	0.00	0.00	584,280.59	-799,188,340.09	0.00
12 YTO 02 Corporate bond	700,000,000.00	2013-5-30	5 years	693,734,150.95	698,090,896.56	0.00	0.00	654,532.77	-698,745,469.33	0.00
Total	1,500,000,000.00	-	-	1,488,284,150.95	1,496,694,956.06	0.00	0.00	1,238,813.36	-1,497,933,809.42	0.00

Note: 'Other' is the corporate debts due within one year transferred into the current liabilities.

(3) *Notes on the other financial instruments which are classified as financial liabilities: None.*

39. Deferred revenue

(1) *Details of the deferred revenue*

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance	Reason of formation
Government grants	176,628,594.78	19,216,600.00	11,549,674.58	184,295,520.20	Government grants

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

39. Deferred revenue (Continued)

(2) Projects related to government grants:

Liability project	Beginning	Amount of	Amount	Other	Ending	Related to
	balance	grants newly increased in this period	recognized in non-operating income in this period			
High power non-road use diesel engine	49,000,000.00	0.00	0.00	0.00	49,000,000.00	Related to assets
Core capability upgrading project of new type wheeled tractor	45,945,454.54	0.00	0.00	2,418,181.82	43,527,272.72	Related to assets
Key product trial and test platform	15,840,000.00	0.00	0.00	0.00	15,840,000.00	Related to assets
Enhance independent research and development capability	14,647,254.59	0.00	647,969.88	0.00	13,999,284.71	Related to assets
Industrial revitalization and technological transformation	13,200,000.00	0.00	915,000.00	0.00	12,285,000.00	Related to assets
Special funds for affordable housing projects in cities and towns	8,640,000.00	0.00	0.00	0.00	8,640,000.00	Related to assets
Project of energy saving and environmental protection diesel engine crankshaft processing line	4,275,000.00	0.00	0.00	270,000.00	4,005,000.00	Related to assets
The first batch of state appropriated funds for integrated development and whole machine matching of medium power, energy-saving and environmental protection agricultural diesel engines	3,380,000.00	2,307,200.00	21,277.00	0.00	5,665,923.00	Related to revenue
Construction project of farm equipment in Xinjiang	3,216,483.24	0.00	1,745,245.88	0.00	1,471,237.36	Related to revenue
Research and development and industrialization of LF series power shift tractors	3,000,000.00	0.00	0.00	0.00	3,000,000.00	Related to revenue
C series of government grants project	2,864,000.00	0.00	0.00	358,000.00	2,506,000.00	Related to assets
Power shift of heavy duty wheeled tractors with the annual output of 1000 large horsepower	2,375,000.00	0.00	0.00	125,000.00	2,250,000.00	Related to assets
Research and application of key technologies of fully automatic intelligent precision forging demonstration line	2,000,000.00	0.00	2,000,000.00	0.00	0.00	Related to revenue
Incentive grant of the 2015 provincial industrial agglomeration area technology research and development service platform award	2,000,000.00	0.00	0.00	0.00	2,000,000.00	Related to revenue
Technical transformation of wheeled tractors	1,384,000.00	0.00	0.00	1,384,000.00	0.00	Related to assets

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

39. Deferred revenue (Continued)

(2) Projects related to government grants: (Continued)

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
Development of key core components of new energy saving and environmental protection agricultural diesel engine	1,355,000.00	1,438,100.00	0.00	515,000.00	2,278,100.00	Related to revenue
Demonstration and verification of the new rapid manufacturing model of the equipment complex parts with intelligent customization	1,000,000.00	0.00	0.00	0.00	1,000,000.00	Related to revenue
Incentive fund for state key laboratory of tractor power system	1,000,000.00	0.00	0.00	1,000,000.00	0.00	Related to revenue
Research and whole machine development on key technology for tractors used in hilly area	734,000.00	501,300.00	0.00	0.00	1,235,300.00	Related to revenue
Funds from the science and technology department for jointly supporting Xinjiang project	300,000.00	300,000.00	0.00	0.00	600,000.00	Related to revenue
Development of intelligent electric tractor	190,000.00	130,000.00	0.00	0.00	320,000.00	Related to revenue
Agricultural machinery casting rapid prototyping technology from Henan engineering laboratory	150,000.00	0.00	150,000.00	0.00	0.00	Related to revenue
Application of new intelligent manufacturing model of wheeled tractor project	0.00	11,900,000.00	0.00	0.00	11,900,000.00	Related to assets
Project of intelligent control technology research and industry optimization of agricultural machineries	0.00	2,040,000.00	0.00	0.00	2,040,000.00	Related to revenue
Intelligent tractor positioning and remote monitoring system	0.00	600,000.00	0.00	0.00	600,000.00	Related to revenue
Other	132,402.41	0.00	0.00	0.00	132,402.41	Related to revenue
Total	<u>176,628,594.78</u>	<u>19,216,600.00</u>	<u>5,479,492.76</u>	<u>6,070,181.82</u>	<u>184,295,520.20</u>	-

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

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

40. Share capital

Item	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	-10,050,000.00	-10,050,000.00	985,850,000.00

Note: Other change is the H share cancellation in this year. Please refer to the Notes I. General information of the Company' for details.

41. Capital reserve

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Share premium	1,878,901,351.02	0.00	27,001,051.34	1,851,900,299.68
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	2,126,685,588.57	0.00	27,001,051.34	2,099,684,537.23

Note: The current period decrease is that the difference between the reduced company registered capital and the treasury stock of RMB27,001,051.34 was recognized as the capital reserve.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

42. Treasury stock

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Repurchase of H shares	19,140,912.00	17,910,139.34	37,051,051.34	0.00

Note: For details of the changes in this period, please refer to the Notes 'III. General information of the Company'

43. Other comprehensive income

Item	Beginning balance	Amount incurred in this period					Ending balance
		Amount 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	-2,685,750.24	4,812,690.79	0.00	455,933.73	3,856,638.79	500,118.27	1,170,888.55
Profit or loss from fair value change of available-for-sale financial assets	14,361,213.55	2,283,934.91	0.00	455,933.73	1,817,712.65	10,288.53	16,178,926.20
Foreign currencies translation differences	-17,046,963.79	2,528,755.88	0.00	0.00	2,038,926.14	489,829.74	-15,008,037.65
Total other comprehensive income	<u>-2,685,750.24</u>	<u>4,812,690.79</u>	<u>0.00</u>	<u>455,933.73</u>	<u>3,856,638.79</u>	<u>500,118.27</u>	<u>1,170,888.55</u>

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

44. Special reserves

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Safety production costs	4,485,866.00	7,251,093.82	6,552,161.88	5,184,797.94

45. Surplus reserves

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Statutory surplus reserves	423,136,788.34	0.00	0.00	423,136,788.34
Discretionary surplus reserves	771,431.00	0.00	0.00	771,431.00
Total	423,908,219.34	0.00	0.00	423,908,219.34

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

46. General risk reserves

Item	Ending balance	Beginning balance	Accrual percentage
General risk reserves	10,774,059.81	10,774,059.81	According to the stipulations in the document, Caijin [2012] No. 20 'About the notice for printing and distributing the <Measures for the administration of reserve requirements of financial enterprises>' issued by the ministry of finance, the general risk reserve is accrued according to the 1.5% of the ending balance of the risk assets of the subsidiary, YTO Finance Company Limited.
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X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

47. Retained earnings

Item	Current period	Last period
Ending balance of the last year before adjustments	1,289,413,464.37	1,142,994,139.49
Add: Total adjustment amount of retained earnings on the beginning balance (Increase +, decrease -)	0.00	0.00
Beginning balance of the current period after adjustments	1,289,413,464.37	1,142,994,139.49
Add: Net profit attributable to owners of the parent company in the current period	32,265,644.86	158,349,583.86
Less: Accrual of statutory surplus reserves	0.00	0.00
Accrual of discretionary surplus reserves	0.00	0.00
Appropriation to general risks reserves	0.00	0.00
Dividends payable on common stock	56,193,450.00	40,831,900.00
Common stock dividend transferred into share capital	0.00	0.00
Ending balance of the current period	<u><u>1,265,485,659.23</u></u>	<u><u>1,260,511,823.35</u></u>

48. Operating revenue and operating cost

Item	Current period		Last period	
	Revenue	Cost	Revenue	Cost
Main business	4,175,159,288.14	3,565,365,712.99	5,013,367,744.60	4,098,607,783.57
Other business	28,160,936.92	8,320,849.11	27,892,437.53	10,526,590.67
Total	<u><u>4,203,320,225.06</u></u>	<u><u>3,573,686,562.10</u></u>	<u><u>5,041,260,182.13</u></u>	<u><u>4,109,134,374.24</u></u>

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

49. Net interest income

Item	Cumulative number of current period	Cumulative number of last period
Interest income	61,175,720.09	117,300,250.87
– Deposits in other banks	35,148,636.79	14,406,820.25
– Deposits in central bank	2,185,316.68	2,252,606.05
– Loans to banks and other financial institutions	2,960,722.22	7,346,250.04
– Loans issued and advances paid on behalf of others	18,379,447.71	90,059,595.58
Including: Individuals loans and advances	54,625.17	85,247.48
Corporate loans and advances on behalf of others	15,559,765.51	8,810,995.41
Discounting of notes and bills	2,765,057.03	81,163,352.69
– Financial assets purchased with agreement to re-sale	2,163,212.29	3,234,978.95
– Others	338,384.40	0.00
Including: Interest income from impaired financial assets	0.00	0.00
Interest expenses	6,034,067.26	52,559,932.21
– Loans from other banks	0.00	0.00
– Loans from central bank	0.00	0.00
– Borrowed funds	146,178.47	1,120,888.86
– Deposits absorption	5,887,888.79	4,870,662.24
– Sale of the buyback financial assets	0.00	206,721.92
– Others	0.00	46,361,659.19
Net interest income	55,141,652.83	64,740,318.66

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

50. Fees and net commission income

Item	Amount in this period	Amount in last period
Fees and commission income	245,706.19	219,580.03
— Clearing and settlement fees	36,523.11	5,940.90
— Agent fees	64,999.99	49,056.60
— Credit commitment fees and commissions	133,065.16	124,050.93
— Others	11,117.93	40,531.60
Fees and commission expense	92,186.59	202,887.40
— Service fee expense	92,186.59	202,887.40
— Commission expense	0.00	0.00
Fees and net commission income	153,519.60	16,692.63

51. TAXES AND SURCHARGES

Item	Amount in this period	Amount in last period
Business tax	0.00	3,852,614.21
Urban maintenance and construction tax	2,590,723.62	3,023,798.86
Educational surcharges	1,855,477.61	2,165,334.23
Property tax	11,350,849.47	0.00
Land use tax	4,421,722.36	0.00
Vehicle and vessel usage tax	32,440.32	0.00
Stamp duty	3,293,103.79	0.00
Others	2,071,522.12	3,063,684.72
Total	25,615,839.29	12,105,432.02

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

52. Selling expenses

Item	Amount in this period	Amount in last period
Packing expenses	7,687,402.01	9,940,551.95
Transportation expenses	77,372,999.00	89,955,418.28
Advertising expenses	1,924,793.78	3,237,499.60
Sales service fees	50,960,919.74	97,613,709.72
Employee compensation	43,324,669.49	47,219,500.71
Others	25,316,806.01	18,362,274.44
Total	206,587,590.03	266,328,954.70

53. Administrative expenses

Item	Amount in this period	Amount in last period
Employee compensation	124,517,954.84	99,866,789.86
Depreciation expenses	27,340,455.50	21,342,595.15
Repair and maintenance	17,952,078.09	17,705,322.33
Amortization of intangible assets	13,414,582.22	14,692,145.01
Business entertainment expense	2,628,828.88	2,486,287.21
Travelling expenses	1,964,231.19	2,043,046.93
Office expenses	3,202,617.07	2,539,537.27
Research and development expenses	191,086,806.70	190,476,732.63
Taxes	0.00	19,712,407.23
Other expenses	37,761,631.39	52,027,526.63
Total	419,869,185.88	422,892,390.25

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

54. Finance expenses

Item	Amount in this period	Amount in last period
Interest expenses	59,378,408.59	58,835,075.61
Less: Interest income	16,296,219.45	12,217,350.59
Add: Exchange losses	-10,259,454.81	2,670,179.63
Add: Other expenses	-14,294,861.25	-8,835,112.09
Total	18,527,873.08	40,452,792.56

(1) Details of interest expenses

Item	Amount in this period	Amount in last period
Interests on bank loans and overdraft	23,476,855.46	22,990,530.61
Interest on bonds and discounting notes	35,901,553.13	35,844,545.00
Subtotal	59,378,408.59	58,835,075.61
Less: Capitalized interests	0.00	0.00
Total	59,378,408.59	58,835,075.61

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

54. Finance expenses (Continued)

(2) Details of interest income

Item	Amount in this period	Amount in last period
Interest income from bank deposits	16,296,219.45	12,217,350.59

55. Loss on asset impairment

Item	Amount in this period	Amount in last period
I. Loss on bad debts	22,224,786.87	38,008,429.48
II. Inventory price falling loss	-3,321,661.38	-744,875.16
III. Impairment loss on available-for-sale financial assets	0.00	0.00
IV. Impairment loss on held-to-maturity investment	0.00	28,111,129.35
V. Impairment loss on long-term equity investments	0.00	0.00
VI. Impairment loss on investment properties	0.00	0.00
VII. Impairment loss on fixed assets	0.00	1,378,863.71
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. Others (Impairment loss on loans)	608,579.07	5,509,591.58
Total	19,511,704.56	72,263,138.96

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

56. Gain from changes in fair value

Source of gain from changes in fair value	Amount in this period	Amount in last period
Financial assets measured at fair value and its movement recorded through profit and loss	2,267,854.03	-442,878.26
Fair value gains arising from derivative financial instruments	-9,881,714.82	0.00
Total	-7,613,860.79	-442,878.26

57. Investment income

Item	Amount in this period	Amount in last period
Investment income from long-term equity investments measured by cost method	0.00	0.00
Investment income from long-term equity investments measured by equity method	1,862,338.14	8,360,417.05
Investment income generated from disposal of long-term equity investments	0.00	105,064.99
Investment income on financial assets measured at fair value and the changes are recorded into profit or loss in the holding period	10,770,929.33	9,140,972.22
Investment income on disposal of financial assets measured at fair value and the changes are recorded into profit or loss in the current period	173,299.67	7,689,399.70
Investment income on held-to-maturity investment during the holding period	709,485.65	3,050,242.46
Investment income on disposal of held-to-maturity investment during the holding period	0.00	33,129.18
Investment income on available-for-sale financial assets during the holding period	17,685,729.82	41,490.39
Investment income on disposal of available-for-sale financial assets	-679,049.74	0.00
After the loss of control, gains from remeasuring the remaining equity at fair value	0.00	0.00
Others	0.00	192,000.00
Total	30,522,732.87	28,612,715.99

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

58. Non-operating income

Item	Amount in this period	Amount in last period	Amount of extraordinary gains or losses recognized into current period profit or loss
Gain on disposal of non-current assets	524,668.71	329,167.53	524,668.71
Including: Gain on disposal of fixed assets	524,668.71	329,167.53	524,668.71
Gain on debt restructuring	302,261.47	380,988.49	302,261.47
Government grants	27,745,231.58	11,372,972.87	27,745,231.58
Others	20,573,227.87	2,117,691.10	20,573,227.87
Total	49,145,389.63	14,200,819.99	49,145,389.63

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

58. Non-operating income (Continued)

Government grants recognized into current period profit or loss

Item	Amount in this period	Amount in last period	Note
Industry support fund	1,417,000.00	2,000,000.00	Jing Kai Cai Qi [2016] No.69
Construction project of farm equipment in Xinjiang	1,745,245.88	1,840,000.00	Wu Jing Kai Cai Zheng [2010] 107
Crankshaft forging line for diesel engine	1,695,000.00	1,695,000.00	Fai Gai Ban Gong Ye [2005] No.1392
Technical transformation of wheeled tractors	1,384,000.00	1,384,000.00	Fai Gai Ban Gong Ye [2005] No.279
Industrial revitalization and technological transformation	1,098,000.00	1,098,000.00	Fai Gai Ban Chan Ye [2013] No.543
High power non-road use diesel engine	0.00	816,666.67	Fai Gai Ban Gong Ye [2007] No.2445
Enhance independent research and development capability	647,969.88	647,584.20	Fa Gai Tou Zi [2012] No.2719
Domestic equipment subsidies project of eighty thousand sets of technical transformation	0.00	509,000.00	Fa Gai Tou Zi [2015] 1858
C series of government grants project	358,000.00	358,000.00	Luo Fa Gai Gong Ye [2009] No.53
Luoyang foreign trade and economic development to promote capital subsidy income	0.00	352,500.00	Luo Cai Mao [2015] No.2
Project of energy saving and environmental protection diesel engine crankshaft processing line	270,000.00	292,500.00	Luo Cai Yu [2013] No.414
Zombie enterprise grants	7,609,840.00	0.00	SINOMACH Cai Zi Chan Chan Han [2017] 14
Job stabilization allowance	3,686,405.00	0.00	Yu Ren She [2015] No.30

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

58. Non-operating income (Continued)

Government grants recognized into current period profit or loss (Continued)

Item	Amount in this period	Amount in last period	Note
Core capability upgrading project of new type wheeled tractor	2,418,181.82	0.00	Fai Gai Ban Chan Ye [2011] No.2128. Fa Gai Tou Zi [2011] No.2053. SINOMACH Ke [2011] No.550
Research and application of key technologies of fully automatic intelligent precision forging demonstration line	2,000,000.00	0.00	Luo Cai Yu [2016] No.65
Incentive fund for state key laboratory of tractor power system	1,000,000.00	0.00	Luo Cai Yu [2016] No.65
Overseas investment cooperation and overseas investment project	746,700.00	0.00	Luo Cai Yu [2017] No.9
Agricultural machinery casting rapid prototyping technology from Henan engineering laboratory	150,000.00	0.00	Luo Cai Yu [2016] No.111
Power shift of heavy duty wheeled tractors with the annual output of 1000 large horsepower	125,000.00	0.00	Yu Gong Gao [2011] No.1
2016 subsidies for small and medium sized enterprises to explore the international market	23,800.00	0.00	Luo Cai Yu [2017] No.10
Integrated development and whole machine matching of medium power, energy-saving and environmental protection agricultural diesel engines	21,277.00	0.00	Integrated development and whole machine matching of medium power, energy-saving and environmental protection agricultural diesel engines State key research and development plan project task book

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

58. Non-operating income (Continued)

Government grants recognized into current period profit or loss (Continued)

Item	Amount in this period	Amount in last period	Note
Full reward of the locally retained part of value-added tax already paid	783,800.00	0.00	Yang Dong reorganization investment agreement, Jiang Zheng Fa [2012] No.178
Premium subsidy and grants for major technical equipment	39,000.00	0.00	Luo Cai Yu [2017] No.23
Other	526,012.00	379,722.00	Other documents of government grants
Total	27,745,231.58	11,372,972.87	-

59. NON-OPERATING EXPENSE

Item	Amount in this period	Amount in last period	Amount of extraordinary gains or losses recognized into current period profit or loss
Total loss from disposal of non-current assets	916,628.19	527,730.14	916,628.19
Including: Loss from disposal of fixed assets	916,628.19	527,730.14	916,628.19
Losses from debt restructuring	415,872.75	0.00	415,872.75
Others	495,136.82	227,864.59	495,136.82
Total	1,827,637.76	755,594.73	1,827,637.76

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

60. Income tax expense

Item	Amount in this period	Amount in last period
Current period income tax expense	28,491,647.61	64,514,096.06
Deferred income tax expense	1,833,734.51	-5,756,833.69
Total	30,325,382.12	58,757,262.37

61. Other comprehensive income

Please see the Note V. 43 for details.

62. Items in the cash flow statement

(1) Cash receipts related to other operating activities:

Item	Amount in this period	Amount in last period
Cash receipts related to interest income of bank deposits	7,000,585.81	2,853,572.56
Cash receipts related to other receivables	44,622,039.48	84,507,570.36
Total	51,622,625.29	87,361,142.92

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

62. Items in the cash flow statement (Continued)

(2) Cash payments related to other operating activities:

Item	Amount in this period	Amount in last period
Payment of selling and administrative expenses	226,037,441.86	287,525,944.40
Payment of cash related to other payables	32,645,222.64	15,539,015.36
Total	<u>258,682,664.50</u>	<u>303,064,959.76</u>

(3) Cash receipts from other investing activities

Item	Amount in this period	Amount in last period
Cash receipts from government grants related to assets	<u>11,900,000.00</u>	<u>2,700,000.00</u>

(4) Other cash paid related to financing activities

Item	Amount in this period	Amount in last period
Repurchase of H share stocks	<u>17,910,139.34</u>	<u>0.00</u>

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

63. Supplementary information for consolidated cash flow statement

(1) Supplementary information for consolidated cash flow statement

Supplementary information	Amount in this period	Amount in last period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	34,717,884.38	165,697,911.31
Add: Provision for asset impairment	19,511,704.56	72,263,138.96
Depreciation of fixed asset, depletion of oil and gas assets, and depreciation of productive biological assets	148,545,931.75	146,800,426.42
Amortization of intangible assets	15,562,928.74	16,710,438.95
Amortization of long-term deferred expenses	6,391,285.33	5,673,066.85
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain listed as "-")	391,959.48	198,562.61
Loss on scrap of fixed assets (Gain listed as "-")	81,529.32	0.00
Loss on change of fair value (Gain listed as "-")	7,613,860.79	442,878.26
Finance expenses (Gain listed as "-")	28,122,747.23	44,904,831.28
Investment loss (Gain listed as "-")	-30,522,732.87	-28,612,715.99
Decrease in Central Bank statutory deposit reserve	-2,698,370.47	18,036,491.28
Decrease in deferred tax assets (Increase listed as "-")	1,829,662.44	-4,985,787.99
Increase in deferred tax liabilities (Decrease listed as "-")	396,315.41	-771,045.70

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

63. Supplementary information for consolidated cash flow statement (Continued)

(1) Supplementary information for consolidated cash flow statement (Continued)

Supplementary information	Amount in this period	Amount in last period
Decrease in inventories (Increase listed as "-")	-86,740,438.78	24,148,648.68
Decrease in items of operating receivables (Increase listed as "-")	-486,568,281.07	538,101,850.57
Increase in operating payables (Decrease listed as "-")	-605,890,013.20	-511,467,057.88
Others	0.00	0.00
Net cash flow generated from operating activities	-949,254,026.96	487,141,637.61
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	2,250,438,476.71	1,636,134,328.48
Less: Beginning balance of cash	2,894,305,807.48	1,690,285,427.32
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	-643,867,330.77	-54,151,098.84

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

63. 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	2,250,438,476.71	1,636,134,328.48
Including: Cash on hand	812,643.53	1,561,333.67
Bank deposits available for use on demand	2,237,452,969.07	1,622,544,986.64
Other monetary funds available for use on demand	12,172,864.11	12,028,008.17
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	2,250,438,476.71	1,636,134,328.48
Including: Cash and cash equivalents of the parent or subsidiaries of the Group with limited right of use	0.00	0.00
	0.00	0.00

64. 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.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

65. Assets with restricted ownership or use rights

Item	Ending balance of book value	Reason of being restricted
Monetary funds	183,513,118.63	Margin deposits of bank acceptance bills, letters of credits, trade financing, letters of guarantee, risk reserves and statutory deposit reserve with the central bank
Fixed assets	68,434,257.68	Mortgaged
Intangible assets	<u>17,342,646.39</u>	Mortgaged
Total	<u><u><u>269,290,022.70</u></u></u> –	

Note: The monetary fund with the right of use restricted refers to the letter of guarantee deposit of RMB1,965,980.85, the security deposit on the bank acceptance notes at the amount of RMB115,567,413.30, the trade financing deposit of RMB7,092,040.07, the letter of credit guarantee deposits of RMB12,830,200.26, the risk reserve deposit of RMB2,179,034.88 and the statutory deposit reserve with the central bank of RMB43,878,449.27.

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 RMB85,776,904.07, for obtaining the short-term loans from the Bank of Jilin Dongsheng branch at the amount of RMB70 million.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

66. Foreign currency monetary items

(1) Foreign currency monetary items:

Item	Ending balance in foreign currency	Translation exchange rate	Ending balance translated in RMB
Monetary funds	–	–	258,047,977.61
Including: USD	14,187,290.19	6.77440	96,110,378.67
EUR	14,340,439.63	7.74960	111,132,670.96
HKD	41,686,799.48	0.86792	36,180,807.01
XOF	593,746,090.00	0.01179	7,000,266.40
ZAR	10,323,798.34	0.52080	5,376,634.17
AUD	431,336.57	5.20990	2,247,220.40
Accounts receivable	–	–	273,086,902.06
Including: USD	34,075,093.25	6.77440	230,838,311.72
EUR	2,808,454.60	7.74960	21,764,399.77
ZAR	22,493,567.80	0.52080	11,714,650.11
XOF	298,007,958.22	0.01179	3,513,513.83
AUD	1,008,853.65	5.20990	5,256,026.63
Other receivables	–	–	15,098,107.33
Including: XOF	47,711,519.50	0.01179	562,518.81
ZAR	85,701.20	0.52080	44,633.18
EUR	1,869,897.20	7.74960	14,490,955.34

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

66. 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

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

VI. CHANGES IN SCOPE OF CONSOLIDATION

1. Business combination not under the common control

None.

2. Business combination under common control

None.

3. Counter purchase

None.

4. Disposal of subsidiaries

None.

5. Changes in the scope of consolidation due to other reasons

None.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

VII. 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 Changxing 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

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interest in subsidiaries (Continued)

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

Name of subsidiary	Main business place	Registration place	Business nature	Shareholding percentage (%)		Acquisition method
				Direct	Indirect	
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

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

VII. 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 Group"), SinoMach Group 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.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interest in subsidiaries (Continued)

(2) Significant partially-owned subsidiaries

Name of subsidiary	Shareholding percentage of minority shareholders	Current period profit or loss attributable to minority shareholders	Dividends declared to minority shareholders in the current period	Ending balance of minority interests
Brilliance China Machinery Holdings Co., Ltd.	9.90%	263,233.39	0.00	16,870,042.04
YTO (Luoyang) Transportation Machinery Co., Ltd.	6.61%	-244,139.38	0.00	-526,210.07
YTO Finance Company Limited	1.21%	423,888.12	0.00	9,733,380.24
China-Africa Machinery Investment Corp.	45.00%	-184,065.87	0.00	47,241,098.96
Luoyang Tractors Research Institute Co., Ltd.	49.00%	5,238,814.04	0.00	327,234,740.74
YTO (Luoyang) Diesel Engine Co., Ltd.	14.53%	8,719,322.05	0.00	201,946,107.05
YTO (Luoyang) Fuel Injection Pump Co., Ltd.	13.89%	-1,927,252.97	0.00	29,218,573.02
Chang Tuo Agricultural Machinery Equipment Group Co., Ltd	66.67%	-10,325,678.61	0.00	49,278,651.37

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interest in subsidiaries (Continued)

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

Item	Ending balance/Amount in this period							
	YTO (Luoyang)							Chang Tuo
	Transportation	Brilliance China		China-Africa	Luoyang Tractors	YTO (Luoyang)	YTO (Luoyang)	Agricultural
	Machinery	Machinery	YTO Finance	Machinery	Research	Diesel Engine	Fuel Injection	Machinery
	Co., Ltd.	Holdings Co., Ltd.	Company Limited	Investment Corp.	Institute Co., Ltd.	Co., Ltd.	Pump Co., Ltd.	Equipment Group Co., Ltd
Current assets	15,812,882.90	163,701,635.94	2,714,411,911.49	141,190,322.40	247,717,965.58	1,154,662,440.41	139,054,708.26	16,654,147.84
Non-current assets	24,708,871.31	10,161,600.00	1,887,856,305.93	2,485,248.93	515,001,630.37	761,039,080.45	121,974,882.63	190,578,255.80
Total assets	40,521,754.21	173,863,235.94	4,602,268,217.42	143,675,571.33	762,719,595.95	1,915,701,520.86	261,029,590.89	207,232,403.64
Current liabilities	48,466,260.17	3,458,770.93	3,835,265,384.26	40,605,355.21	48,816,209.72	749,975,407.48	53,374,859.53	125,400,024.33
Non-current liabilities	0.00	0.00	2,179,650.31	0.00	46,077,384.71	21,835,203.52	0.00	7,914,386.53
Total liabilities	48,466,260.17	3,458,770.93	3,837,445,034.57	40,605,355.21	94,893,594.43	771,810,611.00	53,374,859.53	133,314,410.86
Operating revenue	8,687,302.61	0.00	78,132,187.19	33,103,061.31	135,897,831.33	1,055,518,082.83	60,117,629.67	124,143.42
Net profit	-3,600,648.98	2,658,923.12	35,023,392.94	-365,874.94	10,691,457.22	58,524,350.82	-13,878,108.82	-15,468,517.91

Item	Beginning balance/Amount in last period							
	YTO (Luoyang)							Chang Tuo
	Transportation	Brilliance China		China-Africa	Luoyang Tractors	YTO (Luoyang)	YTO (Luoyang)	Agricultural
	Machinery	Machinery	YTO Finance	Machinery	Research Institute	Diesel Engine	Fuel Injection	Machinery
	Co., Ltd.	Holdings Co., Ltd.	Company Limited	Investment Corp.	Co., Ltd.	Co., Ltd.	Pump Co., Ltd.	Equipment Group Co., Ltd
Current assets	17,573,971.66	163,046,545.55	3,377,204,500.65	134,151,060.75	258,335,834.16	1,144,523,478.22	150,836,750.75	19,102,927.36
Non-current assets	25,474,546.77	10,405,500.00	1,836,756,695.93	2,734,977.70	499,564,657.53	769,816,260.57	125,243,100.31	195,206,373.78
Total assets	43,048,518.43	173,452,045.55	5,213,961,196.58	136,886,038.45	757,900,491.69	1,914,339,738.79	276,079,851.06	214,309,301.14
Current liabilities	47,503,947.02	3,541,788.78	4,483,335,251.64	34,908,018.78	54,093,692.80	806,346,190.91	54,547,010.88	116,760,240.62
Non-current liabilities	0.00	0.00	1,676,231.21	0.00	46,672,254.59	22,626,988.84	0.00	8,130,374.83
Total liabilities	47,503,947.02	3,541,788.78	4,485,011,482.85	34,908,018.78	100,765,947.39	828,973,179.75	54,547,010.88	124,890,615.45
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

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

VII. 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

None.

3. Interests in joint ventures or associate enterprises

(1) Significant joint ventures or associate enterprises

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

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

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

(2) Main financial information of important associate enterprises

Item	Ending balance/Amount in this period		Beginning balance/Amount in 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	4,778,221.18	138,537,646.03	5,485,004.58	148,520,337.98
Including: Cash and cash equivalents	10,034.65	70,422,780.95	16,498.83	110,661,907.99
Non-current assets	1,655,961.17	191,395,422.64	1,593,764.62	197,525,341.29
Total assets	6,434,182.35	329,933,068.67	7,078,769.20	346,045,679.27
Current liabilities	1,905,653.02	37,352,376.05	2,294,921.38	43,723,102.06
Non-current liabilities	0.00	0.00	0.00	0.00
Total liabilities	1,905,653.02	37,352,376.05	2,294,921.38	43,723,102.06
Minority equity	0.00	0.00	0.00	0.00
Equity attributable to the shareholders of the parent company	4,528,529.33	292,580,692.62	4,783,847.82	302,322,577.21
Share of net assets calculated by shareholding percentage	905,705.87	143,364,539.38	956,769.56	148,138,062.83
Matters of adjustment	0.00	-1,094,283.55	0.00	-86,291.90
– Goodwill	0.00	0.00	0.00	0.00
– Unrealized profits from internal transactions	0.00	-1,094,283.55	0.00	-86,291.90
– Others	0.00	0.00	0.00	0.00

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

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

(2) Main financial information of important associate enterprises (Continued)

Item	Ending balance/Amount in this period		Beginning balance/Amount in 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
Book value of equity investments in associates	905,705.87	142,270,255.83	956,769.56	148,051,770.93
Fair value of equity investments in joint ventures with public quotation	0.00	0.00	0.00	0.00
Operating revenue	447,606.24	122,353,570.04	0.00	185,656,144.38
Financial expenses	227.14	-787,162.13	-18.06	-445,750.08
Income tax expense	0.00	0.00	0.00	5,675,180.35
Net profit	-255,298.51	4,178,619.43	-309,179.53	17,025,541.03
Termination of net profit	0.00	0.00	0.00	0.00
Other comprehensive income	0.00	0.00	0.00	0.00
Total comprehensive income	-255,298.51	4,178,619.43	-309,179.53	17,025,541.03
Receipt of dividends from the joint venture in this period	0.00	7,056,000.00	192,000.00	2,940,000.00

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

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

(3) Summary financial information of insignificant joint ventures and associates

Associate enterprises:	Ending balance/ Amount in this period	Beginning balance/ Amount in last period
Total book value of investments	56,953.57	90,459.27
Total amount of the following items calculated according to shareholding percentage	-37,203.80	10,420.06
– Net profit	-37,203.80	10,420.06
– Other comprehensive income	0.00	0.00
– Total comprehensive income	-37,203.80	10,420.06

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

None.

(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.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

4. Significant joint operation

None.

5. Interests in the structured entities not included in the scope of the consolidated financial statements

None.

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS

Major financial instruments of the Group include: monetary funds, receivables, financial assets measured at fair value and its movement recorded through profit and loss, financial assets available for sale, loans and advances granting, accounts payable, borrowings from financial institutes, bonds payable etc. For the specific details of each financial instrument, please refer to the Note VI. The risks related to financial instruments and the risk management policies for risk mitigation of the Group are stated as following. The management and supervision on the risk exposure is to ensure that the risks mentioned above are controlled within a reasonable range.

1. Risk management objectives and policies

The risk management objectives of the Group are to obtain an appropriate balance between risk and return, to reduce negative effects caused by operating results to a lowest level, and to maximize interest of shareholders and other equity investors. Based on these objectives, the basic strategies are to confirm and analyze all potential risks related to the Group, to set appropriate risk limitations, to manage and monitor all risks timely and effectively, and to control the risks within a limited scope.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Risk management objectives and policies (Continued)

(1) Market risk

1) Exchange rate risk

Most of the business of the Group is in China. As a result, most transactions are settled in RMB, which means the Group does not need to face a high exchange rate risk. The foreign exchange exposure of the Group is mainly related to U.S. Dollar, H.K. Dollar, Euro, Yen, West African francs and rand. On 30 June 2017, the ending balances of assets and liabilities held by the Group are all in RMB, except for the ending balances in foreign currencies stated in the following schedule. The exchange rate risk rose from ending balances in foreign currencies of assets and liabilities may have effects on the operation performance of the Group.

Item	Ending balance		Beginning balance	
	Original currency	Converted to RMB	Original currency	Converted to RMB
Monetary funds	–	258,047,977.61	–	149,466,905.81
USD	14,187,290.19	96,110,378.67	12,078,789.57	83,790,563.25
EUR	14,340,439.63	111,132,670.96	1,448,466.46	10,583,654.74
HKD	41,686,799.48	36,180,807.01	47,736,737.64	42,700,989.18
JPY	0.00	0.00	72.00	4.29
AUD	431,336.57	2,247,220.40	69,648.73	349,337.14
XOF	593,746,090.00	7,000,266.40	215,934,709.00	2,396,875.27
ZAR	10,323,798.34	5,376,634.17	18,962,939.48	9,638,862.14
GBP	0.00	0.00	777.94	6,619.80

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Risk management objectives and policies (Continued)

(1) Market risk (Continued)

1) Exchange rate risk (Continued)

Item	Ending balance		Beginning balance	
	Original currency	Converted to RMB	Original currency	Converted to RMB
Accounts receivable	–	273,086,902.06	–	241,287,147.95
USD	34,075,093.25	230,838,311.72	30,583,308.84	212,156,413.42
EUR	2,808,454.60	21,764,399.77	1,569,471.51	11,467,814.43
AUD	1,008,853.65	5,256,026.63	839,307.20	4,209,713.12
XOF	298,007,958.22	3,513,513.83	350,615,838.22	3,891,835.80
ZAR	22,493,567.80	11,714,650.11	18,810,488.25	9,561,371.18
Other receivables	–	15,098,107.33	–	11,558,020.31
XOF	47,711,519.50	562,518.81	12,807,389.50	142,162.02
ZAR	85,701.20	44,633.18	71,156.19	36,168.69
EUR	1,869,897.20	14,490,955.34	1,557,410.85	11,379,689.60
Advances to suppliers	–	9,131,411.36	–	65,400,293.75
USD	827,281.00	5,604,332.41	100,514.56	697,269.50
EUR	402,839.32	3,121,843.59	8,780,622.36	64,158,251.46
XOF	33,582,177.61	395,933.87	48,203,598.97	535,059.95
ZAR	17,860.00	9,301.49	19,108.48	9,712.84
Accounts payable	–	37,543,405.35	–	30,288,783.60
USD	4,069,745.51	27,570,083.96	2,957,060.96	20,513,131.88
EUR	1,067,043.92	8,269,163.56	1,116,506.66	8,158,090.86
XOF	137,916,694.44	1,626,037.83	138,903,077.44	1,541,824.16
ZAR	150,000.00	78,120.00	149,000.00	75,736.70

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Risk management objectives and policies (Continued)

(1) Market risk (Continued)

1) Exchange rate risk (Continued)

Item	Ending balance		Beginning balance	
	Original currency	Converted to RMB	Original currency	Converted to RMB
Other payables	–	64,550,130.88	–	13,895,177.16
USD	510,564.91	3,458,770.93	510,564.91	3,541,788.78
EUR	1,277,562.00	9,900,594.48	1,274,095.54	9,309,561.29
XOF	0.00	0.00	93,286,251.34	1,035,477.39
ZAR	98,292,560.42	51,190,765.47	16,426.72	8,349.70
Advances from customers	–	78,309,124.47	–	109,142,998.61
USD	973,633.80	6,595,784.81	1,005,676.42	6,976,377.33
EUR	9,155,151.18	70,948,759.58	13,897,210.08	101,544,134.61
XOF	64,849,879.76	764,580.08	56,079,879.76	622,486.67
Short term loans	–	761,432,918.74	–	809,448,510.67
USD	100,000,000.00	677,440,000.00	100,000,000.00	693,700,000.00
EUR	9,500,000.00	73,621,200.00	14,500,000.00	105,948,600.00
XOF	879,704,728.00	10,371,718.74	882,874,835.00	9,799,910.67
Non-current liabilities due within one year	–	19,374,000.00	–	18,267,000.00
EUR	2,500,000.00	19,374,000.00	2,500,000.00	18,267,000.00
Long-term loans	–	0.00	–	9,133,500.00
EUR	0.00	0.00	1,250,000.00	9,133,500.00

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Risk management objectives and policies (Continued)

(1) Market risk (Continued)

2) Interest rate risk

The interest rate risk of the Group arises from bank loans and bonds payable and other interest-bearing debts. Financial liabilities with floating interest rates push the Group to face the cash flow interest rate risk. Financial liabilities with fixed interest rates push the Group to face the fair value interest rate risk. The Group needs to decide a relative proportion between contracts with floating interest rates and contracts with fixed interest rates according to the market environment.

The risk of changes in market interest rates the Group exposed is mainly related to loans and advances granting as well as deposits absorbed and borrowings.

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

On 30 June 2017, the interest-bearing debts of the Group are mainly the floating interest rate borrowing contracts denominated in EUR with the total amount of RMB92,995,200.00 (31 December 2016: RMB133,349,100.00), and the fixed interest rate contracts denominated in RMB, USD and XOF respectively, with the amount of RMB2,955,745,528.16 (31 December 2016: RMB2,970,194,906.73).

3) Price risk

Mainly refers to the risk that is generated from the change of fair value due to the stock index level and the individual security value.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Risk management objectives and policies (Continued)

(2) Credit risk

On 30 June 2017, 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 RMB451,280,343.15 (RMB438,919,789.00 on 31 December 2016). Because the Group's risk exposure is distributed across multiple clients, at the end of the year, 24.06% of the Group's accounts receivable (37.22% 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 FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Risk management objectives and policies (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 FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Risk management objectives and policies (Continued)

(3) Liquidity risk (Continued)

In the ending balance, the cash and cash equivalents held by the Group is approximately RMB2,250,438,476.71 (RMB2,894,305,807.48 on 31 December 2016) (Note VII. 63), accounts receivable and notes receivable of approximate RMB2,143,884,240.39 (RMB1,734,020,446.99 on 31 December 2016) (Note VII 5, 6). 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 RMB34,388,483.83 (RMB21,757,466.94 on 31 December 2016) (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 2017:

Item	Within 1 year or on demand	1-2 years	2-5 years	Over 5 years	Total
Financial assets					
Monetary funds	2,433,951,595.34	0.00	0.00	0.00	2,433,951,595.34
Funds lent out	100,000,000.00	0.00	0.00	0.00	100,000,000.00
Financial assets valued at fair value and subject to changes in current profits and losses	75,288,483.83	0.00	0.00	0.00	75,288,483.83
Derivative financial assets	4,951,285.18	0.00	0.00	0.00	4,951,285.18
Buying back the sale of financial assets	341,114,661.86	0.00	0.00	0.00	341,114,661.86
Notes receivable	267,934,847.82	0.00	0.00	0.00	267,934,847.82
Accounts receivable	1,875,949,392.57	0.00	0.00	0.00	1,875,949,392.57
Advances to suppliers	117,965,928.82	0.00	0.00	0.00	117,965,928.82
Interests receivable	19,792,145.78	0.00	0.00	0.00	19,792,145.78

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Risk management objectives and policies (Continued)

(3) Liquidity risk (Continued)

Item	Within 1 year or on demand	1-2 years	2-5 years	Over 5 years	Total
Other receivables	102,693,443.25	0.00	0.00	0.00	102,693,443.25
Other current assets – structured deposits and financial products	505,000,000.00	0.00	0.00	0.00	505,000,000.00
Available for sale financial assets – stock equity	49,888,493.65	0.00	0.00	0.00	49,888,493.65
Held-to-maturity investment	113,827,052.18	0.00	0.00	0.00	113,827,052.18
Loans and advances granting	801,967,982.94	392,000.00	0.00	0.00	802,359,982.94
Financial liabilities					
Short-term borrowings	1,531,432,918.74	0.00	0.00	0.00	1,531,432,918.74
Absorption of deposits and Interbank deposits	626,834,989.61	0.00	0.00	0.00	626,834,989.61
Deposits from banks and other financial institutes	0.00	0.00	0.00	0.00	0.00
Notes payable	1,126,396,121.71	0.00	0.00	0.00	1,126,396,121.71
Accounts payable	1,378,312,882.07	0.00	0.00	0.00	1,378,312,882.07
Other payables	253,756,326.69	0.00	0.00	0.00	253,756,326.69
Interests payable	21,293,171.22	0.00	0.00	0.00	21,293,171.22
Dividends payable	54,466,423.70	0.00	0.00	0.00	54,466,423.70
Employee benefits payable	96,546,833.38	7,122,030.69	9,514,737.67	5,274,641.43	118,458,243.17
Non-current liabilities due within one year-loan	19,374,000.00	0.00	0.00	0.00	19,374,000.00
Long-term loans	0.00	0.00	0.00	0.00	0.00
Non-current liabilities due within one year-Bonds payable	1,497,933,809.42	0.00	0.00	0.00	1,497,933,809.42

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

2. Sensitivity analysis

The Group uses the sensitivity analysis technology to analyze the rationality and changes of risk variables which may 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.

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 2017 Effect on profits before income tax	January – June 2016 Effect on profits before income tax
All foreign currency	Appreciation against RMB by 5%	-16,833,373.41	802,918.61
All foreign currency	Depreciation against RMB by 5%	16,833,373.41	-802,918.61

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

2. Sensitivity analysis (Continued)

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.

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 2017		January – June 2016	
		Impact on net profits	Impact on shareholders' equity	Impact on net profits	Impact on shareholders' equity
Floating rate borrowings	Increase by 1%	-391,981.14	-461,154.28	-590,962.79	-695,250.34
Floating rate borrowings	Decrease by 1%	391,981.14	461,154.28	590,962.79	695,250.34

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

IX. DISCLOSURES OF FAIR VALUE

1. Fair value of the ending balance of assets and liabilities measured at fair value

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				
(l) Financial assets measured at fair value and its movement recorded through profit or loss	75,288,483.83	0.00	0.00	75,288,483.83
1. Trading financial assets	34,388,483.83	0.00	0.00	34,388,483.83
(1) Investments in debt instruments	11,374,583.90	0.00	0.00	11,374,583.90
(2) Investments in equity instrument	23,013,899.93	0.00	0.00	23,013,899.93
(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	40,900,000.00	0.00	0.00	40,900,000.00
(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 (Trust products)	40,900,000.00	0.00	0.00	40,900,000.00

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

IX. DISCLOSURES OF FAIR VALUE (CONTINUED)

1. Fair value of the ending balance of assets and liabilities measured at fair value (Continued)

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	
(II) Available-for-sale financial assets	49,888,493.65	0.00	0.00	49,888,493.65
(1) Investments in debt instruments	0.00	0.00	0.00	0.00
(2) Investments in equity instrument	49,888,493.65	0.00	0.00	49,888,493.65
(3) Others	0.00	0.00	0.00	0.00
(III) Investment properties	0.00	0.00	0.00	0.00
1. Right to use the land for rent	0.00	0.00	0.00	0.00
2. Rental buildings	0.00	0.00	0.00	0.00
3. Land use rights held and prepared to transfer after value appreciation	0.00	0.00	0.00	0.00
(IV) Biological assets	0.00	0.00	0.00	0.00
1. Consumable biological assets	0.00	0.00	0.00	0.00
2. Productive biological assets	0.00	0.00	0.00	0.00
Total assets continuously measured at fair value	125,176,977.48	0.00	0.00	125,176,977.48

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

IX. 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.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

IX. 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. The valuation techniques did not change in this period.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

X. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS

1. Information of the parent company of the enterprise

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	3,023,749,630.93	41.24	41.24

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.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

X. 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) Huide 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
YTO (Luoyang) Sino-Harvesting Machinery Equipment 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
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
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

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

X. 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
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
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
Sinomach Tenth Institute (Luoyang) Engineering Co., Ltd	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

5. Situation of related transactions

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

Item	Amount in this period	Amount in last period
Sales of raw materials and components	7,571,279.02	18,013,796.85
Purchase of raw materials and components	3,497,759.23	12,662,215.06
Interest income	2,787,165.56	2,832,411.36
Pay interest on deposits of clients	303,476.24	76,228.11
	=====	=====

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

X. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS (CONTINUED)

5. Situation of related transactions (Continued)

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

Item	Amount in this period	Amount in last period
Sales of raw materials and components	109,864,497.77	88,875,660.74
Purchase of raw materials and components	272,254,048.67	144,067,537.71
Payment and payable of power cost	81,389,286.34	95,397,619.82
Payment and payable of comprehensive service and transportation expenses	84,751,538.22	88,200,011.61
Payment and payable of land rental expenses	3,133,012.50	8,843,217.34
Payment and payable of buildings rental expenses	4,233,865.35	6,632,480.68
Payment and payable of equipment rental expenses	2,178,651.14	151,214.17
Rental income of leasing buildings and equipment	2,011,703.06	1,824,976.98
Purchase of plant and equipment	7,829,336.42	6,198,543.34
Interest income	14,464,626.96	12,091,882.93
Pay interest on deposits of clients	3,829,371.56	1,604,519.90
Payment received of research and development expense	2,438,695.19	222,648.05
	=====	=====

(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 in this period	Amount in last period
Sales of raw materials and components	43,821,480.08	52,823,362.13
Purchase of raw materials and components	193,209,350.15	250,313,893.25

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

X. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS (CONTINUED)

6. Remuneration of key management personnel

Unit: RMB0'000

Item	Amount in this period	Amount in last period
Remuneration of key management personnel	19.6000	15.3600
Salaries and other benefits	237.9198	202.1700
Retirement benefits scheme contribution	18.0930	18.0500
Total remuneration	275.6128	235.5800

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

Unit: RMB0'000

Personnel and duties	Amount in this period			Total
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	
Executive directors				
Zhao, Yanshui		21.0000	1.3058	22.3058
Wang, Erlong		21.4525	2.4234	23.8759
Wu, Yong		21.0000	1.3058	22.3058
Non-executive directors				
Li, Hepeng	0.3000			0.3000
Xie, Donggang	0.3000			0.3000
Li, Kai	0.2000			0.2000
Yin, Dongfang				

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

X. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS (CONTINUED)

6. Remuneration of key management personnel (Continued)

Personnel and duties	Amount in this period			Total
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	
Independent non-executive directors				
Yang, Minli	3.3000			3.3000
Xing, Min	3.3000			3.3000
Wu, Delong	3.4000			3.4000
Yu, Zengbiao	3.6000			3.6000
Supervisors				
Li, Ping'an		15.0000	1.3058	16.3058
Xu, Weilin				
Wang, Jianjun		17.4810	1.3058	18.7868
Zhao, Guozhong		15.9863	1.3058	17.2921
Wang, Yong	2.5000			2.5000
Huang, Ping	2.7000			2.7000
Senior management personnel				
Wang, Kejun (<i>Vice general manager</i>)		18.0000	1.3058	19.3058
Liu, Jiguo (<i>Vice general manager</i>)		18.0000	1.3058	19.3058
Su, Wensheng (<i>Vice general manager</i>)		18.0000	1.3058	19.3058
Zhu, Weijiang (<i>Vice general manager</i>)		18.0000	1.3058	19.3058
Song, Yuping (<i>Vice general manager</i>)		18.0000	1.3058	19.3058
Other senior management personnel				
Yao, Weidong (<i>Chief financial officer</i>)		18.0000	1.3058	19.3058
Yu, Li'na (<i>Vice general manager and secretary of the Board of Directors</i>)		18.0000	1.3058	19.3058
Total	19.6000	237.9198	18.0930	275.6128

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

X. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS (CONTINUED)

6. Remuneration of key management personnel (Continued)

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

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

X. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS (CONTINUED)

6. Remuneration of key management personnel (Continued)

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

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

X. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS (CONTINUED)

7. Balance due to/from related parties

(1) *Receivables and payables between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)*

Item	Amount in this period	Amount in last period
Accounts receivable	1,294,859.12	16,251,152.39
Other receivables	180,207.00	180,207.00
Prepayments	1,030,262.04	43,887,631.00
Accounts payable	11,984,658.75	18,927,308.65
Other payables	0.00	0.00
Advances from customers	190,353.42	4,117,038.07
	=====	=====

(2) *Receivables and payables between the Group and YTO Group and its subsidiaries*

Item	Amount in this period	Amount in last period
Accounts receivable	61,052,309.96	39,605,392.69
Other receivables	18,466,374.77	4,803,781.66
Prepayments	12,170,641.98	12,437,242.63
Accounts payable	63,317,395.84	66,797,409.75
Other payables	53,406,251.92	135,057,289.61
Advances from customers	247,913.00	300,000.00
	=====	=====

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

X. 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 in this period	Amount in last period
Accounts receivable	0.00	6,872,330.63
Other receivables	0.00	0.00
Prepayments	0.00	0.00
Accounts payable	5,548,396.21	375,802.51
Other payables	0.00	0.00
Advances from customers	0.00	0.00
	0.00	0.00

(4) Lending and borrowing between related parties

Item	Amount in this period	Amount in last period
Loans issued (Including discounting of notes and bills)	473,668,133.35	683,183,762.79
Deposits absorption and loans from other banks	611,154,882.24	287,785,210.82
	0.00	0.00

8. Related party commitment

None.

9. Others

None.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XI. SHARE BASED PAYMENT

None.

XII. 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 2017, 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 in this period	Beginning balance
Within 1 year	11,020,834.73	647,360.83
1-2 years	1,398,036.46	1,749,000.00
2-3 years	563,000.00	563,000.00
After 3 years	563,000.00	563,000.00
Total	<u><u>13,544,871.19</u></u>	<u><u>3,522,360.83</u></u>

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XII. 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 2017, the summary of the minimum future payments of irrevocable operating lease on rental items, assumed by the Group as the lesser, for houses and buildings, machineries, and equipment which will be collected by the Group as the lesser is as following:

Period	Amount in this period	Beginning balance
Within 1 year	6,294,286.42	11,494,693.24
1-2 years	4,717,124.98	3,785,472.27
2-3 years	4,611,438.00	3,463,988.00
After 3 years	6,627,425.00	1,975,177.00
Total	22,250,274.40	20,719,330.51

(4) *Except for the aforementioned matters of commitment, the Group has no other significant commitments as at 30 June 2017.*

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XII. COMMITMENT AND CONTINGENCIES (CONTINUED)

2. Contingencies

(1) Significant contingent matters existed on the balance sheet date

1) Contingencies resulted from external guarantees provided

As at 30 June 2017, details of the guarantees provided by the Group to other parties are as followings:

As of 30 June 2017, the Group and YTO Finance Company Limited entered into a Trade Finance Agreement to carry out trade financing cooperation. According to the agreement, YTO Finance Company Limited consents to provide a limit on trade financing of total RMB142.569 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.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XII. COMMITMENT AND CONTINGENCIES (CONTINUED)

2. Contingencies (Continued)

(1) Significant contingent matters existed on the balance sheet date (Continued)

1) Contingencies resulted from external guarantees provided (Continued)

As at 30 June 2017, the total amount of trade financing guarantee actually assumed by the Group was RMB12.5 million and the guarantee of bank loans provided to other affiliates was RMB152.6212 million. 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	3,000,000.00
YTO (Luoyang) Transportation Machinery Co., Ltd.	Joint liability assurance	2,000,000.00
YTO (Luoyang) Transportation Machinery Co., Ltd.	Joint liability assurance	3,000,000.00
YTO (Luoyang) Transportation Machinery Co., Ltd.	Joint liability assurance	2,000,000.00
YTO (Luoyang) Transportation Machinery Co., Ltd.	Joint liability assurance	2,000,000.00
YTO (Luoyang) Transportation Machinery Co., Ltd.	Joint liability assurance	1,000,000.00
YTO (Luoyang) Transportation Machinery Co., Ltd.	Joint liability assurance	1,000,000.00
YTO (Jiangyan) Power Machinery Co., Ltd	Joint liability assurance	20,000,000.00
YTO France SAS	General assurance	11,624,400.00
YTO France SAS	General assurance	38,748,000.00
YTO France SAS	General assurance	11,624,400.00
YTO France SAS	General assurance	11,624,400.00
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	Joint liability assurance	8,500,000.00
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	Joint liability assurance	9,250,000.00
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	Joint liability assurance	9,250,000.00
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	Joint liability assurance	8,500,000.00
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	Joint liability assurance	9,500,000.00
Subtotal of guarantee within the Group	-	<u><u>152,621,200.00</u></u>

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XII. COMMITMENT AND CONTINGENCIES (CONTINUED)

2. Contingencies (Continued)

(1) Significant contingent matters existed on the balance sheet date (Continued)

1) Contingencies resulted from external guarantees provided (Continued)

Entity guaranteed	Type of guarantee	Amount of guarantee
II. Outside the Group		
Distributors of Dianpiaotong Business	Joint liability assurance	12,500,000.00
Subtotal of guarantee outside the Group	-	12,500,000.00
Total	-	<u><u>165,121,200.00</u></u>

Note: A part of the customers of the subsidiary of the Group, YTO (Luoyang) Shentong Construction Machinery Co., Ltd (hereinafter referred to as the 'shentong Company') purchased the mine trucks of the subsidiary with the method of applying for the buyer's credit from financial institutions and the finance lease. After picking up the vehicles, the customers paid the financing payments to the financial institutions by installments. When the customers were incapable to make the payments to the financial institutions, Shentong Company should make the advance payments for the customers. During the reporting period, Shentong Company did not incur any newly added payments of finance leases. By 30 June 2017, the balance of the advanced financing funds actually incurred by Shentong Company for the customers was RMB122.72 million. After Shentong Company actually made the advanced payments of the financing funds, the Group no longer incurred the guarantee responsibility.

2) Except for the aforementioned matters of contingencies, the Group has no other significant contingencies as at 30 June 2017.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XIII. SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

1. Significant non-adjusting matters

The Company transferred the held 100% stock equity right in YTO (Luoyang) Forklift Truck Co., Ltd (hereinafter referred to as the underlying equity right) at Beijing equity exchange in the way of public listing method on 29 December 2014. On 11 July 2017, the Company signed the 'Property right transaction contract' with Luoyang Hou He De Real Estate Development Co., Ltd (hereinafter referred to as Hou He De Company). Hou He De Company accepted the transferred underlying equity right with the listing price of RMB31 million. At the same time, according to the listing conditions for the sale of shares, Hou He De Company needs to repay the entire liabilities owed by the Forklift Truck Company to the Company and the related enterprises of the Company within the stipulated time. After the transaction is completed, the Company will no longer hold the equity right of the Forklift Truck Company, and the Forklift Truck Company will no longer be included in the consolidation scope of the Company's financial statements.

XIV. OTHER SIGNIFICANT MATTERS

1. Debt restructuring

None.

2. Asset swap

None.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XIV. OTHER SIGNIFICANT MATTERS (CONTINUED)

3. Annuity plan

The Group has established annuity which is jointly paid by the Group and employees. The payment bases adopted by the Group and employees are both based on employee's actual salary for last year. For income of the employees which is more than 3 times of the average salary for 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 for 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. Employee assumes 2%, and the amount is recognized as withholding on behalf of the employees.

4. Discontinued operation

None.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XIV. OTHER SIGNIFICANT MATTERS (CONTINUED)

5. Segment information

Reporting segment for January – June 2017

(Unit: RMB '000)

Item	Agriculture machinery segment	Power machinery segment	Other machinery segment	Finance segment	Elimination	Total
Operating revenue	3,779,434	1,064,733	14,850	78,132	-672,407	4,264,742
Including: External transaction revenue	3,506,666	684,477	12,178	61,421	0	4,264,742
Revenue between segments	<u>272,768</u>	<u>380,256</u>	<u>2,672</u>	<u>16,711</u>	<u>-672,407</u>	<u>0</u>
Total profit	<u>-33,292</u>	<u>57,616</u>	<u>-4,639</u>	<u>46,946</u>	<u>-1,588</u>	<u>65,043</u>
Total assets	<u><u>10,244,660</u></u>	<u><u>2,170,434</u></u>	<u><u>104,855</u></u>	<u><u>4,602,268</u></u>	<u><u>-4,549,243</u></u>	<u><u>12,572,974</u></u>
Including: Significant impairment loss on individual assets	0	0	0	0	0	0
Total liabilities	<u><u>6,554,963</u></u>	<u><u>823,045</u></u>	<u><u>466,221</u></u>	<u><u>3,837,445</u></u>	<u><u>-4,578,008</u></u>	<u><u>7,103,666</u></u>
Supplementary information	-	-	-	-	-	-
Capitalized expenditure	167,993	11,944	753	85	0	180,775
Depreciation and amortization expenses	164,103	6,094	1,355	431	0	171,983
Non-cash expenses other than the impairment loss, depreciation and amortization expenses	<u><u>22,312</u></u>	<u><u>6,311</u></u>	<u><u>241</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>28,864</u></u>

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XIV. OTHER SIGNIFICANT MATTERS (CONTINUED)

5. Segment information (Continued)

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	<u>424,945</u>	<u>426,351</u>	<u>3,728</u>	<u>7,933</u>	<u>-862,957</u>	<u>0</u>
Total profit	<u>115,474</u>	<u>116,494</u>	<u>-23,271</u>	<u>26,009</u>	<u>-10,251</u>	<u>224,455</u>
Total assets	<u><u>9,498,194</u></u>	<u><u>2,378,481</u></u>	<u><u>140,083</u></u>	<u><u>920,353</u></u>	<u><u>-275,114</u></u>	<u><u>12,661,997</u></u>
Including: Significant impairment loss on individual assets	0.0	0	0	0	0	0
Total liabilities	<u><u>5,792,166</u></u>	<u><u>820,156</u></u>	<u><u>304,179</u></u>	<u><u>497,757</u></u>	<u><u>-227,265</u></u>	<u><u>7,186,993</u></u>
Supplementary information	-	-	-	-	-	-
Capitalized expenditure	75,844	15,361	51	2	0	91,258
Depreciation and amortization expenses	134,629	32,534	1,580	441	0	169,184
Non-cash expenses other than the impairment loss, depreciation and amortization expenses	<u><u>47,964</u></u>	<u><u>49,510</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>97,474</u></u>

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

1. Monetary funds

Item	Ending balance	Beginning balance
Cash on hand	66,857.89	47,159.62
Bank deposits	1,682,887,774.13	2,076,889,708.14
Other monetary funds	270,573,231.96	255,522,312.39
Total	1,953,527,863.98	2,332,459,180.15
Including: Total amount deposited abroad	100.49	5,515,725.06

Note: The restricted monetary fund of the Company is the security deposit on the acceptance notes, trade financing margin and litigation margin of total RMB270,573,131.47 as of 30 June 2017 (the beginning balance: RMB453,579,379.99).

2. Derivative financial assets

Item	Ending balance	Beginning balance
Currency derivative instruments:	4,951,285.18	14,833,000.00
Currency forwards and swaps	4,951,285.18	14,833,000.00
Buy in of currency option	0.00	0.00
Sale out of currency option	0.00	0.00
Interest derivative instrument:	0.00	0.00
Commodity derivative instrument and others:	0.00	0.00
Total	4,951,285.18	14,833,000.00

Note: Please refer to the statements in the Note 'VII. 4. Derivative financial assets' for details.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

3. Notes receivable

(1) Classification of notes receivable

Item	Ending balance	Beginning balance
Bank acceptance notes	110,858,774.18	122,860,882.51
Commercial acceptance bill	1,817,347.00	20,209,966.42
Total	112,676,121.18	143,070,848.93

(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	602,744,864.84	0.00
Commercial acceptance bill	280,000.00	0.00
Total	603,024,864.84	0.00

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

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

4. 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	0.00	0.00	0.00	0.00	0.00
Receivables that are provided for bad debts on credit risk portfolio basis	1,299,001,376.10	100.00	175,985,125.65	13.55	1,123,016,250.45
Individually insignificant but provided for bad debts on individual basis	0.00	0.00	0.00	0.00	0.00
Total	1,299,001,376.10	100.00	175,985,125.65	-	1,123,016,250.45

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	0.00	0.00	0.00	0.00	0.00
Receivables that are provided for bad debts on credit risk portfolio basis	814,695,197.78	100.00	166,822,587.70	20.48	647,872,610.08
Individually insignificant but provided for bad debts on individual basis	0.00	0.00	0.00	0.00	0.00
Total	814,695,197.78	100.00	166,822,587.70	-	647,872,610.08

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

4. Accounts receivable (Continued)

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

Within the portfolio, accounts receivables on which the bad debts provision is accrued by aging analysis method:

Aging	Ending balance		Accrual percentage (%)
	Accounts receivable	Bad debt provision	
Within 1 year	1,143,380,210.40	22,422,132.25	1.96
1-2 years	4,116,344.61	2,058,172.31	50.00
2-3 years	7,887,466.50	7,887,466.50	100.00
Over 3 years	143,617,354.59	143,617,354.59	100.00
Total	1,299,001,376.10	175,985,125.65	-

(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 RMB10,751,123.16, with the collected or reversed bad debt allowance in the current period at the amount of RMB1,588,585.21.

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

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

4. Accounts receivable (Continued)

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

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	873,278,391.74	Within 1 year	67.23
YTO (Luoyang) Harvesting Machinery Co., Ltd	Related parties within the shareholding equity	82,026,373.62	Over 3 years	6.31
Luoyang Changhong Trading Co., Ltd.	Related parties within the shareholding equity	41,207,706.44	Within 1 year	3.17
Tianrun Crankshaft Co., Ltd	Non-related party	32,934,714.17	Within 1 year	2.54
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	Related parties within the shareholding equity	26,879,971.93	Within 1 year: RMB2,783,775.3; 1-2 years: RMB500,873.32; 2-3 years: RMB1,783,533.32; Over 3 years: RMB21,811,789.99	2.07
Total	—	1,056,327,157.90	—	81.32

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

5. Advances to suppliers

(1) Advances to suppliers listed by aging

Aging	Ending balance		Beginning balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	225,390,640.73	88.55	235,403,421.07	88.75
1-2 years	1,535,005.87	0.60	9,378,093.44	3.54
2-3 years	7,437,142.39	2.92	19,847,754.17	7.48
Over 3 years	20,170,406.78	7.93	621,505.25	0.23
Total	254,533,195.77	100.00	265,250,773.93	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.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

5. 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.	164,265,602.42	Within 1 year: RMB160,874,065.37; 1-2 years: RMB642,059.93; 3-4 years RMB2,749,477.12	64.54
YTO (Luoyang) Forklift Truck Company Limited	22,800,000.00	2-3 years: RMB5,800,000.00; Over 3 years: RMB17,000,000.00	8.96
Luoyang Yue Kai Machinery Equipment Manufacturing Co., Ltd	10,000,000.00	Within 1 year	3.93
Luoyang YTO Zhongcheng Spare Parts Manufacturing Co., Ltd	8,200,000.00	Within 1 year	3.22
Wuan Yuhua Iron and Steel Co., Ltd	6,000,000.00	Within 1 year	2.36
Total	211,265,602.42	-	83.01

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

6. Interests receivable

(1) Classification of interests receivable

Item	Ending balance	Beginning balance
Fixed term deposits	<u><u>13,500,234.77</u></u>	<u><u>5,782,316.41</u></u>

(2) The Company does not have any overdue interest at the end of the period

7. Dividend receivables

Item	Ending balance	Beginning balance
Bank of Communications	<u><u>800,925.00</u></u>	<u><u>0.00</u></u>

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

8. 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	45,544,706.65	100.00	29,652,633.87	65.11	15,892,072.78
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>45,544,706.65</u>	<u>100.00</u>	<u>29,652,633.87</u>	<u>-</u>	<u>15,892,072.78</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	39,236,422.14	100.00	29,522,308.78	75.24	9,714,113.36
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>39,236,422.14</u>	<u>100.00</u>	<u>29,522,308.78</u>	<u>-</u>	<u>9,714,113.36</u>

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

8. Other receivables (Continued)

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

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	4,858,129.30	319,676.59	6.58
1-2 years	1,216,835.12	608,417.56	50.00
2-3 years	698,184.10	698,184.10	100.00
Over 3 years	28,026,355.62	28,026,355.62	100.00
Total	34,799,504.14	29,652,633.87	85.21

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 deposit and petty cash, etc	10,745,202.51	0.00	0.00

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

8. Other receivables (Continued)

(2) Details of accrual, collection or reversal of bad debt allowance:

In this period, the amount of bad debt allowance accrued is RMB132,847.86; with the received or reversed bad debt allowance at the amount of RMB2,522.77.

(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	9,873,003.41	5,522,995.62
Guarantee deposit and petty cash	4,057,073.86	2,063,942.73
Item of salaries and wages	741,019.55	1,787,851.97
Others	1,220,975.96	339,323.04
Total	15,892,072.78	9,714,113.36

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (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
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	Receivables and payables	16,494,801.73	1-2 years: RMB400,000.00; 2-3 years: RMB168,184.10; 3-4 years: RMB15,926,617.63	36.22	16,294,801.73
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	Receivables and payables	3,586,331.70	Within 1 year	7.87	35,863.32
Luoyang Yongwei Machinery Co., Ltd	Receivables and payables	1,270,000.00	Within 1 year	2.79	0.00
YTO Group Corporation	Security deposits, receivables and payables	1,230,134.03	Within 1 year RMB154,059.29 1-2 years RMB16,200.00 Over 3 years RMB1,059,874.74	2.70	1,059,874.74
Luoyang Jiangyang Hardware Co., Ltd	Receivables and payables	1,060,000.00	1-2 years: RMB530,000.00; 2-3 years: RMB530,000.00	2.33	795,000.00
Total	-	<u><u>23,641,267.46</u></u>	-	<u><u>51.91</u></u>	<u><u>18,185,539.79</u></u>

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

9. 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	231,855,465.59	12,228,852.80	219,626,612.79	205,375,709.52	14,926,147.46	190,449,562.06
Work in progress	185,749,390.47	11,585,563.56	174,163,826.91	178,670,303.07	4,858,368.28	173,811,934.79
Finished goods	93,316,904.64	4,339,740.46	88,977,164.18	106,356,510.67	4,479,749.97	101,876,760.70
Turnover materials	5,825,458.24	162,053.01	5,663,405.23	5,857,736.31	679,230.72	5,178,505.59
Total	516,747,218.94	28,316,209.83	488,431,009.11	496,260,259.57	24,943,496.43	471,316,763.14

(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	14,926,147.46	0.00	0.00	2,697,294.66	0.00	12,228,852.80
Work in progress	4,858,368.28	8,027,996.57	0.00	1,300,801.29	0.00	11,585,563.56
Finished goods	4,479,749.97	130,236.18	0.00	270,245.69	0.00	4,339,740.46
Turnover materials	679,230.72	0.00	0.00	517,177.71	0.00	162,053.01
Total	24,943,496.43	8,158,232.75	0.00	4,785,519.35	0.00	28,316,209.83

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

9. Inventories (Continued)

(3) *Accrual of inventories price falling provision*

Item	Specific basis to determine the net realizable value	Reason of reversal or write-off in this year
Raw materials	The market price at period end less the expenses estimated to incur	Value recovery or sale
Work in progress	The market price at period end less the expenses estimated to incur	Value recovery or sale
Finished goods	The market price at period end less the expenses estimated to incur	Value recovery or sale
Turnover materials	The market price at period end less the expenses estimated to incur	Value recovery or sale

10. Other current assets

Item	Ending balance	Beginning balance
Deferred expenses	7,955,504.54	0.00
Entrusted loans	178,600,000.00	165,000,000.00
Structured deposit	50,000,000.00	177,000,000.00
Financial product	400,000,000.00	500,000,000.00
Prepaid enterprise income tax	20,469,772.87	7,520,537.97
VAT left for deduction	276,347,117.32	279,696,336.15
Total	933,372,394.73	1,129,216,874.12

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

11. 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:	18,172,000.00	0.00	18,172,000.00	17,021,500.00	0.00	17,021,500.00
Measured at fair value	18,172,000.00	0.00	18,172,000.00	17,021,500.00	0.00	17,021,500.00
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
Measured at cost	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	<u><u>132,494,800.00</u></u>	<u><u>4,322,800.00</u></u>	<u><u>128,172,000.00</u></u>	<u><u>131,344,300.00</u></u>	<u><u>4,322,800.00</u></u>	<u><u>127,021,500.00</u></u>

(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	5,256,363.64	0.00	0.00	5,256,363.64
Fair value	18,172,000.00	0.00	0.00	18,172,000.00
Accumulated other comprehensive income from changes on fair value	<u>12,915,636.36</u>	<u>0.00</u>	<u>0.00</u>	<u>12,915,636.36</u>
Impairment amount accrued	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

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

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

Invested company	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 current period	Decrease in the current period		Beginning balance	Increase in the current period	Decrease in the current period			
Beijing Zhongnongwang Technology Co., Ltd. <i>(Note 1)</i>	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. <i>(Note 2)</i>	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	6.675	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>

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 and drawn the related assigned staff back. Full impairment has been provided for the investment in this company.

Note 2: Full impairment has been made on investments in Nanyang Xiangrui Agricultural Equipment Co., Ltd and YTO (Luoyang) Dongfanghong Tire Company by the Group due to their poor management performance.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

11. 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	0.00
Ending balance for impairment accrued	0.00	0.00	4,322,800.00	4,322,800.00

12. Long-term equity investments

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investments to subsidiaries	2,873,773,452.59	18,950,000.00	2,854,823,452.59	2,678,237,023.62	18,950,000.00	2,659,287,023.62
Investments to joint ventures and associate enterprises	150,180,481.33	7,004,515.65	143,175,965.68	155,368,337.06	7,004,515.65	148,363,821.41
Total	3,023,953,933.92	25,954,515.65	2,997,999,418.27	2,833,605,360.68	25,954,515.65	2,807,650,845.03

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

12. 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 <i>(Note 1)</i>	300,737,040.00	195,536,428.97	0.00	496,273,468.97	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	485,040,302.00	0.00	0.00	485,040,302.00	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	32,140,599.14	0.00	0.00	32,140,599.14	0.00	0.00
YTO (Luoyang) Flag Auto-Body Company Limited	77,192,767.62	0.00	0.00	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	2,678,237,023.62	195,536,428.97	0.00	2,873,773,452.59	0.00	18,950,000.00

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

12. Long-term equity investments (Continued)

(1) Investments to subsidiaries (Continued)

Note 1: The eighth meeting of the seventh board of directors of the Company was held on 28 December 2016. The meeting reviewed and approved 'The bill on the capital increases of EUR 26 million by First Tractor Company Limited to YTO France SAS'. The Company made the first phase capital increase payment of EUR 10 million in March 2017, and the second phase capital increase payment of EUR 16 million in June 2017.

(2) Investments to joint ventures and associate enterprises

Investment company	Beginning balance	Additional investment	Reduced investment	Changes of increase or decrease in this period						Ending balance	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. Associate enterprises											
II. Joint ventures											
ZF & YTO (Luoyang) Drive Axle Co., Ltd.	147,407,051.85	0.00	0.00	1,919,203.98	0.00	0.00	7,056,000.00	0.00	0.00	142,270,255.83	0.00
YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd.	956,769.56	0.00	0.00	-51,059.71	0.00	0.00	0.00	0.00	0.00	905,709.85	0.00
Luoyang Fusaiite 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>155,368,337.06</u>	<u>0.00</u>	<u>0.00</u>	<u>1,868,144.27</u>	<u>0.00</u>	<u>0.00</u>	<u>7,056,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>150,180,481.33</u>	<u>7,004,515.65</u>

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

13. Fixed assets

(1) Details of fixed assets

Item	Houses and buildings	Machine and equipment	Transportation equipment	Electronic and office equipment	Other equipment	Total
I. Original book balance						
1. Beginning balance	1,072,152,412.58	2,404,001,274.43	28,619,850.36	75,528,267.81	7,866,783.58	3,588,168,588.76
2. Increase amount in this year	5,248,403.94	49,964,291.03	690,563.65	619,753.66	1,452.14	56,524,464.42
(1) Purchase	22,964.10	920,105.44	54,253.56	260,776.06	1,452.14	1,259,551.30
(2) Transferred from construction in progress	5,225,439.84	49,044,185.59	636,310.09	358,977.60	0.00	55,264,913.12
(3) Others	0.00	0.00	0.00	0.00	0.00	0.00
3. Decrease amount in this year	59,234.23	8,743,436.10	720,638.90	3,023,108.66	0.00	12,546,417.89
(1) Disposal of scrapped	59,234.23	8,743,436.10	720,638.90	3,023,108.66	0.00	12,546,417.89
(2) Others	0.00	0.00	0.00	0.00	0.00	0.00
4. Ending balance	1,077,341,582.29	2,445,222,129.36	28,589,775.11	73,124,912.81	7,868,235.72	3,632,146,635.29
II. Accumulated depreciation						
1. Beginning balance	521,640,194.64	1,377,778,416.33	17,326,583.25	45,120,082.76	3,930,659.80	1,965,795,936.78
2. Increase amount in this year	12,766,351.67	75,821,528.78	993,413.33	1,335,355.95	334,921.66	91,251,571.39
(1) Provision	12,766,351.67	75,821,528.78	993,413.33	1,335,355.95	334,921.66	91,251,571.39
3. Decrease amount in this year	24,432.16	7,825,414.54	582,285.83	2,583,457.06	0.00	11,015,589.59
(1) Disposal of scrapped	24,432.16	7,825,414.54	582,285.83	2,583,457.06	0.00	11,015,589.59
4. Ending balance	534,382,114.15	1,445,774,530.57	17,737,710.75	43,871,981.65	4,265,581.46	2,046,031,918.58
III. Impairment provision						
1. Beginning balance	0.00	4,797,637.08	11,663.13	0.00	207,849.68	5,017,149.89
2. Increase amount in this year	0.00	0.00	0.00	0.00	0.00	0.00
(1) Provision	0.00	0.00	0.00	0.00	0.00	0.00
3. Decrease amount in this year	0.00	0.00	0.00	0.00	0.00	0.00
(1) Disposal of scrapped	0.00	0.00	0.00	0.00	0.00	0.00
4. Ending balance	0.00	4,797,637.08	11,663.13	0.00	207,849.68	5,017,149.89
IV. Book value						
1. Ending balance of book value	542,959,468.14	994,649,961.71	10,840,401.23	29,252,931.16	3,394,804.58	1,581,097,566.82
2. Beginning balance of book value	550,512,217.94	1,021,425,221.02	11,281,603.98	30,408,185.05	3,728,274.10	1,617,355,502.09

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

13. Fixed assets (Continued)

(1) Details of fixed assets (Continued)

Note: The depreciation amount recognized into the current period profit or loss is RMB91,251,571.39.

In the amount increased in this period of fixed assets, the amount transferred in from construction in progress is RMB55,264,913.12.

The current period gain in the sales of fixed assets is RMB115,517.20.

The original cost in the ending balance of fixed assets which have been fully depreciated but are still in use is RMB872,154,185.27.

(2) Fixed assets leased out under operating leases

Item	Ending balance of book value
Houses and buildings	198,938,082.56
Machinery, equipment and other equipment	18,102,984.91

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

None.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

14. Construction in progress

(1) Details 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	5,400,764.62	0.00	5,400,764.62	14,342,024.77	0.00	14,342,024.77
Agricultural high-power diesel engine project	145,399,596.28	0.00	145,399,596.28	144,266,230.70	0.00	144,266,230.70
New giant parts workshop of No. 3 Assembling Factory	5,165,207.62	0.00	5,165,207.62	5,074,905.98	0.00	5,074,905.98
Forged crankshaft machining line project	4,564,037.25	0.00	4,564,037.25	4,401,730.99	0.00	4,401,730.99
Application of new intelligent manufacturing model of wheeled tractor project	61,604,658.35	0.00	61,604,658.35	938,358.49	0.00	938,358.49
Others	67,125,010.29	10,018,891.54	57,106,118.75	90,161,135.97	10,018,891.54	80,142,244.43
Total	289,259,274.41	10,018,891.54	279,240,382.87	259,184,386.90	10,018,891.54	249,165,495.36

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

14. Construction in progress (Continued)

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

Item name	Beginning balance	Increase in this period Amount	Amount transferred into fixed assets in the period	Amount of other decrease in the period	Ending balance
Core capacity upgrading project on new wheeled tractor	14,342,024.77	342,616.75	9,276,900.00	6,976.90	5,400,764.62
Agricultural high-power diesel engine project	144,266,230.70	1,314,000.00	0.00	180,634.42	145,399,596.28
New giant parts workshop of No. 3 Assembling Factory	5,074,905.98	93,010.69	0.00	2,709.05	5,165,207.62
Forged crankshaft machining line project	4,401,730.99	168,798.46	0.00	6,492.20	4,564,037.25
Application of new intelligent manufacturing model of wheeled tractor project	938,358.49	68,100,383.76	0.00	7,434,083.90	61,604,658.35
Others	90,161,135.97	27,795,483.04	45,988,013.12	4,843,595.60	67,125,010.29
Total	<u>259,184,386.90</u>	<u>97,814,292.70</u>	<u>55,264,913.12</u>	<u>12,474,492.07</u>	<u>289,259,274.41</u>

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

14. Construction in progress (Continued)

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

Item 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	92.00	100.00	0.00	0.00	0.00	Fund-raising
Agricultural high-power diesel engine project	199,000,000.00	98.00	99.00	12,829,031.02	0.00	4.404-6.9	Fund-raising
New giant parts workshop of No. 3 Assembling Factory	93,000,000.00	88.00	95.00	0.00	0.00	0.00	Self-funded
Forged crankshaft machining line project	58,000,000.00	89.00	100.00	819,901.92	0.00	4.404-6.9	Self-funded
Application of new intelligent manufacturing model of wheeled tractor project	349,700,000.00	19.00	35.00	0.00	0.00	0.00	Self-funded
Total	<u>1,296,000,000.00</u>	<u>-</u>	<u>-</u>	<u>13,648,932.94</u>	<u>0.00</u>	<u>-</u>	<u>-</u>

(3) *There is no situation of newly increased accruals on the impairment provision for construction in progress in this period.*

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

15. Intangible assets

(1) Situation of intangible assets

Item	Land use right	Patent right	Trademark	Software	Total
I. Book value					
1. Beginning balance	554,719,439.40	1,477,553.68	59,501,000.00	35,846,520.16	651,544,513.24
2. Amount increased in this period	0.00	0.00	0.00	436,315.60	436,315.60
(1) Purchase	0.00	0.00	0.00	436,315.60	436,315.60
(2) Internal research and development	0.00	0.00	0.00	0.00	0.00
(3) Others	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
(1) Disposal	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	36,282,835.76	651,980,828.84
II. Accumulated amortization					
1. Beginning balance	70,827,263.29	481,163.47	0.00	25,493,584.28	96,802,011.04
2. Amount increased in this period	6,930,882.60	84,468.72	0.00	1,617,046.75	8,632,398.07
(1) Accrual	6,930,882.60	84,468.72	0.00	1,617,046.75	8,632,398.07
3. Amount decreased in this period	0.00	0.00	0.00	0.00	0.00
(1) Disposal	0.00	0.00	0.00	0.00	0.00
4. Ending balance	77,758,145.89	565,632.19	0.00	27,110,631.03	105,434,409.11
III. Impairment provision					
1. Beginning balance	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
(1) Accrual	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
(1) Disposal	0.00	0.00	0.00	0.00	0.00
4. Ending balance	0.00	0.00	0.00	0.00	0.00
IV. Book value					
1. Ending balance of book value	476,961,293.51	911,921.49	59,501,000.00	9,172,204.73	546,546,419.73
2. Beginning balance of book value	483,892,176.11	996,390.21	59,501,000.00	10,352,935.88	554,742,502.20

Note: There was no situation of the land use right on which the certificate of the right to use has not yet obtained.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

16. Long-term deferred expenses

Item	Beginning balance	Amount increased in this period	Amortization amount in this period	Other decrease amount	Ending balance
Mould amortization	29,596,521.81	3,242,269.50	5,255,993.64	0.00	27,582,797.67
Maintenance cost amortization	6,821,504.26	429,588.06	565,081.42	213,675.21	6,472,335.69
Others	329,989.10	597,435.90	63,447.47	0.00	863,977.53
Total	<u>36,748,015.17</u>	<u>4,269,293.46</u>	<u>5,884,522.53</u>	<u>213,675.21</u>	<u>34,919,110.89</u>

17. 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
Inventories price falling provision	28,316,209.82	4,247,431.48	24,943,496.43	3,741,524.46
Termination welfare	12,544,869.43	1,881,730.41	13,811,562.51	2,071,734.38
Wages payable and accrued expense	63,857,593.77	9,578,639.07	33,541,291.40	5,031,193.71
Deferred revenue	74,752,363.82	11,212,854.57	62,882,245.64	9,432,336.85
Total	<u>179,471,036.84</u>	<u>26,920,655.53</u>	<u>135,178,595.98</u>	<u>20,276,789.40</u>

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

17. 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	<u>12,915,636.36</u>	<u>1,937,345.45</u>	<u>11,765,136.36</u>	<u>1,764,770.45</u>

(3) *Deductible temporary difference of unrecognized deferred tax assets*

Item	Ending balance	Beginning balance
Bad debt provision	207,166,579.86	197,916,030.52
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	5,017,149.89	5,017,149.89
Impairment provision of construction in progress	10,018,891.54	10,018,891.54
Total	<u>252,479,936.94</u>	<u>243,229,387.60</u>

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

18. Short term loans

(1) Classification of short term loans

Item	Ending balance	Beginning balance
Credit loans	<u><u>1,677,440,000.00</u></u>	<u><u>1,393,700,000.00</u></u>

(2) The Company does not have any overdue short term loans not paid at the end of the period.

19. Notes payable

Categories	Ending balance	Beginning balance
Commercial acceptance notes	758,293,618.19	1,102,916,993.14
Bank acceptance notes	103,092,969.24	58,057,729.81
Total	<u><u>861,386,587.43</u></u>	<u><u>1,160,974,722.95</u></u>

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

20. Accounts payable

(1) Listing of accounts payable

Item	Ending balance	Beginning balance
Purchase payable	833,913,299.48	786,292,388.27
Construction materials payable	77,767,965.24	64,458,927.39
Service fee payable	0.00	0.00
Others	450,086.83	164,023.00
Total	912,131,351.55	850,915,338.66

(2) Aging analysis of accounts payable

Item	Ending balance	Beginning balance
Within 1 year	783,740,238.34	740,862,242.71
1–2 years	44,084,239.08	24,819,108.44
2–3 years	10,333,370.80	58,019,619.97
Over 3 years	73,973,503.33	27,214,367.54
Total	912,131,351.55	850,915,338.66

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

20. 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
YTO (Luoyang) Pioneer Equipment Technology Co., Ltd	15,913,925.07	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
Total	73,927,622.04	–

21. Advances from customers

(1) Listing of advances from customers

Item	Ending balance	Beginning balance
Within 1 year (including 1 year)	115,592,487.07	114,411,690.97
Over 1 year	6,035,293.33	4,116,916.03
Total	121,627,780.40	118,528,607.00

Significant advances from customers aged over 1 year: None.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

22. 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	27,443,087.61	278,008,648.38	275,553,073.06	29,898,662.93
II. Post-employment welfare				
– Defined contribution plan	278,045.99	42,124,965.16	42,403,011.15	0.00
III. Termination welfare	13,811,562.51	3,025,428.82	4,292,121.90	12,544,869.43
Total	<u>41,532,696.11</u>	<u>323,159,042.36</u>	<u>322,248,206.11</u>	<u>42,443,532.36</u>

(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	20,237,054.00	182,693,290.89	182,897,739.02	20,032,605.87
II. Staff welfare	0.00	16,464,203.15	15,154,184.85	1,310,018.30
III. Social securities	0.00	17,496,742.94	17,496,742.94	0.00
Including: Medical insurance	0.00	14,999,073.78	14,999,073.78	0.00
Work-related injury insurance	0.00	1,613,630.39	1,613,630.39	0.00
Maternity insurance	0.00	884,038.77	884,038.77	0.00
IV. Housing funds	507,135.56	17,456,691.00	17,963,597.56	229.00
V. Labor union & education funds	6,462,523.37	6,297,250.47	4,440,338.76	8,319,435.08
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	37,600,469.93	37,600,469.93	236,374.68
Total	<u>27,443,087.61</u>	<u>278,008,648.38</u>	<u>275,553,073.06</u>	<u>29,898,662.93</u>

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

22. 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 endowment insurance	0.00	33,572,850.54	33,572,850.54	0.00
2. Unemployment insurance premium	0.00	1,829,321.37	1,829,321.37	0.00
3. Enterprise annuity payment	278,045.99	6,722,793.25	7,000,839.24	0.00
Total	278,045.99	42,124,965.16	42,403,011.15	0.00

23. Taxes payable

Item	Ending balance	Beginning balance
Value-added tax (VAT)	10,371.93	7,500.55
Urban maintenance and construction tax	541.24	525.04
Property tax	4,561,722.36	2,931,185.88
Land use tax	901,313.19	901,313.19
Individual income tax	318,683.24	2,687,121.18
Education surcharge	386.60	375.03
Other taxes	88,469.90	198,438.90
Total	5,881,488.46	6,726,459.77

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

24. Interests payable

Item	Ending balance	Beginning balance
Interest payable on corporate bonds	15,097,040.92	50,334,301.15
Interests payable on short term loans	3,450,000.00	4,229,750.00
Total	18,547,040.92	54,564,051.15

25. Dividend payables

Item	Ending balance	Beginning balance
Common stock dividend	54,466,423.70	0.00

26. Other payables

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

Item	Ending balance	Beginning balance
Receivables and payables between companies	94,675,087.12	85,166,567.78
Security on deposits	51,565,836.43	51,641,473.67
Expenses payable	2,645,789.80	1,247,864.70
Collections and payments on behalf of others	12,114,373.35	9,023,425.75
Others	8,728,847.78	5,090,838.30
Total	169,729,934.48	152,170,170.20

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

26. 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) Flag Auto-Body Company Limited	3,300,000.00	Unsettled
Total	52,640,612.33	–

27. Non-current liabilities due within one year

Item	Ending balance	Beginning balance
Long-term loans due within 1 year	19,374,000.00	18,267,000.00
Bonds payable due within 1 year	1,497,933,809.42	0.00
Deferred revenue due within 1 year	10,805,363.64	12,500,363.64
Total	1,528,113,173.06	30,767,363.64

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

28. Others current liabilities

Item	Ending balance	Beginning balance
Sales and three guarantees service charge	31,442,963.38	11,049,424.40
Agent fees	0.00	2,100,000.00
Others	12,382,024.52	154,813.00
Total	43,824,987.90	13,304,237.40

29. Long-term loans

(1) Classification of long-term loans

Item	Ending balance	Beginning balance
Credit loans	19,374,000.00	27,400,500.00
Less: The portion due within one year	19,374,000.00	18,267,000.00
Total	0.00	9,133,500.00

(2) Due date analysis of long-term loans

Item	Ending balance	Beginning balance
1-2 years	0.00	9,133,500.00

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

30. Bonds payable

(1) Bonds payable

Item	Ending balance	Beginning balance
12 YTO 01 Corporate bond	0.00	798,604,059.50
12 YTO 02 Corporate bond	0.00	698,090,936.56
Total	0.00	1,496,694,996.06

(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	Term of bond	Amount issued	Beginning balance	Amount issued in the current period	Interest accrued on face value	Amortization on premiums or discounts	Others	Ending balance
12 YTO 01 Corporate bond	800,000,000.00	2013-3-4	5 years	794,550,000.00	798,604,059.50	0.00	0.00	584,280.59	-799,188,340.09	0.00
12 YTO 02 Corporate bond	700,000,000.00	2013-5-30	5 years	693,734,150.95	698,090,936.56	0.00	0.00	654,532.77	-698,745,469.33	0.00
Total	1,500,000,000.00	—	—	1,488,284,150.95	1,496,694,996.06	0.00	0.00	1,238,813.36	-1,497,933,809.42	0.00

Note: 'Other' is the corporate debts due within one year transferred into the current liabilities.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

30. Bonds payable (Continued)

(3) *Notes on the other financial instruments which are classified as financial liabilities: None.*

31. Deferred revenue

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance	Reason of formation
Government grants	113,239,856.95	17,348,500.00	6,726,458.82	123,861,898.13	Government grants

Projects related to government grants:

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
High power non-road used diesel engine	49,000,000.00	0.00	0.00	0.00	49,000,000.00	Related to assets
Core ability promotion of new wheeled tractors	45,945,454.54	0.00	0.00	2,418,181.82	43,527,272.72	Related to assets
Project of the energy saving and environmental protection diesel engine crankshaft machining production line	4,275,000.00	0.00	0.00	270,000.00	4,005,000.00	Related to assets

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

31. Deferred revenue (Continued)

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
The first batch of the state appropriated funds for the integrated development and matching of the whole machine on medium power energy-saving and environmental protection agricultural diesel engines	3,380,000.00	2,307,200.00	21,277.00	0.00	5,665,923.00	Related to revenue
Grants for C series government projects	2,864,000.00	0.00	0.00	358,000.00	2,506,000.00	Related to assets
Power shift heavy duty tractors with the annual output of 1,000 HP	2,375,000.00	0.00	0.00	125,000.00	2,250,000.00	Related to assets
Research and application of the key technology of the fully automatic intelligent precision forging demonstration line	2,000,000.00	0.00	2,000,000.00	0.00	0.00	Related to revenue
Technical transformation of wheeled tractors	1,384,000.00	0.00	0.00	1,384,000.00	0.00	Related to assets
Demonstration and verification of a new pattern of personalized rapid customization and intelligent manufacturing of equipment complex parts	1,000,000.00	0.00	0.00	0.00	1,000,000.00	Related to revenue
Research on key technology and whole machine development of tractors in hilly and mountainous area	734,000.00	501,300.00	0.00	0.00	1,235,300.00	Related to revenue
Henan Provincial Engineering Laboratory of rapid prototyping technology for agricultural machinery castings	150,000.00	0.00	150,000.00	0.00	0.00	Related to revenue
Application of new intelligent manufacturing model of wheeled tractor project	0.00	11,900,000.00	0.00	0.00	11,900,000.00	Related to assets

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

31. Deferred revenue (Continued)

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
Project of intelligent control technology research and industry optimization of agricultural machineries	0.00	2,040,000.00	0.00	0.00	2,040,000.00	Related to revenue
Intelligent tractor positioning and remote monitoring system	0.00	600,000.00	0.00	0.00	600,000.00	Related to revenue
Other item	132,402.41	0.00	0.00	0.00	132,402.41	Related to revenue
Total	<u>113,239,856.95</u>	<u>17,348,500.00</u>	<u>2,171,277.00</u>	<u>4,555,181.82</u>	<u>123,861,898.13</u>	-

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

32. Share capital

Item	Beginning balance	Increase or decrease in the current period (+, -)				Subtotal	Ending balance
		Issue new stock	Bonus share	Equity fund transferred into shares	Others		
Total shares	<u>995,900,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>-10,050,000.00</u>	<u>-10,050,000.00</u>	<u>985,850,000.00</u>

Note: Other change is the cancellation of H shares in this year. Please see the 'Notes III. General information of the Company' for details.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

33. Capital reserve

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Capital stock premium (Share capital premium)	1,953,153,395.43	0.00	27,001,051.34	1,926,152,344.09
Others capital reserve	<u>64,872,267.48</u>	<u>0.00</u>	<u>0.00</u>	<u>64,872,267.48</u>
Total	<u><u>2,018,025,662.91</u></u>	<u><u>0.00</u></u>	<u><u>27,001,051.34</u></u>	<u><u>1,991,024,611.57</u></u>

Note: The current period decrease is that the difference between the reduced company registered capital and the treasury stock of RMB27,001,051.34 was recognized as the capital reserve.

34. Treasury stock

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Repurchase of H shares	<u>19,140,912.00</u>	<u>17,910,139.34</u>	<u>37,051,051.34</u>	<u><u>0.00</u></u>

Note: For the change in the current period, please refer to the statement in the Note 'III. General information of the Company' for details.

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

35. Other comprehensive income

Item	Beginning balance	Amount increased in this period					Ending balance
		Amount before income tax 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	10,000,365.91	1,150,500.00	0.00	172,575.00	977,925.00	0.00	10,978,290.91
Profit or loss from fair value change of available-for-sale financial assets	10,000,365.91	1,150,500.00	0.00	172,575.00	977,925.00	0.00	10,978,290.91
Total other comprehensive income	<u>10,000,365.91</u>	<u>1,150,500.00</u>	<u>0.00</u>	<u>172,575.00</u>	<u>977,925.00</u>	<u>0.00</u>	<u>10,978,290.91</u>

36. Special reserves

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Safety production costs	<u>0.00</u>	<u>3,807,701.00</u>	<u>3,807,701.00</u>	<u>0.00</u>

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

37. Surplus reserves

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Statutory surplus reserves	349,414,935.51	0.00	0.00	349,414,935.51

38. Retained earnings

Item	Current period	Last period
Ending balance of the last year	1,634,260,306.70	1,367,616,267.12
Add: Retained earnings adjustment on the beginning balance	0.00	0.00
Beginning balance of the current period	1,634,260,306.70	1,367,616,267.12
Add: Net profit attributable to owners of the parent company in the current period	18,870,668.53	222,901,586.86
Less: Accrual of statutory surplus reserves	0.00	0.00
Accrual of discretionary surplus reserves	0.00	0.00
Appropriation to general risks reserves	0.00	0.00
Dividends payable on common stock	56,193,450.00	40,831,900.00
Ending balance of current period	1,596,937,525.23	1,549,685,953.98

39. Operating revenue and operating cost:

Item	Amount in this period		Amount in last period	
	Revenue	Cost	Revenue	Cost
Main business	3,005,490,703.49	2,731,838,976.98	3,807,985,155.86	3,322,759,305.70
Other business	33,159,119.27	2,208,997.33	30,759,749.56	389,696.30
Total	3,038,649,822.76	2,734,047,974.31	3,838,744,905.42	3,323,149,002.00

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

40. Investment income

Item	Amount in this period	Amount in last period
Long-term equity investments measured by cost method	0.00	29,802,000.00
Long-term equity investments measured by equity method	1,868,144.27	8,478,089.73
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 from financial assets such as available-for-sale, etc.	800,925.00	0.00
Investment income on disposal of available-for-sale financial assets	-679,049.74	0.00
After the loss of control, gains from re-measuring the remaining equity at fair value	0.00	0.00
Others	0.00	192,000.00
Total	1,990,019.53	38,472,089.73

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XVI. SUPPLEMENTARY INFORMATION

1. Details of current period extra-ordinary profit or loss

Item	Amount	Note
Disposal gains or loss from non-current assets	-391,959.48	
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)	27,745,231.58	
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	-113,611.28	
Gain or loss on corporation restructuring	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	

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XVI. SUPPLEMENTARY INFORMATION (CONTINUED)

1. Details of current period extra-ordinary profit or loss (Continued)

Item	Amount	Note
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	-8,119,610.86	
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	20,078,091.05	
Gain or loss from other extraordinary items	0.00	
Subtotal	39,198,141.01	
Effects on income tax	-4,978,938.82	
Effects on non-controlling interests (after tax)	<u>-2,944,600.79</u>	
Total	<u><u>31,274,601.40</u></u>	

X FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XVI. 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	0.67	0.0326	0.0326
Net profit attributable to shareholders of the parent after non-operating profit or loss	0.02	0.0010	0.0010

XI. DOCUMENTS AVAILABLE FOR INSPECTION

Documents available for inspection	2017 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 2017 Interim Report signed by the Directors and senior management of the Company

Chairman: Zhao Yanshui

The date of approval by the Board for submission: 24 August 2017