



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

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

Stock code: 0038.HK 601038.SH



INTERIM REPORT **2019**

IMPORTANT NOTICE

I. The board of directors (the “**Board**”) and board of supervisors (the “**Board of Supervisors**”) of First Tractor Company Limited (the “**Company**”), and its directors (the “**Directors**”), supervisors (the “**Supervisors**”) and senior management confirm that there are no false information, misleading statements or material omissions contained in this interim report (“**Interim Report**”), and severally and jointly accept responsibility for the truthfulness, accuracy and completeness of the contents therein.

II. Directors absent at the Board meeting

Position of absent director	Name of absent director	Reason for absence	Name of proxy
Chairman	Li Xiaoyu	Business engagement	Cai Jibo
Director	Zhou Honghai	Business engagement	Li Hepeng

III. The Interim Report was unaudited.

IV. Mr. Li Xiaoyu (the person in charge of the Company), Mr. Zhao Junfen (the person in charge of the accounting function) and Mr. Yao Weidong (the person in charge of the Accounting Department and the accounting manager) have declared and confirmed the truthfulness, accuracy and completeness of the financial statements in the Interim Report.

V. Proposal of profit distribution or proposal of capitalization from capital reserves for the six months ended 30 June 2019 (“**Reporting Period**”) as considered by the Board

Nil. Payment of any interim dividend for the six months ended 30 June 2019 was not recommended (2018: Nil).

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

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

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

No

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

No

IX. Significant risks warning

Please refer to Section IV “Management Discussion and Analysis” of this Interim Report for details.

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I DEFINITIONS

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

DEFINITION OF COMMONLY USED TERMS

The Company/ Company	First Tractor Company Limited (第一拖拉機股份有限公司) and its controlled subsidiaries
controlled subsidiary	a company held as to more than 50% shares or equity interest by the Company, or a company actually controlled by the Company through agreement and arrangement
subsidiary	a subsidiary as defined under the Listing Rules of the Stock Exchange
YTO	YTO Group Corporation (中國一拖集團有限公司), the controlling shareholder of the Company
Sinomach	China National Machinery Industry Corporation (中國機械工業集團有限公司), the ultimate controlling shareholder 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
Xinjiang Equipment Company	YTO (Xinjiang) Dongfanghong Equipment Machinery Company Limited (一拖(新疆)東方紅裝備機械有限公司), 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 Foundry and Forging	YTO (Luoyang) Foundry and Forging Company Limited (一拖(洛陽)鑄鍛有限公司), a wholly-owned subsidiary of the Company

I DEFINITIONS (CONTINUED)

YTO Flag	YTO (Luoyang) Flag Auto-Body Company Limited (一拖(洛陽)福萊格車身有限公司), a wholly-owned subsidiary of the Company
YTO Heilongjiang	YTO Heilongjiang Agricultural Equipment Co., Ltd. (一拖黑龍江農業裝備有限公司), 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 Belarus Technology	YTO Belarus Technology Company Limited (一拖白俄技術有限公司), a wholly-owned 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 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)
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 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 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
Yangdong Company	Yangdong Company Limited (揚動股份有限公司), a controlled subsidiary of the Company
CAMACO	China-Africa Machinery Corp. (中非重工投資有限公司), a controlled subsidiary of the Company

I DEFINITIONS (CONTINUED)

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
Brilliance China	Brilliance China Machinery Holdings Co., Ltd (華晨中國機械控股有限公司), a controlled subsidiary of the Company
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
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
Bank of Luoyang	Bank of Luoyang Co.,Ltd. (洛陽銀行股份有限公司), an equity participating company of the Company
Luoyin Leasing	Luoyin Financial Leasing Co.,Ltd. (洛銀金融租賃股份有限公司), an equity participating company of the Company
auditor	the financial statement auditor, Da Hua Certified Public Accountants (Special General Partnership), appointed by the Company as the Company's auditor for the year of 2019
CBIRC	China Banking and Insurance Regulatory Commission
CSRC	China Securities Regulatory Commission
SASAC	State-owned Assets Supervision and Administration Commission of the State Council of the PRC
Prospectus	Prospectus for the Initial Public Offerings of A shares of First Tractor Company Limited prepared by the Company according to the relevant laws and regulations

I DEFINITIONS (CONTINUED)

Shanghai Stock Exchange	the Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
Listing Rules of the Shanghai Stock Exchange	Listing Rules of the Shanghai Stock Exchange (as amended from time to time)
Listing Rules of the Stock Exchange	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
A Share(s)	ordinary share(s) as approved by the CSRC which are issued to domestic investors and qualified foreign investors, traded on the PRC domestic stock exchange, denominated, subscribed for and traded in RMB
H Share(s)	ordinary share(s) as approved by the CSRC which are issued to foreign investors, and listed with the approval of the Stock Exchange, denominated in RMB, subscribed for and traded in Hong Kong dollars
agricultural machinery	various machinery used in the crop farming and animal husbandry production, and the primary processing and treatment of agricultural and animal products
power machinery	products including diesel engine and fuel injection pump
hi-powered wheeled tractor	wheeled tractor with horsepower of 100 (inclusive) or above
mid-powered wheeled tractor	wheeled tractor with horsepower of 25 (inclusive) to 100
crawler tractor	tractor with crawler as walking device
diesel engine	internal combustion engine that uses diesel as fuel

II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

I. INFORMATION OF THE COMPANY

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

II. CONTACT PERSONS AND METHODS

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

III. INTRODUCTION OF 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
Search index of changes during the Reporting Period	/

II COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

IV. INFORMATION DISCLOSURE AND CHANGES IN PLACE FOR DOCUMENTS INSPECTION

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

V. BASIC INFORMATION OF SHARES

Type	Stock exchange for listing	Abbreviation of shares	Stock code	Abbreviation of shares prior to the change
A Share	Shanghai Stock Exchange	一拖股份	601038	/
H Share	Stock Exchange	First Tractor	00038	/

II COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

VI. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(I) Key Accounting Data

Unit: Yuan Currency: RMB

Key accounting data	For the Reporting Period (January to June)	For the corresponding period of last year	Year-on-year increase/decrease during the Reporting Period (%)
Total operating revenue	3,425,973,267.68	3,581,389,966.87	-4.34
Operating revenue	3,376,284,242.98	3,509,417,965.49	-3.79
Net profit attributable to the shareholders of the listed company	19,612,525.70	-144,979,881.65	N/A
Net profit attributable to the shareholders of the listed company after deduction of non-recurring profit or loss	-65,158,017.08	-231,381,892.99	N/A
Net cash flows from operating activities	438,522,196.92	-482,419,228.94	N/A
	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 the shareholders of the listed company	4,029,470,790.21	4,007,081,663.62	0.56
Total assets	13,015,259,242.52	13,140,741,755.99	-0.95

II COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

VI. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY (CONTINUED)

(II) Key Financial Indicators

Key Financial Indicators	For the Reporting Period (January to June)	For the corresponding period of last year	Year-on-year increase/decrease during the Reporting Period (%)
Basic earnings per share (Yuan/share)	0.0199	-0.1471	N/A
Diluted earnings per share (Yuan/share)	0.0199	-0.1471	N/A
Basic earnings per share after deduction of non-recurring profit or loss items (Yuan/share)	-0.0661	-0.2347	N/A
Weighted average return on net assets (%)	0.49	-2.80	Increased by 3.29 percentage points
Weighted average return on net assets after deduction of non- recurring profit or loss items (%)	-1.62	-4.47	Increased by 2.85 percentage points

Explanation on the Key Accounting Data and Financial Indicators of the Company

During the Reporting Period, the company actively took various measures. By improving marketing capabilities, strengthening cost management and control, and actively revitalizing inefficient and idle assets, the Company's performance experienced a turnaround while the operating revenue was broadly flat.

II COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

VII. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

Unit: Yuan Currency: RMB

Non-recurring profit or loss Items	Amounts	Notes (if applicable)
Profit or loss from disposal of non-current assets	-50,437.30	
Government grants credited to current profit or loss (except for those which are closely related to the Company's ordinary business, in accordance with the PRC national policies and continuously received government grants in certain standard amounts and quantities)	27,454,426.20	
Gain or loss from debt restructuring	-420,000.00	
Profit or loss from changes in fair value arising from holding held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities and derivative financial liabilities, and investment income from disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investments (except for effective hedging business related to the Company's ordinary business)	50,343,150.61	
Non-operating income and expenses other than those stated above	6,155,853.65	
Other profit and loss items that meet the definition of non-recurring profit or loss Items	22,714,314.58	Investment income from disposal of subsidiaries
Impact on minority shareholders equity interests	-12,438,454.24	
Effects on income tax	-8,988,310.72	
Total	<u><u>84,770,542.78</u></u>	

III OVERVIEW OF THE BUSINESS OF THE COMPANY

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

The current principal business segments of the Company include agricultural machinery business, power machinery business and finance business. In particular, the agricultural machinery business includes research and development, manufacturing and sales of the whole series of wheeled and crawler tractors adaptable to different working environments such as dry fields, paddy fields and orchards, and their key components including castings, gears, gear boxes and cover that are used in agricultural production. 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 off-road 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 for the corporate group within the approved scope.

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” as set out herein for the details of the industry situation during the Reporting Period.

2. 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 RMB13,015.2592 million, of which assets outside the PRC was RMB234.2775 million accounting for 1.80% of the total assets.

III OVERVIEW OF THE BUSINESS OF THE COMPANY (CONTINUED)

3. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

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 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 change in the core competitiveness of the Company. For the detailed analysis of the Company's core competitiveness, please refer to the Company's 2018 Annual Report.

IV MANAGEMENT DISCUSSION AND ANALYSIS

I. DISCUSSION AND ANALYSIS ON THE COMPANY'S OPERATIONS

In the first half of 2019, the agricultural machinery industry continued to underperform. From January to June, the aggregate sales volume of hi-powered and mid-powered tractors sold by the core enterprises in the tractor industry were 114,800 units, representing a year-on-year increase of 2.43%. The Company actively grasped market changes and enhanced the effectiveness of its response strategies; vigorously carried out cost reduction and efficiency enhancement measures, improved economic operation quality, rectified the internal systems and took remedial actions towards its loss-making enterprises, and contained the declining trend of its business operation. During the first half of the year, total operating revenue of RMB3.426 billion was realized, representing a year-on-year decrease of 4.34%, and the net profit attributable to the shareholders of the listed company was RMB19.61 million, and achieved a turnaround from loss for the corresponding period of last year.

1. Focusing on market with full effort in maintaining growth

Tractor Business. Facing the severe market situation, the Company carried out works with a focus on channel optimization, service assurance and product sales improvement. Marketing channel improvement actions targeted at weak areas were carried out, new products were swiftly launched into the market. The Company announced and implemented its upgraded service promise for the year 2019, which boasted users' satisfactions with the "Dongfanhong" products. The effect of promoting sales through service was gradually seen. In the first half of the year, sales volume of "Dongfanhong" hi-powered and mid-powered tractors of the Company reached 26,200 units, representing a year-on-year increase of 13.12%, which was better than industry growth.

Power Machinery Business. During the Reporting Period, the Company actively consolidated the supporting advantages of its diesel engine in the agricultural machinery industry, and devoted more efforts to the market development in the field of construction machinery and vessel accessories. The Company accelerated product technology transformation and upgrading. Since the launch of National III high-pressure common-rail diesel engines, the product has been proved to have great performance in the Northeast Plain, the Northwest Plateau, Central China, Southern China and other regions in China from spring plough, summer harvest to autumn harvest, featured by its strong power, fuel-saving and high efficiency advantages. In the first half of the year, the Company's "Dongfanhong" diesel engines realized an external sales of 26,000 units, which were basically the same as the corresponding period of last year.

IV MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

I. DISCUSSION AND ANALYSIS ON THE COMPANY'S OPERATIONS (CONTINUED)

1. Focusing on market with full effort in maintaining growth (Continued)

International Business. The Company focused on innovating and enhancing the international business development pathway from aspects such as enhancing product adaptability, improving overseas channel layout and enriching international marketing models. The Company endeavored to deepen the development in overseas key markets such as the “Belt & Road” countries, developed machinery products catered for different agronomic characteristics of different countries, and created conditions for breakthroughs in regional key markets. In the first half of the year, the export of hi-powered and mid-powered tractors of the Company was 1,186 units in aggregate, representing a year-on-year increase of 2.77%. Benefitting from product quality and cost performance advantages, the key products of the YD series diesel engine were recognized by the overseas market, and the export business achieved breakthroughs.

Finance Business. YTO Finance focused on “service business development, prevention and control of financial risks”. In the first half of the year, while innovating the use of financial instruments and playing the role of financial services, the Company seriously carried out comprehensive risk management and achieved compliance with the supervision requirement of the China Banking and Insurance Regulatory Commission, and through conducting financial leasing and buyer credit business, sale of 849 units of tractors was achieved, representing a year-on-year increase of 94%, generating revenue of RMB121.87 million, representing a year-on-year increase of 57%.

IV MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

I. DISCUSSION AND ANALYSIS ON THE COMPANY'S OPERATIONS (CONTINUED)

2. Enhancing management and upgrading the quality of operation

In the first half of the year, the Company strived to consolidate its management foundation and optimized management. The Company continued to promote procurement and cost reduction, strengthened quality management and control and quality awareness, and implemented the boutique tractor engineering project, progressively improving product quality of the Company. The Company carried out internal industrial engineering comprehensively to further reduce waste and improve work efficiency. The Company enhanced the control of accounts receivable and inventory management, the scale of which reduced as compared with the corresponding period of last year.

3. Forging ahead with reforms to foster development

First, the Company further deepened the implementation of the management and control model adjustment, and strengthened the profit center positioning of the independent operation of subsidiaries and branches and the responsibility for business development. Second, the Company promoted the reform of the incentive mechanism and gave full play to the subjective initiative of the management team. Third, the Company continued to promote the management of loss-making enterprises and the disposal of inefficient and idle assets, effectively curbed the depletion of productivity, and improved the efficiency of asset operations. In the first half of the year, the disposal of equity interests in YTO Transportation was completed, the capital invested was recovered and a certain amount of investment gain was obtained.

IV MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

I. DISCUSSION AND ANALYSIS ON THE COMPANY'S OPERATIONS (CONTINUED)

3. Forging ahead with reforms to foster development (Continued)

Through various measures implemented in the first half of the year, the Company's market share has increased and business performance has improved significantly in the midst of the downturn in the hi-powered and mid-powered wheeled tractors industry. The in-depth adjustment of the industry and technological upgrade such as shifting from the National IV standards will speed up the elimination of those poorly performed in the industry. China attaches great importance to the development of "agriculture, farmers and rural areas", promotes the transformation and upgrade of the agricultural machinery and equipment industry and brings opportunities to the future development of the industry. While putting great efforts on the current production and operation, the Company also implemented rural revitalization strategy in light of the development trend of smart agriculture in China, and deepened the adjustment of and planning for the industry.

IV MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

I. DISCUSSION AND ANALYSIS ON THE COMPANY'S OPERATIONS (CONTINUED)

1. *Synergistic efforts to achieve growth.*

To do the best in its main business of tractors. The Company will strengthen the synergy mechanism of research, production and sales and improve the ability to cope with market changes. The preciseness and effectiveness of marketing policies will be improved, and the promotion of product sales will be enhanced. Financial instruments will be used effectively to stimulate sales in the end-user market. Diesel engine business products will be upgraded. Preparation work in technology of diesel engines for shifting from National IV to National V standards will be accelerated to maintain its technological leadership and competitive advantage in the industry. As for international market expansion, the Company will make further penetration into the key markets, and provide adaptable and cost-effective products and services for overseas users.

2. *Transformation, upgrading and expanding development.*

The Company effectively dock and serve the structural reform of the agricultural supply side, focus on market demand and changes in planting structure, fully investigate the market demand for agricultural machinery operations at home and abroad, target and develop applicable machinery products to create a new source of business growth. The Company extend the business development chain, enhance the service capacity of the entire agricultural industry chain, promote the implementation of complete sets of solutions, and set up a development model of "Full Mechanization + Integrated Agricultural Service Center" for promoting precision agriculture and smart agriculture with efficient and intelligent agricultural machinery.

3. *Strengthen management to prevent and control risks.*

Costs and expenses shall be strictly controlled. Non-production operating expenses and operating costs shall be reduced, and the management of loss-making enterprises shall be strengthened with the disposal of inefficient and idle assets, and improvement of the efficiency of asset operations. With the worst-case scenarios in mind, we will implement comprehensive risk prevention and control, strictly control debt and capital risks, and to ensure that stable cash flow and capital security can be maintained.

IV MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(I) ANALYSIS ON PRINCIPAL BUSINESS

1. Analysis on Changes in Items of the Financial Statement

Unit: Yuan Currency: RMB

Item	For the current period	For the corresponding period of last year	Changes (%)
Operating revenue	3,376,284,242.98	3,509,417,965.49	-3.79
Operating costs	2,906,028,393.82	3,133,682,178.21	-7.26
Interest revenue	47,885,722.12	70,915,637.16	-32.48
Interest expenses	17,000,296.03	6,683,589.47	154.36
Selling expenses	141,344,409.13	175,281,716.18	-19.36
Administrative expenses	168,787,482.38	220,131,436.27	-23.32
Financial expenses	41,393,377.07	47,453,433.64	-12.77
Research and development expenses	156,530,035.79	161,671,225.12	-3.18
Other income	18,582,933.40	14,201,314.07	30.85
Investment income	38,659,947.90	17,364,277.37	122.64
Gain from changes in fair value	42,484,063.57	73,040,168.04	-41.83
Asset impairment loss	33,828,164.42	11,323,540.80	198.74
Loss of credit impairment	16,409,018.88	26,405,502.16	-37.86
Non-operating income	15,118,851.87	6,885,617.71	119.57
Income tax expenses	26,103,902.44	38,202,470.13	-31.67
Net cash flow generated from operating activities	438,522,196.92	-482,419,228.94	N/A
Net cash flow generated from investing activities	-44,537,133.92	703,192,493.85	-106.33
Net cash flow generated from financing activities	-204,156,446.34	-1,096,389,779.89	N/A

IV MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(I) ANALYSIS ON PRINCIPAL BUSINESS (CONTINUED)

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

Reasons for changes in operating revenue and operating costs: mainly due to the year-on-year increase in sales volume of the Company's major product during the Reporting Period, but operating revenue and operating costs decreased slightly year-on-year under the influence of product structure.

Reasons for changes in interest revenue: mainly due to the decrease in the interbank business services of YTO Finance as compared with the corresponding period of last year.

Reasons for changes in interest expenses: mainly due to the increase in deposits absorbed by YTO Finance as compared with the corresponding period of last year.

Reasons for changes in selling expenses: mainly due to the decrease in employee salary and the strengthened cost management and control during the Reporting Period.

Reasons for changes in administrative expenses: mainly due to the decrease in employee salary during the Reporting Period.

Reasons for changes in financial expenses: mainly due to the Company's efforts to improve the efficiency of capital utilization during the Reporting Period, resulting in an increase in the size of structured deposits and wealth management and a year-on-year increase in interest income.

Reasons for changes in other gains: mainly due to the increase in government subsidies received by the Company in relation to the daily operations during the Reporting Period as compared with the corresponding period of last year.

IV MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(I) ANALYSIS ON PRINCIPAL BUSINESS (CONTINUED)

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

Reasons for changes in investment income: mainly attributable to the increase in the investment income from the disposal of the equity interest in a subsidiary during the Reporting Period as compared with the corresponding period of last year.

Reasons for changes in gain from changes in fair value: mainly due to the year-on-year decrease in gain from changes in fair value arising from the trading financial assets held by the Company during the Reporting Period.

Reasons for changes in asset impairment loss: mainly due to the business adjustment to certain subsidiaries, resulting in additional provision for asset impairment loss.

Reasons for changes in credit impairment loss: mainly due to the year-on-year decrease in expected credit loss risk along with the recovery of certain long-aged accounts receivable by the Company, resulting in year-on-year decrease in credit impairment loss during the Reporting Period.

Reasons for changes in non-operating income: mainly due to the increase in government subsidies that were not related to the daily operations of the Company during the Reporting Period as compared with the corresponding period of last year.

Reasons for changes in income tax expenses: mainly due to the year-on-year decrease in profits of certain subsidiaries during the Reporting Period, resulting in year-on-year decrease in corresponding income tax expenses.

Reasons for changes in net cash flow generated from operating activities: mainly due to the increase in cash inflows from YTO Finance's capital borrowings during the Reporting Period as compared with the corresponding period of last year, and the financial assets purchased with agreement for re-sale at the beginning of the period being sold during the Reporting Period.

IV MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(I) ANALYSIS ON PRINCIPAL BUSINESS (CONTINUED)

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

Reasons for changes in net cash flow generated from investing activities: mainly due to the year-on-year increase in the outstanding amount at the end of the period arising from the Company's investment in wealth management products and structured deposit during the Reporting Period.

Reasons for changes in net cash flow generated from financing activities: mainly due to the repayment of corporate bonds of RMB1.5 billion by the Company upon expiry during the corresponding period of last year, while no such item was recorded during the Reporting Period.

IV MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(II) ANALYSIS ON ASSETS AND LIABILITIES

1. Assets and Liabilities Situation

Unit: Yuan Currency: RMB

Item	Balance as at the end of the Reporting Period	Balance as at the end of the Reporting Period as a percentage of total assets (%)	Balance as at the end of the corresponding period of last year	Balance as at the end of the corresponding period of last year as a percentage of total assets (%)	Change in balance as at the end of the Reporting Period as compared with balance as at the end of the corresponding period of last year (%)	Explanation
Lendings to banks and other financial institutions	97,000,000.00	0.75	200,000,000.00	1.52	-51.5	YTO Finance recovered lendings to banks and other financial institutions during the Reporting Period
Derivative financial assets	1,003,692.75	0.01	578,743.73	0.00	73.43	Due to the appreciation of the US dollar during the Reporting Period, the US dollar denominated loans recognized as derivative financial assets according to lock exchange agreements increased
Accounts receivable	854,300,648.63	6.56	405,771,306.07	3.09	110.54	Due to the seasonal characteristics of product sales, the credit sales during the Reporting Period increased
Financial assets purchased with agreement for re-sale	-	-	150,203,731.40	1.14	N/A	The financial assets purchased with agreement for re-sale held by YTO Finance at the beginning of the period were sold during the Reporting Period
Right-of-use assets	24,299,256.86	0.19	-	-	N/A	The Company recognized the right-of-use assets as a lessee according to the requirements of new Accounting Standards for Business Enterprises

IV MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(II) ANALYSIS ON ASSETS AND LIABILITIES (CONTINUED)

1. Assets and Liabilities Situation (Continued)

Item	Balance as at the end of the Reporting Period	Balance as at the end of the Reporting Period as a percentage of total assets (%)	Balance as at the end of the corresponding period of last year	Balance as at the end of the corresponding period of last year as a percentage of total assets (%)	Change in balance as at the end of the Reporting Period compared with balance as at the end of the corresponding period of last year (%)	Explanation
Derivative financial liabilities	1,725,546.87	0.01	2,727,592.84	0.02	-36.74	The derivative financial liabilities recognized for the swap and lock exchange agreements in relation to the US dollar loans of the Company decreased due to the appreciation of the US dollar during the Reporting Period
Contract liabilities	159,278,501.22	1.22	369,490,638.57	2.81	-56.89	Products have been delivered for some of the advance from customers, reducing the amount of advance from customers during the Reporting Period
Employee salary payable	124,431,962.81	0.96	189,486,846.96	1.44	-34.33	The Company paid part of the termination benefits provided in the previous period during the Reporting Period
Taxes payable	15,150,952.65	0.12	24,562,534.28	0.19	-38.32	Income tax payable decreased during the Reporting Period
Non-current liabilities due within one year	45,945,473.83	0.35	76,664,479.21	0.58	-40.07	Long-term borrowings due within one year were repaid during the Reporting Period
Other current liabilities	290,331,572.12	2.23	196,139,042.20	1.49	48.02	Sales discount recognized increased during the Reporting Period
Lease liabilities	8,381,134.78	0.06	-	-	N/A	The Company recognized the lease liabilities as a lessee according to the requirements of new Accounting Standards for Business Enterprises

IV MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(II) ANALYSIS ON ASSETS AND LIABILITIES (CONTINUED)

2. Restrictions on the Key Assets as of the end of the Reporting Period

As at the end of the Reporting Period, the Group's monetary funds with restrictions on any rights amounted to RMB272,689,657.96, including guarantee letter deposits of RMB397,600.00, bank acceptance deposits of RMB43,446,776.20, letter of credit deposits of RMB4,607,054.78, forward settlements on foreign exchange margin of RMB1,460,271.60, the central bank's legal deposit reserves of RMB191,027,054.27, quality guarantee deposits of RMB1,750,901.11 and litigation deposits of RMB30,000,000.00.

As at the end of the Reporting Period, the Group's notes receivable with restrictions on any rights was RMB20,850,000.00, which was the amount of notes receivable pledged with the bank during the Reporting Period.

As at the end of the Reporting Period, the Group's original value of fixed assets and intangible assets with restrictions on any rights amounted to a total of RMB100,098,120.94, and the net value amounted to a total of RMB68,793,556.95, which were buildings and land mortgaged to the bank for short-term loans to the Group during the Reporting Period.

IV MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(II) ANALYSIS ON ASSETS AND LIABILITIES (CONTINUED)

3. Other Explanation

(1) Key financial ratios

Items	As at the end of the Reporting Period	As at the beginning of the Reporting Period	Year-on-year change
Gearing ratio (%)	64.13	64.66	-0.53
Current ratio	1.09	1.05	0.04
Quick ratio	0.93	0.85	0.08

(2) Bank loans

Bank loans of the Company are mainly in the currency units of RMB, USD and Euro. As of the end of the Reporting Period, the principal amount of bank loans of the Company due within one year amounted to RMB2,724.44 million, of which the principal amount of loans in foreign currency amounted to RMB928.08 million (mainly consisting of loans denominated in USD); the principal amount of bank loans due over one year amounted to RMB868.17 million; and the principal amount of bank loans with fixed interest rate amounted to RMB1,778.08 million.

(3) Foreign exchange risk

The business of the Company is mainly situated in the PRC and most of the transactions are settled in RMB. However, as the Company 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)

(III) ANALYSIS ON INVESTMENTS

1. Overall analysis on external equity investments

(1) Material equity Investments

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

(2) Material non-equity Investments

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

(3) Financial assets at fair value

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
Trading financial assets	897,235,968.16	938,026,814.01	40,790,845.85	61,634,492.68
Derivative financial assets	578,743.73	1,003,692.75	424,949.02	424,949.02
Derivative financial liabilities	<u>2,727,592.84</u>	<u>1,725,546.87</u>	<u>-1,002,045.97</u>	<u>1,002,045.97</u>
Total	<u><u>900,542,304.73</u></u>	<u><u>940,756,053.63</u></u>	<u><u>40,213,748.90</u></u>	<u><u>63,061,487.67</u></u>

(IV) SALES OF MATERIAL ASSETS AND EQUITY INTERESTS

During the Reporting Period, there was no sale of any material assets or equity interests by the Company.

IV MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(V) ANALYSIS ON THE KEY CONTROLLED AND JOINT-STOCK COMPANIES

1. Information on key subsidiaries

Currency: RMB, unless otherwise specified

Name of company	Registered capital (0'000)	Principal business	As at 30 June 2019		Realized during the Reporting Operating Period	
			Total assets (0'000)	Net assets (0'000)	Operating income (0'000)	Net profit (0'000)
YTO Diesel Engine	USD16 million	Manufacturing and sale of engines	255,606	141,281	72,240	3,817
Tractors Research Company	44,500	Research and development of tractor product	76,562	67,506	9,303	499
YTO Flag	6,800	Manufacturing and sale of stamping, welding parts and stamping moulds for automobile, agricultural machinery, construction machinery, etc.	15,065	5,515	3,409	-1,024
Changxing Company	300	Sales of products including agricultural machinery, spare parts and diesel engines	50,582	-38,455	221,777	-2,323
YTO Shentong	5,300	Manufacturing and sale of mining trucks and other agricultural machinery products	840	-28,675	333	249
YTO Finance	50,000	Provision of financial services	383,377	83,323	7,629	2,288
Brilliance China	USD12,000	Investment holding	11,600	3,196	-	-338
YTO Fuel Injection Pump	16,192	Manufacturing and sale of products such as fuel injector and fuel injection pump for diesel engines	18,161	14,353	3,377	-283
YTO France	EUR10 million	Trading, distribution and manufacturing, sales of agricultural machinery components	11,980	107	1,631	-3,729

IV MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(V) ANALYSIS ON THE KEY CONTROLLED AND JOINT-STOCK COMPANIES (CONTINUED)

1. Information on key subsidiaries (Continued)

Name of company	Registered capital (0'000)	Principal business	As at 30 June 2019		Realized during the Reporting Period	
			Total assets (0'000)	Net assets (0'000)	Operating income (0'000)	Net profit (0'000)
YTO Heilongjiang	10,000	R&D, manufacturing, sale and services of tractors, agricultural machinery, rural construction machinery and spare parts	4,549	3,839	745	-246
Changtuo Company	28,200	Manufacturing and sale of agricultural machinery and spare parts	16,045	1,823	-	-346
YTO Foundry and Forging	24,883	Processing and sale of rough and semi-finished products and finished products of casting and forging products	32,099	25,659	15,184	254
YTO International Trade	6,600	International sale of agricultural machinery	61,686	5,016	11,395	144
YTO Belarus Technology	USD7.78 million	Technical development, transfer, contracting and consulting services in relation to agricultural machinery products and power machinery products	5,111	5,078	15	-256

IV MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(V) ANALYSIS ON THE KEY CONTROLLED AND JOINT-STOCK COMPANIES (CONTINUED)

2. Acquisition and Disposal of Subsidiaries during the Reporting Period

For the disposal of 93.39% equity interests held and debt interests in YTO (Luoyang) Transportation Machinery Company Limited (一拖(洛陽)搬運機械有限公司) by the Company by way of listing-for-sale process on the China Beijing Equity Exchange, the equity transfer and registration of changes with industrial and commercial authorities have been completed during the Reporting Period and on 18 March 2019, respectively. For details, please refer to the announcement of First Tractor Company Limited in relation to the Preliminary Disposal of Equity Interests and Debt Interests in Controlled Subsidiary by way of Listing-For-Sale Process published by the Company on the website of the Shanghai Stock Exchange on 7 August 2018, the announcement of First Tractor Company Limited in relation to the Update on the Disposal of Equity Interests and Debt Interests in Controlled Subsidiary by way of Listing-For-Sale Process published by the Company on the website of the Shanghai Stock Exchange on 14 September 2018, the announcement of First Tractor Company Limited in relation to the Adjustment to the Transfer Price for the Disposal of Equity Interests and Debt Interests in Controlled Subsidiary by way of Listing-For-Sale Process published by the Company on the website of the Shanghai Stock Exchange on 17 November 2018, the announcement of First Tractor Company Limited in relation to the Update on the Disposal of Equity Interests and Debt Interests in Controlled Subsidiary by way of Listing-For-Sale Process published by the Company on the website of the Shanghai Stock Exchange on 1 March 2019, the overseas regulatory announcements published by the Company on the website of the Stock Exchange on 6 August 2018, 13 September 2018 and 16 November 2018, and the “Connected Transaction – Announcement in relation to the Disposal of Equity Interests and Debt Interests in Controlled Subsidiary by way of Listing-For-Sale Process” published by the Company on the website of the Stock Exchange on 28 February 2019.

IV MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(V) ANALYSIS ON THE KEY CONTROLLED AND JOINT-STOCK COMPANIES (CONTINUED)

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

Unit: 0'000 Yuan Currency: RMB

No.	Name of company	Operating revenue during the Reporting Period	Operating profit during the Reporting Period	Net profit during the Reporting Period
1	YTO Diesel Engine	72,240	4,569	3,817
2	Tractors Research Company	9,303	523	499
3	YTO Flag	3,409	-1,015	-1,024
4	Changxing Company	221,777	-2,145	-2,323
5	YTO Shentong	333	244	249
6	YTO Finance	7,629	3,051	2,288
7	Brilliance China	-	-338	-338
8	YTO Fuel Injection Pump	3,377	-415	-283
9	YTO France	1,631	-3,729	-3,729
10	YTO Heilongjiang	745	-248	-246
11	Changtuo Company	-	-1,012	-346
12	YTO Foundry and Forging	15,184	292	254
13	YTO Belarus Technology	15	-256	-256

IV MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(V) ANALYSIS ON THE KEY CONTROLLED AND JOINT-STOCK COMPANIES (CONTINUED)

4. Explanation on the Key Subsidiaries with significant changes in their operating businesses

YTO Diesel Engine: net profit increased by RMB28.17 million year-on-year, which was due to the enhancement in cost management and control and the government subsidies received during the Reporting Period.

Tractors Research Company: net profit increased by RMB5.55 million year-on-year, which was due to the increase in product gross profit margin as a result of the income structure adjustment during the Reporting Period.

YTO Flag: loss decreased by RMB3.05 million year-on-year, which was due to the enhancement in cost management and control during the Reporting Period.

Changxing Company: net profit improved with loss narrowing by RMB208.60 million year-on-year, which was due to the increase in the sales of main products during the Reporting Period and the year-on-year increase in revenue.

YTO Finance: net profit decreased by RMB14.76 million year-on-year, which was due to the decline in interest income as a result of the year-on-year decrease in interbank business during the Reporting Period.

Brilliance China: net profit worsen with loss enlarging by RMB5.53 million year-on-year, which was due to the year-on-year decrease in the gains from changes in fair value of the trading financial assets during the Reporting Period.

YTO Fuel Injection Pump: loss decreased by RMB8.87 million year-on-year, which was due to the reduction in labor costs and the enhancement in cost management and control during the Reporting Period.

IV MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(V) ANALYSIS ON THE KEY CONTROLLED AND JOINT-STOCK COMPANIES (CONTINUED)

4. Explanation on the Key Subsidiaries with significant changes in their operating businesses (Continued)

YTO France: loss increased by RMB16.88 million year-on-year, which was due to the increase in provision for impairment loss on assets in view of business adjustments during the Reporting Period.

YTO International Trade: net profit increased by RMB13.66 million year-on-year, which was due to the enhancement in cost management and control and the decrease in provision for bad debts as a result of the recovery of the previous accounts receivable during the Reporting Period.

YTO Belarus Technology: The exchange rate of the Belarusian Ruble has risen during the Reporting Period, resulting in a year-on-year increase in exchange loss.

IV MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

II. OTHER DISCLOSEABLE EVENTS

(I) POTENTIAL RISKS

1. Market risk

China has excess capacity for the medium-to low-end agricultural machinery equipment applicable to the cultivation and harvesting of staple crops, and the ownership volume of agricultural machinery will continue to increase. Affected by various factors such as market-oriented reform of grain price and the decreased limit and proportion of machinery purchase subsidy, it is expected that the deep adjustment will continue in the domestic tractor market. Although the product power gradually increased and the structure is continuously optimized boosted by the policies, the total demand for products is expected to continue to decline. Currently, the major products of the Company are still tractors, and the product line is relatively simple, which is difficult to meet the market demand for new types of agricultural machinery products that are generated under the environment of “improving weakness” in agricultural machinery development, thus product sales are facing market risks.

The Company will actively grasp the development opportunities with agricultural machinery and equipment industry shifting to high-quality development and the whole-process, comprehensive, high quality and efficient upgrade of agricultural mechanization, vigorously develop intelligent, efficient, energy-saving and environmentally-friendly agricultural machinery products, and enhance the development of overseas market, especially the markets in the countries covered by the “Belt & Road” Initiative. Meanwhile, the Company will continue to enrich the agricultural machinery equipment industry chain, actively promote the supporting sales of machinery unit, forming a product portfolio featuring the whole-process mechanization in agricultural production.

IV MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(I) POTENTIAL RISKS (CONTINUED)

2. Operational risk

In the domestic market, in order to cope with the increasingly intensified market competition and enhance the sales competitiveness of the Company, the Company adopted new sales methods such as credit sales, buyer's credit and financial lease. Although these new sales methods have improved the sales to some extent, but also caused the increase in accounts receivable, which may generate certain operational risks. In the face of the continued sluggish domestic market, the Company actively explores overseas markets. However, international business is vulnerable to many factors such as regional political situation, economic policies and cultural conflicts, which brings potential operational risks. Due to insufficient purchasing power at the demand side, it is more difficult to transfer the increased cost arising from product upgrades to the demand side, which lowers the overall profitability of the Company and may also cause certain operational risks.

The Company will enhance operational risk management and control, strengthen risk awareness during business; and meanwhile, actively respond to the changes in market demand by offering high cost-effective products.

IV MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(I) POTENTIAL RISKS (CONTINUED)

3. Risk relating to rising prices of raw materials

In recent years, commodity prices have been on the rise. As steel, rubber and other materials constitute a major part of the Company's purchases of raw materials and spare parts, the profitability of the Company's products will be affected if the prices of raw materials continue to increase or remain at a high level.

The Company will mitigate the impact of rising raw material prices on the results of the Company by adopting measures such as optimizing procurement process, shortening the intermediate purchase links and centralizing procurement. The Company will also mitigate the risk of fluctuating raw material prices by making advance payment to lock the prices of raw materials which are likely to increase significantly.

4. Risk relating to technology upgrade

With more efforts devoted to pollution prevention and control by the whole society, China continues to promote the conversion and upgrading of off-road diesel engine emission standards. The agricultural machinery failing to meet requirements of the emission standards will not be allowed for sale in the future, which imposes higher requirements for technical upgrading of diesel engine products and matching diesel engine and agricultural machinery.

The Company will accelerate the research and development and commercialization of diesel engine products in line with the National IV and V standards, solidify its advantages in technical reserves and the supporting products for the machines in the field of off-road diesel engine.

V SIGNIFICANT EVENTS

I. CORPORATE GOVERNANCE OF THE COMPANY DURING THE REPORTING PERIOD

(I) Briefs of General Meetings

Session of meeting	Convening date	Search index for the designated website for publishing the voting results	Date of publication of the voting results
2019 First Extraordinary General Meeting	25 April 2019	“Announcement of First Tractor Company Limited on Resolution of 2019 First Extraordinary General Meeting” published on the website of the Shanghai Stock Exchange and “Poll Voting Results of the Extraordinary General Meeting Held on 25 April 2019” published on the website of the Stock Exchange (www.hkexnews.hk)	26 April 2019
2018 Annual General Meeting	11 June 2019	“Announcement of First Tractor Company Limited on Resolution of 2018 Annual General Meeting” published on the website of the Shanghai Stock Exchange and “Results of the 2018 Annual General Meeting Held on 11 June 2019” published on the website of the Stock Exchange (www.hkexnews.hk)	12 June 2019

Explanation on General Meetings

During the Reporting Period, resolutions presented at the 2019 First Extraordinary General Meeting and the 2018 Annual General Meeting of the Company were approved.

V SIGNIFICANT EVENTS (CONTINUED)

I. CORPORATE GOVERNANCE OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

(II) Corporate Governance of the Company

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. Edmund Sit, an independent non-executive Director with accounting expertise 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.

The Audit Committee under the Board has reviewed the Company’s 2019 Interim Financial 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 Company’s unaudited interim financial report for the six months ended 30 June 2019.

V SIGNIFICANT EVENTS (CONTINUED)

I. CORPORATE GOVERNANCE OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

(II) Corporate Governance of the Company (Continued)

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.

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 of the 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>) (<i>tax inclusive</i>)	/
Number of capitalized shares for every 10 shares (<i>share</i>)	/
Explanation on proposal of profit distribution or capitalization from capital reserves	/

V SIGNIFICANT EVENTS (CONTINUED)

III. FULFILLMENT OF UNDERTAKINGS

(I) Undertakings made by the Company's de facto 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
	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

V SIGNIFICANT EVENTS (CONTINUED)

III. FULFILLMENT OF UNDERTAKINGS (CONTINUED)

(I) Undertakings made by the Company's de facto 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	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
	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

V SIGNIFICANT EVENTS (CONTINUED)

IV. APPOINTMENT OR DISMISSAL OF AUDITOR

Explanation on appointment or dismissal of auditor

As considered and approved at the 2018 annual general meeting, the Company continued to appoint Da Hua Certified Public Accountants (Special General Partnership) as the auditor for financial statements and internal control of the Company for the year 2019, and the Board was authorized to determine the remuneration of the auditor.

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 DE FACTO CONTROLLER DURING THE REPORTING PERIOD

During the Reporting Period, there was no situation of lack of integrity of the Company, its controlling shareholder, and de facto controller not performing court judgments or not repaying relative large amount of debt when due, etc.

V SIGNIFICANT EVENTS (CONTINUED)

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

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

Unit: 0'000 Currency: RMB

Connected transactions under Chapter 14A of the Listing Rules of the Stock Exchange and the Listing Rules of the Shanghai Stock Exchange:							Estimated	Actual	Percentage
No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	transaction amount in 2019	amount from January to June 2019	in the amount of same type of transactions (%)	
1	Material Procurement Agreement	YTO	Controlling shareholder	Purchase of (including, but not limited to) raw materials, other industrial equipment, components, spare parts and other necessities from YTO by the Company	(1) the market price of an independent third party; (2) if there is no market price determined by an independent third party, the transaction price between YTO and its associates, Sinomach and its subsidiaries and an independent third party; and (3) if none of the above is applicable, price (tax-inclusive) is determined according to cost plus method (i.e. price (tax-inclusive) = cost x (1+ mark-up percentage)), where the mark-up percentage is not more than 30%.	86,000	31,418	10.89	
2	Sales of Goods Agreement	YTO	Controlling shareholder	Sale of (including, but not limited to) 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, price (tax-inclusive) is determined according to cost plus method (i.e. price (tax-inclusive) = cost x (1+ mark-up percentage)), where the mark-up percentage is not more than 30%.	34,500	15,010	4.45	

V SIGNIFICANT EVENTS (CONTINUED)

VII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

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

Unit: 0'000 Currency: RMB

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

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated transaction amount in 2019	Actual transaction amount from January to June 2019	Percentage in the amount of same type of transactions (%)
3	Composite Services Agreement	YTO	Controlling shareholder	Provision of transportation and transportation ancillary 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, price (tax-inclusive) is determined according to cost plus method (i.e. price (tax-inclusive) = cost x (1+ mark-up percentage)), where the mark-up percentage is not more than 10%.	18,500	7,521	91.61
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, price (tax-inclusive) is determined according to mark-up percentage (i.e. price = cost x (1+profit rate of cost)), where the profit rate of cost is not more than 16%.	20,500	7,381	91.08

V SIGNIFICANT EVENTS (CONTINUED)

VII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

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

Unit: 0'000 Currency: RMB

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

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2019	Actual transaction amount from January to June 2019	Percentage in the amount of same type of transactions (%)
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.	950	276	97.36
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 land use right.	1,350	569	100
7	Deposit Service Agreement	YTO	Controlling shareholder	Provision of deposit services by YTO Finance to YTO	in accordance with the provisions of the CBIRC or the People's Bank of China. (PBOC)	230,000	144,454	39.05
8	Loan Service Agreement	YTO	Controlling shareholder	Provision of loan services by YTO Finance to YTO	(1) the rate prescribed by the CBIRC 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.	115,000	113,215	44.95

V SIGNIFICANT EVENTS (CONTINUED)

VII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

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

Unit: 0'000 Currency: RMB

Connected transactions under Chapter 14A of the Listing Rules of the Stock Exchange and the Listing Rules of the Shanghai Stock Exchange:						Estimated	Actual	Percentage
No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	cap for	transaction	in the
						transaction	amount from	amount of
						amount	January to	same type of
						in 2019	June 2019	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 CBIRC 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.	33,600	15,846	15.23
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 CBIRC or the PBOC; (2) if the above rate is not applicable (as the rate prescribed by the CBIRC or the PBOC currently is a bills redscounting 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.	25,000	13,735	53.16

V SIGNIFICANT EVENTS (CONTINUED)

VII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

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

Unit: 0'000 Currency: RMB

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

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2019	Actual transaction amount from January to June 2019	Percentage in the amount of same type of transactions (%)
11	Interbank Business Service Agreement	Sinomach Group Finance Company Limited (國際集團財務有限公司)	Controlled subsidiary of an indirect controlling shareholder	YTO Finance and Sinomach Group Finance Company Limited provide financing services to each other, including interbank deposits, lendings, 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.	100,000	20,000	13.69
12	Properties Lease Agreement	YTO	Controlling shareholder	Lease of properties by YTO from the Company and its subsidiaries	(1) the price of the non-connected transactions between the lessor and the independent third parties; (2) if none of the above is available or applicable, then the price will be determined after arm's length negotiation between the parties with reference to the market rent of similar property	470	43	8.40

V SIGNIFICANT EVENTS (CONTINUED)

VII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

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

Unit: 0'000 Currency: RMB

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

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2019	Actual transaction amount from January to June 2019	Percentage in the amount of same type of transactions (%)
13	Land Lease Agreement	YTO	Controlling shareholder	Lease of land by YTO from the Company and its subsidiaries	(1) the price of the non-connected transactions between the lessor and the independent third parties; (2) if none of the above is available or applicable, then the price will be determined after arm's length negotiation between the parties with reference to the market rent of similar land and land use rights	290	34	14.68
14	Common Resource Services Agreement	YTO	Controlling shareholder	Provision of common resource services including green services, road maintenance services, cleaning services and logistic support services in the factory areas by YTO to the Company and its subsidiaries	(1) the transaction prices between YTO and independent third parties; (2) cost plus method, with the mark-up percentage of no more than 10%.	600	63	100.00

V SIGNIFICANT EVENTS (CONTINUED)

VII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

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

Unit: 0'000 Currency: RMB

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

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2019	Actual transaction amount from January to June 2019	Percentage in the amount of same type of transactions (%)
15	Process and Technology Service Agreement	YTO	Controlling shareholder	Provision of process and technology to YTO by the Company	<p>(1) the price of the non-connected transactions between the Company and the independent third parties;</p> <p>(2) the price of the reasonable cost of the service provided by the Company with the addition of gross margin of the comparable non-connected transactions;</p> <p>(3) if none of the above is available or applicable, then the price will be determined under arm's length negotiations between the two parties</p>	160	128	10.71

V SIGNIFICANT EVENTS (CONTINUED)

VII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

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

Unit: 0'000 Currency: RMB

Connected transaction under Chapter 14A of the Listing Rules of the Stock Exchange:					Estimated	Actual	Percentage	
No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	cap for	transaction	in the
						transaction	amount from	amount of
						amount	January to	same type of
						in 2019	June 2019	transactions
								(%)
16	Technology Services Agreement	Tractors Research Company	Subsidiary of YTO	Provision of technology research and development, technology consultation and 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 none of the above is applicable, price (tax-inclusive) is determined according to mark-up percentage (i.e. price = cost x (1+ mark-up percentage)), where the mark-up percentage is not more than 18%.	11,600	940	100

V SIGNIFICANT EVENTS (CONTINUED)

VII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

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

Unit: 0'000 Currency: RMB

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

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2019	Actual transaction amount from January to June 2019	Percentage in the amount of same type of transactions (%)
17	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 RMB7,460,700 was determined by both parties under market principles and negotiation	746.07	663	54.94
18	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	95	0	0
19	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	8,000	1,153	0.34

V SIGNIFICANT EVENTS (CONTINUED)

VII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

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

Unit: 0'000 Currency: RMB

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

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2019	Actual transaction amount from January to June 2019	Percentage in the amount of same type of transactions (%)
20	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.	25,000	6,072	2.10
21 ^(a)	/	Bank of Luoyang	Associated corporation	The provision of credit service (loans and notes) by Bank of Luoyang to the Company	Finance cost of credit business, such as loan rate and note fee, should not be higher than that of other corporative banks.	15,000	9,521	2.3
22 ^(a)	/	Bank of Luoyang	Associated corporation	The provision of deposit service by Bank of Luoyang to the Company	The rate of deposit business prescribed by the PBOC.	7,000	1,384	0.79

Note: Mr. Yao Weidong resigned as the Financial Controller of the Company on 3 March 2019 and continued to serve as a director of Bank of Luoyang. According to the relevant provisions of the Listing Rules of the Shanghai Stock Exchange, Bank of Luoyang is no longer a related party of the Company.

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

Unit: 0'000 Currency: RMB

Connected counter party relationship	Type of the connected transaction	Content of the connected transaction	Pricing principle of the connected transaction	Estimated cap for connected transaction amount in 2019	Actual amount of connected transaction from January to June 2019	As a Percentage in the amount of same type of transactions (%)	
YTO	Controlling shareholder	Provision of services	Provision of calibration service and calibration instrument testing services to YTO by the Company	(1) the price of the non-connected transactions between the Company and the independent third parties; (2) the price of the reasonable cost of the service provided by the Company with the addition of gross margin of the comparable non-connected transactions; (3) if none of the above is available or applicable, then the price will be determined under arm's length negotiations between the two parties	140	90	88.53
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	It is charged in the range of 2%-5% of the external product revenue of the trademark products.	160	3	100.00
Total			/	/	93	/	
Details on return of large-sum sales				Nil			
Explanation on connected transactions				According to the relevant provisions of the Listing Rules of the Shanghai Stock Exchange and the Stock Exchange, the above pricing principle of connected transactions complies with the relevant provisions of the Listing Rules, and the amount does not exceed the amount required for disclosure.			

V SIGNIFICANT EVENTS (CONTINUED)

VII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(II) Connected transactions of assets or equity acquisition or disposal

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

Summary

Search index

The Company quoted 33.33% of equity interests in Changtuo Company on the China Beijing Equity Exchange for transfer.

For details, please refer to the Announcement of First Tractor Company Limited in relation to the Preliminary Quotation and Transfer of Equity Interests and Debt Interests in Subsidiary published by the Company on the website of the Shanghai Stock Exchange on 17 November 2018, and the overseas regulatory announcement published by the Company on the website of the Stock Exchange on 16 November 2018, the Announcement of First Tractor in relation to the Quotation and Disposal of Equity Interests and Debt Interests in Subsidiary and Connected Transaction published by the Company on the website of the Shanghai Stock Exchange on 15 December 2018, the overseas regulatory announcement published by the Company on the website of the Stock Exchange on 14 December 2018 and the Announcement of First Tractor Company Limited in relation to the Update on the Quotation and Disposal of Equity Interests and Debt Interests in Subsidiary published by the Company on the website of the Shanghai Stock Exchange on 25 January 2019, and the overseas regulatory announcement published by the Company on the website of the Stock Exchange on 24 January 2019.

V SIGNIFICANT EVENTS (CONTINUED)

VII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(II) Connected transactions of assets or equity acquisition or disposal (Continued)

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

For the disposal of 93.39% equity interests held and debt interests in YTO (Luoyang) Transportation Machinery Company Limited (一拖(洛陽)搬運機械有限公司) by the Company by way of listing-for-sale process on the China Beijing Equity Exchange, the equity transfer and registration of changes with industrial and commercial authorities have been completed during the Reporting Period and on 18 March 2019, respectively. For details, please refer to Section IV-(VI) ANALYSIS ON THE KEY CONTROLLED AND JOINT-STOCK COMPANIES-“Acquisition and Disposal of the Subsidiaries during the Reporting Period” of the Interim Report.

(III) Significant connected transactions for joint external investment

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

As considered and approved at the 9th meeting of the 8th session of the board of directors of the Company, Tractors Research Company, a controlling subsidiary of the Company, entered into a capital increase agreement with Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd.* (洛陽智能農業裝備研究院有限公司) and YTO on 19 June 2019, pursuant to which RMB4,839,048, was contributed to Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd. as capital increase. After the completion of the capital increase, Tractors Research Company will hold 3% of the equity interests in Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd. The registration of the aforesaid capital increase with industrial and commercial authorities has been completed on 26 June 2019.

V SIGNIFICANT EVENTS (CONTINUED)

VII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(IV) 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

Search index

The Company provided an entrusted loan with a total amount of up to RMB33,000,000 to Changtuo Company

For details, please refer to the “Announcement on Provision of Entrusted Loan and Connected Transaction” published by the Company on the website of the Shanghai Stock Exchange on 30 March 2019, and the announcement published by the Company on the website of the Stock Exchange on 29 March 2019

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

YTO, the controlling shareholder of the Company, provided an entrusted loan of RMB700 million to the Company on 12 July 2018. For details, please refer to the “Announcement of First Tractor Company Limited on Acceptance of Financial Assistance from Controlling Shareholder” published by the Company on the website of the Shanghai Stock Exchange, China Securities Journal and Shanghai Securities News on 13 July 2018 and the overseas regulatory announcement of the Company published on the website of the Stock Exchange on 12 July 2018. Such loan expired on 12 July 2019. The Company has repaid the loan in full and on time.

V SIGNIFICANT EVENTS (CONTINUED)

VIII. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF

1 Custody, contracting and lease matters

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	Whether it is a connected transaction	Connected relationship
Sinomach	First Tractor	Equity interests in Changtuo Company held by Sinomach	/	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)

2 Guarantees

Unit: Yuan Currency: RMB

External guarantees provided by the Company (excluding guarantees provided for subsidiaries)													
Guarantor	Relationship of the Guarantor with the listed company	Beneficiary	Amount of the guarantee	Date of guarantee (Date of agreement)	Commencement date of guarantee	End date of guarantee	Type of guarantee	Whether the guarantee is discharged	Whether the guarantee is overdue	Amount of overdue guarantee	Whether there is any counter guarantee	Whether it is a connected party	Connected relationship
											guarantee	guarantee	
The Company	Company headquarters	Business dealer of Dianpiaotong	167,352,520.00	18 June 2019			Guarantee with joint liability	No	No	0	Yes	No	
Changxing Company	Wholly-owned subsidiary	Customer of product finance business	62,104,730.00	1 July 2018			Guarantee with joint liability	No	No	0	Yes	No	
Xinjiang Company	Wholly-owned subsidiary	Customer of product finance business	228,000.00	18 July 2018			Guarantee with joint liability	No	No	0	Yes	No	
YTO Heilongjiang	Wholly-owned subsidiary	Customer of product finance business	280,000.00	1 July 2018			Guarantee with joint liability	No	No	0	Yes	No	
Total amount of guarantees provided during the Reporting Period (excluding guarantees provided for subsidiaries)											649,850,590.00		
Total outstanding amount of guarantees as at the end of the Reporting Period (A) (excluding guarantees provided for subsidiaries)											229,965,250.00		
Guarantees provided by the Company for subsidiaries													
Total amount of the guarantees provided for subsidiaries during the Reporting Period											0.00		
Total outstanding amount of the guarantees provided for subsidiaries as at the end of the Reporting Period (B)											258,170,000.00		

V SIGNIFICANT EVENTS (CONTINUED)

VIII. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF (CONTINUED)

2 Guarantees (Continued)

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

Total amount of guarantees (A+B)	488,135,250.00
Total amount of guarantees as a percentage to the net assets of the Company (%)	10.45

Of which:

Amount of guarantees provided for shareholders, de facto controller and its associates (C)	0.00
Amount of guarantees of indebtedness directly or indirectly provided for liability of parties with a gearing ratio exceeding 70% (D)	409,965,250.00
The portion of total amount of guarantee in excess of 50% of the net assets (E)	0.00
Total amount of the above three categories of guarantees (C+D+E)	409,965,250.00
Explanation on possible joint liquidation liability associated with the outstanding guarantees	Nil
Explanation on guarantee	Nil

V SIGNIFICANT EVENTS (CONTINUED)

IX. POVERTY ALLEVIATION BY THE COMPANY

1. Precise Poverty Alleviation Planning

As the designated supporting unit of Zhifang Village, Tantou Town, Luanchuan County, the Company closely focused on strengthening grassroots organizations, promoting targeted poverty alleviation, improving governance, and conducting practical measures for the people in accordance with the overall deployment of poverty alleviation work by the central, provincial and municipal governments, scientifically formulated assistance plans and measures, and paid more attention to the improvement of poverty alleviation quality and the motivation of self-generated impetus of poor people, thereby improving farmers' sense of benefit and satisfaction and solidly completed various poverty alleviation goals and tasks.

2. Summary of Precise Poverty Alleviation during the Reporting Period

The Company seriously implemented the planned requirements for poverty alleviation by the central government, including the “four principles”, “six targets” and “five batches”. It strengthened dynamic management of poverty-stricken families and increased collective economic income. The Company organized an exchange activity between the Party branch of the targeted entities and the Party branch of Zhifang Village on the Party construction. It organized more than 40 employees from 17 entities under the Company to take targeted measures to help the 70 villagers (or 21 families) in poverty in Zhifang Village for two times and donated daily necessities and school supplies totaling more than RMB40,000. The Company maintained the donated wheat harvesters and tractors and installed air conditioning system. In 2019, more than 240 acres of wheat were harvested, more than 270 acres of wheat straw bundled, and more than 100 acres were treated with rotary cultivator. They devoted efforts to promote the green, distinctive and brand-oriented operation of tofu, vermicelli and other agricultural products in Zhifang Village, which recorded a sales income of over RMB790,000, helping over 20 families in poverty and significantly improving the living standards of local poverty-stricken families. As of the end of July 2019, a total of 123 families (or 414 persons) were registered and recorded as poverty-stricken (excluding families went out of poverty stably), of which 112 families (or 391 persons) have shook off poverty, 11 families (or 23 persons) are still living in poverty.

V SIGNIFICANT EVENTS (CONTINUED)

IX. POVERTY ALLEVIATION BY THE COMPANY (CONTINUED)

3. Achievements in precise poverty alleviation

Unit: 0'000 Currency: RMB

Index	Number and implementation information
I. General information	The Company organized an exchange activity between the Party branch of the targeted entities and the Party branch of Zhifang Village on the Party construction. It organized more than 40 employees from 17 entities under the Company to take targeted measures to help the 70 villagers (or 21 families) in poverty in Zhifang Village for two times. The Company maintained the donated wheat harvesters and tractors and installed air conditioning system. The Company helped Zhifang Village to sell green agricultural products, which recorded a sales income of RMB790,000.
Including: 1. Capital	79
2. Funds converted from materials	4
3. Number of registered and recorded people in poverty went out of poverty with support (Person)	20

V SIGNIFICANT EVENTS (CONTINUED)

IX. POVERTY ALLEVIATION BY THE COMPANY (CONTINUED)

3. Achievements in precise poverty alleviation (Continued)

Unit: 0'000 Currency: RMB

Index	Number and implementation information
II. Itemized input	
1. Poverty alleviation through industrial development	
Including: 1.1 Type of industrial poverty alleviation projects	<input checked="" type="checkbox"/> Poverty alleviation through agricultural and forestry industry <input type="checkbox"/> Poverty alleviation through tourism <input type="checkbox"/> Poverty alleviation through E-commerce <input checked="" type="checkbox"/> Poverty alleviation through asset profit <input type="checkbox"/> Poverty alleviation through science and technology <input type="checkbox"/> Others
1.2 Number of industrial poverty alleviation projects	1
1.3 Amount invested in industrial poverty alleviation projects	79
1.4 Number of registered and recorded people in poverty went out of poverty with support (<i>Person</i>)	20
2. Poverty alleviation through relocation	
Including: 2.1 Number of people who achieved employment after relocation (<i>person</i>)	2
3. Poverty alleviation through education	

V SIGNIFICANT EVENTS (CONTINUED)

IX. POVERTY ALLEVIATION BY THE COMPANY (CONTINUED)

3. Achievements in precise poverty alleviation (Continued)

Unit: 0'000 Currency: RMB

Index	Number and implementation information
Including: 3.1 Amount of input in subsidising poverty-stricken students	0.6
3.2 Number of poverty-stricken students subsidized (person)	21
3.3 Amount of input made in improving education resources in poverty-stricken regions	/

4. Follow-Up Precise Poverty Alleviation Planning

According to the relevant requirements of the central government on poverty alleviation and development work, the Company will allocate resources to poverty-stricken areas based on poverty alleviation plans of each province and municipality, and focus on the following tasks: First, be committed to industrial revitalization to strengthen collective economic strength; second, be committed to cultural revitalization to promote excellent traditional culture; third, be committed to ecological revitalization to improve rural living environment; fourth, be committed to organizational revitalization to play a leading role.

V SIGNIFICANT EVENTS (CONTINUED)

X. OTHER MATTERS

1. Contingent events

Save for the contingent events in external guarantees, as of 30 June 2019, the Company had no other material contingent events.

2. The Company's Staff, Remuneration Policy and Training

As of 30 June 2019, the Company had 7,947 employees. During the Reporting Period, the basic salary system of the Company was the salary system based on staff position, under which employees' income was linked to their job performance, adhering to the principle of salary distribution based on performance and factors, and highlighting value creation.

During the Reporting Period, the Company 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.

V SIGNIFICANT EVENTS (CONTINUED)

XI. ENVIRONMENT INFORMATION

(1) Explanation on environmental protection of enterprises and its key subsidiaries which were classified as major pollution discharge units published by the environmental protection authorities

1. Information on emissions

Unit	Name of major pollutants and characteristic pollutants	Emission method	Number of vent ports	Distribution	Emission concentration (monthly average) and total amount	Any excessive emissions	Pollutant emission standards implemented	Approved total emissions
YTO Foundry and Forging	Exhaust gas: particulate matter	Organized emissions	42	Exhaust gas from melting, moulding and cleaning is emitted after treatment by the dust collector through the exhaust pipe higher than 15 meters, and is distributed around the casting and forging plant	Monthly average concentration: 20mg/m ³ , total amount: 19.28 tons	Nil	Exhaust gas: Particulate matter concentration limit as stipulated in Table 1 of Emission Standard of Air Pollutants from Industrial Kilns and Furnaces in Henan Province (《河南省工業爐窯大氣污染物排放標準》)(DB411066-2015); 30mg/m ³ ; Level 2 particulate matter concentration limit as stipulated in Table 2 of Integrated Emission Standards of Air Pollutants (《大氣污染物綜合排放標準》)(GB16297-1996); 120mg/m ³	Nil

V SIGNIFICANT EVENTS (CONTINUED)

XI. ENVIRONMENT INFORMATION (CONTINUED)

(1) Explanation on environmental protection of enterprises and its key subsidiaries which were classified as major pollution discharge units published by the environmental protection authorities (Continued)

2. Construction and operation of pollution prevention facilities

The Company strictly abides by the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution, and the Law of the People's Republic of China on Prevention and Control of Water Pollution, and other environmental protection laws and regulations in the course of its daily production and operation, actively responding to the relevant requirements of national, provincial and municipal ecological civilization construction. The Company has significantly reduced the emissions of pollutants by continuously implementing standard upgrade and transformation for the coating organic waste gas treatment, welding fume treatment and casting system pollution control. The Company implements rainwater and sewage diversion within the plant area, and recycles all the industrial wastewater after collection and treatment without direct discharging, reducing the discharge of water pollutants. The Company implements standardized management of hazardous wastes. The "three preventions" of hazardous waste storage areas are set up in a rational way with complete labelling. Qualified units are engaged for clearing and harmless disposal of all hazardous wastes without direct discharging. All pollution control facilities of the Company are in stable operation, and pollutant discharges meet the national or local emission standards.

3. Environmental impact assessment of construction projects and other environmental protection administration approvals

The Company's construction projects have prepared environmental impact assessment reports, and obtained the EIA approval. The projects can implement various environmental pollution prevention and control measures in strict accordance with the requirements of the EIA report.

V SIGNIFICANT EVENTS (CONTINUED)

XI. ENVIRONMENT INFORMATION (CONTINUED)

(1) Explanation on environmental protection of enterprises and its key subsidiaries which were classified as major pollution discharge units published by the environmental protection authorities (Continued)

4. Contingency plan for emergency environmental incidents

The Company has prepared a contingency plan for emergency environmental incidents filed with the environmental protection department, established an emergency response team equipped with appropriate emergency facilities and equipment. The emergency management organization and its responsibilities were clearly stipulated. Emergency drills for special programs were conducted every year. The results of the drill will be evaluated and improved in time to effectively improve the emergency response capability for environmental pollution incidents, ensuring that the impact on the environment is minimized in the event of pollution incidents.

5. Environmental self-monitoring program

The Company strictly abides by national and local government environmental laws, regulations and related requirements, and formulates a self-testing scheme, which combines external inspection and online monitoring to monitor pollutant emissions. For those pollution sources installed with the online monitoring equipment, test results are uploaded to the national, provincial and municipal monitoring platforms through real-time transmission for the relevant government departments to monitor at any time. For those pollution sources without the online monitoring equipment, third-party testing organizations are regularly engaged to monitor and inspect the industrial wastewater, noise and exhaust gas emissions of the Company according to the frequency and items determined by the self-testing scheme and issue test reports (all test results meeting the standards required). Such test results have been uploaded to the Henan Province Self-testing Information Disclosure Platform in a timely manner.

V SIGNIFICANT EVENTS (CONTINUED)

XI. ENVIRONMENT INFORMATION (CONTINUED)

(2) Explanation on the environment information of the Company other than the companies that are in severely polluting industries

The Company exerted strict control over total emission of pollutants, followed stringent procedures in disposal of hazardous waste, conducted comprehensive utilization of general solid waste, and promoted sustainable green development. In the first half of 2019, the Company has no environmental pollution incident.

XII. EXPLANATIONS ON OTHER SIGNIFICANT EVENTS

(1) Changes in accounting policies, accounting estimates and calculation methods compared with the previous accounting period, reasons and their effects

Since 1 January 2019, the Company has implemented the “Accounting Standards for Business Enterprises No. 7-Non-monetary Transactions”, “Accounting Standards for Business Enterprises No. 12-Debt Restructuring” and “Accounting Standards for Business Enterprises No. 21-Lease” revised and issued by the Ministry of Finance.

For details of the effects of the implementation of the new accounting standards on the financial report of the Company during the Reporting Period, please refer to “Financial Report – Note V. 35. Changes in Significant Accounting Policies and Accounting Estimates” in the 2019 interim report of the Company.

VI CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

(I) Changes in Shares

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

II. SHAREHOLDERS

(I) Total number of shareholders:

Total number of ordinary shareholders as at the end of the Reporting Period (<i>shareholder</i>)	40,729 shareholders including 40,366 holders of A Shares and 363 holders of H Shares
Total number of preference shareholders with voting rights restored as at the end of the Reporting Period (<i>shareholder</i>)	/

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				Pledged or frozen Status of shares	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		
YTO Group Corporation	0	410,690,578	41.66	0	Nil	0 State-owned legal person
HKSCC NOMINEES LIMITED (Note 1)	52,000	388,089,319	39.37	0	Unknown	/ Overseas legal person
China Construction Bank Corporation Henan Province Branch	0	9,444,950	0.96	0	Unknown	/ Other
Hong Kong Securities Clearing Company Limited (Note 2)	314,589	3,189,036	0.32	0	Unknown	/ Overseas legal person
Liu Qian	2,527,895	2,527,895	0.26	0	Unknown	/ Domestic natural person
Wei Xiaoke	924,000	924,000	0.09	0	Unknown	/ Domestic natural person
Zhu Jianbo	922,200	922,200	0.09	0	Unknown	/ Domestic natural person
Lin Yue	880,000	880,000	0.09	0	Unknown	/ Domestic natural person
Wang Jizhong	753,500	753,500	0.08	0	Unknown	/ Domestic natural person
Agricultural Bank Of China Limited-Huaxia CSI State- Owned Enterprises Structural Adjustment Index ETF Security Investment Fund (中興農業銀行股份有限公司 一華夏中證央企結構調整交易型 開放式指數證券投資基金)	513,200	731,100	0.07	0	Unknown	/ Other

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)

Unit: Share

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 (Note 1)	388,089,319	Overseas listed foreign shares	388,089,319
China Construction Bank Corporation Henan Province Branch	9,444,950	Ordinary shares denominated in RMB	9,444,950
Hong Kong Securities Clearing Company Limited (Note 2)	3,189,036	Ordinary shares denominated in RMB	3,189,036
Liu Qian	2,527,895	Ordinary shares denominated in RMB	2,527,895
Wei Xiaoke	924,000	Ordinary shares denominated in RMB	924,000
Zhu Jianbo	922,200	Ordinary shares denominated in RMB	922,200
Lin Yue	880,000	Ordinary shares denominated in RMB	880,000
Wang Jizhong	753,500	Ordinary shares denominated in RMB	753,500

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)

Unit: Share

Name of shareholder	Shareholdings of the top ten shareholders without selling restrictions		
	Number of non-restricted circulating shares held	Class	Number and class of shares Number
Agricultural Bank Of China Limited–Huaxia CSI State-Owned Enterprises Structural Adjustment Index ETF Security Investment Fund (中國農業銀行股份有限公司–華夏中證央企結構調整交易型開放式指數證券投資基金)	731,100	Ordinary shares denominated in RMB	731,100
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	/		
<i>Note 1:</i> The overseas listed foreign shares held by HKSCC NOMINEES LIMITED are held on behalf of various customers.			
<i>Note 2:</i> 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.			

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

III. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS DISCLOSED IN ACCORDANCE WITH THE SECURITIES AND FUTURES ORDINANCE (CHAPTER 571 OF THE LAWS OF HONG KONG)

As at 30 June 2019, the following shareholders of the Company (other than the Directors, Supervisors or chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Capacity	Nature of interests	Number of shares held ¹	Number of underlying shares held under equity derivatives	Total number of shares interested ¹	Percentage of	Percentage of	Type of share
						the relevant issued class of share capital ¹	the total issued share capital	
						(%)	(%)	
YTO ²	Beneficial owner	Beneficial interest	410,690,578 (L)	/	410,690,578 (L)	69.15 (L)	41.66 (L)	A Share

Note 1: (L) – Long position

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

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

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

VII DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Name	Position	Change
Li Xiaoyu	Chairman	Elected
Cai Jibo	Vice Chairman	Elected
Liu Jiguo	Director and General Manager	Elected and appointed
Zhao Junfen	Financial Controller	Appointed
Zhao Yanshui	Former Chairman	Resigned
Wu Yong	Former Vice Chairman	Resigned
Zhu Weijiang	Former Director and Former General Manager	Resigned and dismissed
Li Kai	Former Director	Resigned
Yao Weidong	Former Financial Controller	Dismissed
Zhang Jiaxin	Former Chairman of the Board of Supervisors	Resigned
Xu Weilin	Former Supervisor	Resigned

VII DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

I. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY (CONTINUED)

Changes in Directors, Supervisors and Senior Management of the Company

On 3 March 2019, due to job allocation, Mr. Zhao Yanshui resigned as the Chairman, an executive Director, the chairman of the Strategy and Investment Committee and a member of the Nomination Committee of the Company; Mr. Zhu Weijiang resigned as an executive Director, a member of the Strategy and Investment Committee and the General Manager of the Company; Mr. Yao Weidong resigned as the Financial Controller of the Company. On 5 March 2019, the Company held the fourth meeting of the eighth session of the Board, and appointed Mr. Liu Jiguo as the General Manager of the Company for a term of office ending on the conclusion of the eighth session of the Board. (For details, please refer to the Announcement of First Tractor Company Limited in relation to the Resignation of the Chairman, the Announcement of First Tractor Company Limited in relation to the Resignation of Directors, General Manager and Financial Controller, Nomination of Candidates for Directors and Appointment of the General Manager and the Announcement of First Tractor Company Limited in relation to the Resolution of the Fourth Meeting of the Eighth Session of the Board all published by the Company on the website of the Shanghai Stock Exchange on 6 March 2019, and the Announcement in relation to the Resignation of the Chairman and an Executive Director, the Resignation of the General Manager and an Executive Director, the Resignation of Financial Controller, Appointment of the General Manager and Proposed Appointment of Executive Directors published by the Company on the website of the Stock Exchange on 5 March 2019.)

On 30 March 2019, Mr. Li Kai resigned as a non-executive director and a member of the Remuneration Committee of the Company. (For details, please refer to the Announcement of First Tractor Company Limited in relation to the Resignation of a Director and Nomination of Candidate for Director published by the Company on the website of the Shanghai Stock Exchange on 3 April 2019, and the Announcement on the Resignation of a Non-Executive Director and Member of Remuneration Committee and Proposed Appointment of Executive Director published by the Company on the website of the Stock Exchange on 2 April 2019.)

VII DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

I. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY (CONTINUED)

Changes in Directors, Supervisors and Senior Management of the Company (Continued)

On 25 April 2019, as elected on the first extraordinary general meeting of the Company in 2019, Mr. Li Xiaoyu, Mr. Cai Jibo and Mr. Liu Jiguo were appointed as executive directors of the eighth session of the board of directors of the Company for a term of office ending on the conclusion of the eighth session of the Board. On the same day, Mr. Wu Yong resigned as the vice chairman and a member of the Strategic and Investment Committee, and remained as a director of the Company. On the same day, the Company held the seventh meeting of the eighth session of the Board, and elected Mr. Li Xiaoyu as the Chairman and Mr. Cai Jibo as the Vice Chairman of the Company; appointed Mr. Li Xiaoyu, Mr. Cai Jibo and Mr. Liu Jiguo as the members of the Strategic and Investment Committee of the eighth session of the Board and appointed Mr. Li Xiaoyu as the chairman of the Strategy and Investment Committee of the eighth session of the Board; appointed Mr. Li Xiaoyu as a member of the Nomination Committee of the eighth session of the Board; and appointed Mr. Cai Jibo as a member of the Remuneration Committee of the eighth session of the Board, all for a term of office ending on the conclusion of the eighth session of the Board. (For details, please refer to the Announcement of First Tractor Company Limited on Resolution of 2019 First Extraordinary General Meeting, the Announcement of First Tractor Company Limited in relation to the Resolution of the Seventh Meeting of the Eighth Session of the Board and the Announcement of First Tractor Company Limited in relation to the Resignation of Vice Chairman and Election of Chairman and Vice Chairman, all published by the Company on the website of the Shanghai Stock Exchange on 26 April 2019, and the Announcement on the Appointment of Chairman and Vice Chairman; Resignation of Vice Chairman and Member of Strategic and Investment Committee; Appointment of Members of Strategic and Investment Committee; Appointment of Chairman of Strategic and Investment Committee; Appointment of Member of Nomination Committee; and Appointment of Member of Remuneration Committee published by the Company on the website of the Stock Exchange on 25 April 2019.)

VII DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

I. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY (CONTINUED)

Changes in Directors, Supervisors and Senior Management of the Company (Continued)

On 4 June 2019, the Company held the ninth meeting of the eighth session of the Board, and appointed Ms. Zhao Junfen as the Financial Controller of the Company for a term of office ending on the conclusion of the eighth session of the Board. (For details, please refer to the Announcement of First Tractor Company Limited in relation to the Resolution of the Ninth Meeting of the Eighth Session of the Board published by the Company on the website of the Shanghai Stock Exchange on 5 June 2019.)

On 15 July 2019, Mr. Wu Yong resigned as an executive director of the Company, Mr. Zhang Jiaxin resigned as a supervisor and the Chairman of the Board of Supervisors of the Company, and Mr. Xu Weilin resigned as a supervisor of the Company. (For details, please refer to the Announcement of First Tractor Company Limited in relation to the Resignation of Director and Supervisors published by the Company on the website of the Shanghai Stock Exchange on 16 July 2019, and the Announcement on the Resignation of an Executive Director and Resignation of Supervisors published by the Company on the website of the Stock Exchange on 15 July 2019.)

VII DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

II. OTHER EXPLANATION

1. Directors', Supervisors' and Chief executives' interests and short positions in the shares, underlying shares and debentures

As at 30 June 2019, none of the Directors, Supervisors and chief executives of the Company 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 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.

VIII PREFERENCE SHARES

The Company had no preference shares during the Reporting Period.

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

CONSOLIDATED BALANCE SHEET

Jun 30th, 2019

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Items	Note VI	Jun 30th, 2019	Dec 31st, 2018
Current assets:			
Monetary Funds	Note 1	1,745,076,747.84	1,549,845,341.18
Lendings to Banks and Other			
Financial Institutions	Note 2	97,000,000.00	200,000,000.00
Trading financial assets	Note 3	938,026,814.01	897,235,968.16
Derivative financial assets	Note 4	1,003,692.75	578,743.73
Notes receivable	Note 5	451,188,470.20	523,719,132.77
Accounts receivable	Note 6	854,300,648.63	405,771,306.07
Receivables Financing Notes receivable & Accounts receivable			
Advances to suppliers	Note 7	102,607,912.38	107,561,199.88
Other receivables	Note 8	57,111,330.29	65,741,038.66
Including: Interest receivable		66,666.66	17,708,921.80
Dividend receivable			
Buying back the sale of financial assets	Note 9		150,203,731.40
Inventories	Note 10	1,115,849,440.24	1,430,349,787.42
Contractual assets			
Assets classified as held for sale			
Non-current assets due within one year	Note 11	216,908,159.83	184,159,312.46
Other current assets	Note 12	2,084,488,185.92	2,017,266,694.07
Total current assets		7,663,561,402.09	7,532,432,255.80

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

CONSOLIDATED BALANCE SHEET (CONTINUED)

Jun 30th, 2019

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Items	Note VI	Jun 30th, 2019	Dec 31st, 2018
Non-current assets			
Loans and advances to customers	Note 13	866,523,521.90	1,011,378,462.91
Debt investment			
Other debt investment			
Long-term receivables	Note 14	270,345,789.99	280,985,073.83
Long-term equity investments	Note 15	129,208,130.93	131,203,815.70
Investment in other equity instruments			
Other non-current financial assets			
Investment properties			
Fixed assets	Note 16	2,850,966,193.32	2,942,857,496.39
Construction in progress	Note 17	227,234,098.13	232,816,443.52
Productive biological assets			
Oil and gas assets			
Right-to-use assets	Note 18	24,299,256.86	
Intangible assets	Note 19	822,557,960.06	842,336,991.00
Research and development expenses	Note 20		
Goodwill	Note 21		
Long-term deferred expenses	Note 22	41,437,736.90	41,237,156.30
Deferred income tax assets	Note 23	119,125,152.34	125,494,060.54
Other non-current assets			
Total non-current assets		5,351,697,840.43	5,608,309,500.19
Total assets		13,015,259,242.52	13,140,741,755.99

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

CONSOLIDATED BALANCE SHEET (CONTINUED)

Jun 30th, 2019

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Items	Note VI	Jun 30th, 2019	Dec 31st, 2018
Current liabilities:			
Short-term loans	Note 24	2,716,261,536.23	2,777,516,101.13
From deposits in central bank			
Loans from other banks			
Trading financial liabilities			
Financial liabilities measured at fair value through profit or loss			
Derivative financial liabilities	Note 26	1,725,546.87	2,727,592.84
Notes payable	Note 27	907,591,340.46	958,616,789.34
Accounts payable	Note 28	1,393,590,705.70	1,194,829,925.57
Notes payable & Accounts payable			
Advance from customers			
Sale of repurchase financial assets			
Absorption of deposits and interbank deposits	Note 25	1,062,308,758.24	1,080,524,854.03
Brokerage for trading securities			
Brokerage for consigning securities			
Employee salary payable	Note 30	124,431,962.81	189,486,846.96
Taxes payables	Note 31	15,150,952.65	24,562,534.28
Other payables	Note 32	331,303,988.61	312,621,126.21
Including: Interest payable			20,514,340.13
Dividends payable		8,273,287.83	8,273,287.83
Fee and commission payable			
Reinsurance accounts payables			
Contractual liability	Note 29	159,278,501.22	369,490,638.57
Liabilities classified as held for sale			
Non-current liabilities due within one year	Note 33	45,945,473.83	76,664,479.21
Other current liabilities	Note 34	290,331,572.12	196,139,042.20
Total current liabilities		7,047,920,338.74	7,183,179,930.34

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

CONSOLIDATED BALANCE SHEET (CONTINUED)

Jun 30th, 2019

Prepared by: Tractor Company Limited

Unit: Yuan Currency: RMB

Items	Note VI	Jun 30th, 2019	Dec 31st, 2018
Non-current liabilities:			
Reserves for insurance contracts			
Long-term loans	Note 35	868,170,000.00	868,473,000.00
Bonds payable			
Including: Preference shares			
Perpetual bond			
Lease liabilities	Note 36	8,381,134.78	
Long-term payables	Note 37	8,941,432.26	8,971,437.07
Long-term employee salary payable	Note 38	93,304,581.28	119,715,885.28
Estimated Liabilities	Note 39	3,981,625.85	3,981,625.85
Deferred income	Note 40	178,663,426.66	169,360,596.63
Deferred tax liabilities	Note 23	136,684,227.05	130,983,510.46
Other non-current liabilities			
Total non-current liabilities		1,298,126,427.88	1,301,486,055.29
Total liabilities		8,346,046,766.62	8,484,665,985.63

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

CONSOLIDATED BALANCE SHEET (CONTINUED)

Jun 30th, 2019

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Items	Note VI	Jun 30th, 2019	Dec 31st, 2018
Shareholder's equity			
Share capital	Note 41	985,850,000.00	985,850,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserves	Note 42	2,099,471,911.89	2,099,639,657.89
Less: Treasury shares			
Other comprehensive income	Note 43	-13,890,502.14	-16,863,576.18
Special reserves	Note 44	3,245,279.36	3,274,006.51
Surplus reserves	Note 45	442,101,172.16	442,101,172.16
General risk reserves	Note 46	25,104,151.50	-
Retained earnings	Note 47	487,588,777.44	493,080,403.24
Total equity attributable to shareholders			
of the parent company		4,029,470,790.21	4,007,081,663.62
Minority interests		639,741,685.69	648,994,106.74
Total shareholder's equity		4,669,212,475.90	4,656,075,770.36
Total liabilities and shareholder's equity		13,015,259,242.52	13,140,741,755.99

Legal Representative:

Li Xiaoyu

Chief Financial Officer:

Zhao Junfen

Accounting Manager:

Yao Weidong

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

BALANCE SHEET OF THE PARENT COMPANY

Jun 30th, 2019

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Items	Note XVI	Jun 30th, 2019	Dec 31st, 2018
Current assets:			
Monetary Funds		1,245,851,208.17	1,622,239,658.46
Trading financial assets		176,806,740.00	172,077,116.52
Financial assets measured at fair value and its movement recorded through profit and loss			
Derivative financial assets			
Notes receivable		316,192,702.14	316,179,458.46
Accounts receivable	Note 1	699,109,276.10	663,935,347.56
Receivables Financing			
Notes receivable & Accounts receivable			
Advances to suppliers		95,969,734.41	74,828,658.18
Other receivables	Note 2	94,158,048.12	87,936,879.35
Including: Interest receivable			20,514,340.23
Dividend receivable		75,294,698.36	75,294,698.36
Inventories		562,511,582.63	504,408,343.29
Contractual assets			
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets		2,188,348,663.70	1,970,719,420.50
Total current assets		5,378,947,955.27	5,412,324,882.32

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

BALANCE SHEET OF THE PARENT COMPANY (CONTINUED)

Jun 30th, 2019

Unit: Yuan Currency: RMB

Items	Note XVI	Jun 30th, 2019	Dec 31st, 2018
Non-current assets:			
Debt investment			
Financial assets available-for-sale			
Other debt investment			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	Note 3	2,907,806,760.34	2,866,295,996.80
Investment in other equity instruments			
Other non-current financial assets			
Investment properties			
Fixed assets		1,552,412,972.73	1,624,010,518.82
Construction in progress		163,012,487.06	143,966,878.57
Productive biological assets			
Oil and gas assets			
Right-to-use assets		19,571,807.46	
Intangible assets		526,541,052.36	534,497,286.56
Research and development expenses			
Goodwill			
Long-term deferred expenses		31,759,065.18	32,262,821.15
Deferred income tax assets		56,376,152.66	60,329,817.60
Other non-current assets			
Total non-current assets		5,257,480,297.79	5,261,363,319.50
Total assets		10,636,428,253.06	10,673,688,201.82

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

BALANCE SHEET OF THE PARENT COMPANY (CONTINUED)

Jun 30th, 2019

Unit: Yuan Currency: RMB

Items	Note XVI	Jun 30th, 2019	Dec 31st, 2018
Current liabilities:			
Short-term loans		3,122,458,038.69	3,249,320,000.00
Trading financial liabilities			
Financial liabilities measured at fair value through profit or loss			
Derivative financial liabilities		1,586,265.09	2,727,592.84
Notes payable		682,938,376.55	774,848,987.81
Accounts payable		954,235,465.46	740,519,600.52
Advance from customers			
Contractual liability		92,921,737.20	143,129,821.26
Employee salary payable		60,932,636.24	66,701,364.42
Taxes payables		4,066,602.52	5,115,325.67
Other payables		182,449,786.53	174,453,029.69
Including: Interest payable			11,843,727.58
Dividends payable			
Liabilities classified as held for sale			
Non-current liabilities due within one year		43,561,679.89	71,492,363.64
Other current liabilities		24,762,385.66	27,948,212.15
		<hr/> 5,169,912,973.83 <hr/> <hr/>	<hr/> 5,256,256,298.00 <hr/> <hr/>
Total current liabilities			

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

BALANCE SHEET OF THE PARENT COMPANY (CONTINUED)

Jun 30th, 2019

Unit: Yuan Currency: RMB

Items	Note XVI	Jun 30th, 2019	Dec 31st, 2018
Non-current liabilities:			
Long-term loans		1,030,000,000.00	1,030,000,000.00
Bonds payable			
Including: Preference shares			
Perpetual bond			
Lease liabilities		6,529,912.31	
Long-term payables			
Long-term employee salary payable		58,620,088.33	71,270,468.46
Estimated Liabilities		3,981,625.85	3,981,625.85
Deferred income		117,580,852.58	114,491,964.32
Deferred tax liabilities		10,021,011.00	9,311,567.48
Other non-current liabilities			
Total non-current liabilities		1,226,733,490.07	1,229,055,626.11
Total liabilities		6,396,646,463.90	6,485,311,924.11

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

BALANCE SHEET OF THE PARENT COMPANY (CONTINUED)

Jun 30th, 2019

Unit: Yuan Currency: RMB

Items	Note XVI	Jun 30th, 2019	Dec 31st, 2018
Shareholder's equity:			
Share capital		985,850,000.00	985,850,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserves		2,004,793,045.95	2,004,793,045.95
Less: Treasury shares			
Other comprehensive income			
Special reserves			
Surplus reserves		367,607,888.33	367,607,888.33
Retained earnings		881,530,854.88	830,125,343.43
Total shareholder's equity		4,239,781,789.16	4,188,376,277.71
Total liabilities and shareholder's equity		10,636,428,253.06	10,673,688,201.82

Legal Representative:

Li Xiaoyu

Chief Financial Officer:

Zhao Junfen

Accounting Manager:

Yao Weidong

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

CONSOLIDATED INCOME STATEMENT

January to June, 2019

Unit: Yuan Currency: RMB

Items	Note VI	2019 Half year	2018 Half year
1. Total operating revenue		3,425,973,267.68	3,581,389,966.87
Including: Operating revenue	Note 48	3,376,284,242.98	3,509,417,965.49
Interest income	Note 49	47,885,722.12	70,915,637.16
Earned insurance premiums			
Fees and commission income	Note 50	1,803,302.58	1,056,364.22
2. Total cost of operation		3,454,099,465.80	3,769,975,478.23
Including: Cost of operation	Note 48	2,906,028,393.82	3,133,682,178.21
Interest expenses	Note 49	17,000,296.03	6,683,589.47
Fees and commission expense	Note 50	235,533.76	169,071.50
Refunded premiums			
Net amount of compensation payout			
Net amount of reserves for reinsurance contract			
Policy dividend payment			
Reinsurance expenses			
Taxes and surcharges	Note 51	22,779,937.82	24,902,827.84
Selling expenses	Note 52	141,344,409.13	175,281,716.18
Administrative expenses	Note 53	168,787,482.38	220,131,436.27
R & D expenses	Note 54	156,530,035.79	161,671,225.12
Financial expenses	Note 55	41,393,377.07	47,453,433.64
Including: Interest expenses	Note 55	83,118,600.84	73,055,205.28
Interest income	Note 55	38,782,268.47	19,245,257.88
Add: Other income	Note 56	18,582,933.40	14,201,314.07
Investment income (Losses listed as “-”)	Note 58	38,659,947.90	17,364,277.37
Including: Income from investments in associates and joint ventures	Note 58	-5,217,213.36	-1,364,851.82

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

CONSOLIDATED INCOME STATEMENT (CONTINUED)

January to June, 2019

Unit: Yuan Currency: RMB

Items	Note VI	2019 Half year	2018 Half year
Termination of Recognized Income of Financial Assets Measured at Amortized Cost(Losses listed as "-")			
Exchange gain (Losses listed as "-")			
Net Open Hedging Income (Losses listed as "-")			
Change in fair value (Losses listed as "-")	Note 59	42,484,063.57	73,040,168.04
Loss on impairment on credit (Losses listed as "-")	Note 61	-16,409,018.88	-26,405,502.16
Loss on impairment of assets (Losses listed as "-")	Note 60	-33,828,164.42	-11,323,540.80
Asset disposal income (Losses listed as "-")	Note 62	-50,437.30	497,857.69
3. Operating profit		21,313,126.15	-121,210,937.15
Add: Non-operating income	Note 63	15,118,851.87	6,885,617.71
Less: Non-operating expenses	Note 64	511,505.42	426,939.71
4. Total profit (Total losses listed as "-")		35,920,472.60	-114,752,259.15
Less: Income tax expenses	Note 65	26,103,902.44	38,202,470.13

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

CONSOLIDATED INCOME STATEMENT (CONTINUED)

January to June, 2019

Unit: Yuan Currency: RMB

Items	Note VI	2019 Half year	2018 Half year
5. Net profit (Net losses listed as "-")		9,816,570.16	-152,954,729.28
(1) classification according to the continuity of operation			
1. Continuous operating net profit (Net losses listed as "-")		9,816,570.16	-152,954,729.28
2. Termination of net profit (Net losses listed as "-")			
(2) classification of ownership according to ownership			
1. Net profit attributable to shareholders of the parent company		19,612,525.70	-144,979,881.65
2. Minority interest (Net losses listed as "-")		-9,795,955.54	-7,974,847.63
6. Net other comprehensive income after tax		2,898,768.21	341,720.81
Net other comprehensive income after tax attributable to owners of the parent company		2,973,074.04	314,097.41
(1) Other comprehensive income that cannot be reclassified to profit and loss in subsequent periods			
1. Re-measurement of Benefit Plan Change			
2. Share of other comprehensive income of investee that will not be subsequently reclassified to profit and loss under equity method			
3. Changes in Fair Value of Investment in Other Equity Instruments			
4. Fair Value Change of Enterprise's Credit Risk			

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

CONSOLIDATED INCOME STATEMENT (CONTINUED)

January to June, 2019

Unit: Yuan Currency: RMB

Items	Note VI	2019 Half year	2018 Half year
(2) Other comprehensive income that will be subsequently reclassified to profit and loss		2,973,074.04	314,097.41
1. Share of other comprehensive income of investee that will be subsequently reclassified to profit and loss under equity method			
2. Changes in Fair Value of Other Creditor's Rights Investment			
3. Gains and losses from changes in fair value of available-for-sale financial assets			
4. Amount of financial assets reclassified into other comprehensive returns			
5. Gains and losses from held-to-maturity investment reclassified as financial assets available-for-sale			
6. Credit impairment reserve for other creditor's rights investment			
7. Cash Flow Hedging Reserve (Effective part of hedging gains and losses from cash flows)			
8. The Balance of Conversion of Foreign Currency Financial Statements		2,973,074.04	314,097.41
9. Others			
Net other comprehensive income after tax attributable to minority interests		-74,305.83	27,623.40

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

CONSOLIDATED INCOME STATEMENT (CONTINUED)

January to June, 2019

Unit: Yuan Currency: RMB

Items	Note VI	2019 Half year	2018 Half year
7. Total comprehensive income		12,715,338.37	-152,613,008.47
Total comprehensive income attributable to shareholders of the parent company		22,585,599.74	-144,665,784.24
Total comprehensive income attributable to minority interests		-9,870,261.37	-7,947,224.23
8. Earnings per share:			
(1) Basic earnings per share (yuan/share)		0.0199	-0.1471
(2) Diluted earnings per share (yuan/share)		0.0199	-0.1471

The net profit realized by the parties being absorbed prior to the business combinations under common control was nil during the period and nil for the previous period.

Legal Representative:

Li Xiaoyu

Chief Financial Officer:

Zhao Junfen

Accounting Manager:

Yao Weidong

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

INCOME STATEMENT OF THE PARENT COMPANY

January to June, 2019

Unit: Yuan Currency: RMB

Items	Note XVI	Amount in current year	Amount in last year
1. Operating revenue	Note 4	2,405,705,595.34	2,835,318,114.57
Less: Cost of operation	Note 4	2,162,994,051.51	2,447,776,693.28
Taxes and surcharges		9,334,620.82	9,951,386.53
Selling expenses		6,484,668.54	10,078,740.27
Administrative expenses		69,590,660.52	114,692,877.90
R & D expenses		86,171,567.83	125,359,662.65
Financial expenses		37,832,790.07	30,026,276.09
Including: Interest expenses		93,458,751.17	82,924,965.73
Interest income		50,714,449.24	52,236,604.90
Add: Other income		6,333,275.38	7,428,865.59
Investment income	Note 5	5,596,571.57	9,769,700.68
Including: income from investments in associates and joint ventures	Note 5	-5,261,236.46	-1,230,299.32
Termination of Recognized Income of Financial Assets Measured at Amortized Cost(Losses listed as "-")			
Net Open Hedging Income (Losses listed as "-")			
Change in fair value (Losses listed as "-")		5,870,951.23	13,710,480.84
Loss on impairment of assets (Losses listed as "-")		-1,754,022.64	-136,797,445.74
Loss on impairment on credit (Losses listed as "-")		5,136,234.45	-32,003,471.39
Asset disposal income		23,052.83	554,843.91

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

INCOME STATEMENT OF THE PARENT COMPANY (CONTINUED)

January to June, 2019

Unit: Yuan Currency: RMB

Items	Note XVI	Amount in current year	Amount in last year
2. Operating profit (Losses listed as "-")		54,503,298.87	-39,904,548.26
Add: Non-operating income		1,569,321.17	6,371,405.78
Less: Non-operating expenses		4,000.13	191,771.76
3. Total profit (Total losses listed as "-")		56,068,619.91	-33,724,914.24
Less: Income tax expenses		4,663,108.46	4,076,151.00
4. Net profit (Net losses listed as "-")		51,405,511.45	-37,801,065.24
1. Continuous operating net profit (Net losses listed as "-")		51,405,511.45	-37,801,065.24
2. Termination of net profit (Net losses listed as "-")			
5. Net other comprehensive income after tax			
(1) Other comprehensive income that cannot be reclassified to profit and loss in subsequent periods			
1. Re-measurement of Benefit Plan Change			
2. Share of other comprehensive income of investee that will not be subsequently reclassified to profit and loss under equity method			
3. Changes in Fair Value of Investment in Other Equity Instruments			
4. Fair Value Change of Enterprise's Credit Risk			

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

INCOME STATEMENT OF THE PARENT COMPANY (CONTINUED)

January to June, 2019

Unit: Yuan Currency: RMB

Items	Note XVI	Amount in current year	Amount in last year
(2) Other comprehensive income that will be subsequently reclassified to profit and loss			
1. Share of other comprehensive income of investee that will be subsequently reclassified to profit and loss under equity method			
2. Changes in Fair Value of Other Creditor's Rights Investment			
3. Gains and losses from changes in fair value of available-for-sale financial assets			
4. Amount of financial assets reclassified into other comprehensive returns			
5. Gains and losses from held-to-maturity investment reclassified as financial assets available-for-sale			
6. Credit impairment reserve for other creditor's rights investment			
7. Cash Flow Hedging Reserve (Effective part of hedging gains and losses from cash flows)			
8. The Balance of Conversion of Foreign Currency Financial Statements			
9. Others			

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

INCOME STATEMENT OF THE PARENT COMPANY (CONTINUED)

January to June, 2019

Unit: Yuan Currency: RMB

Items	Note XVI	Amount in current year	Amount in last year
6. Total comprehensive income		51,405,511.45	-37,801,065.24
7. Earnings per share:			
(1) Basic earnings per share (yuan/share)			
(2) Diluted earnings per share (yuan/share)			

Legal Representative:
Li Xiaoyu

Chief Financial Officer:
Zhao Junfen

Accounting Manager:
Yao Weidong

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

CONSOLIDATED CASH FLOW STATEMENT

January to June, 2019

Unit: Yuan Currency: RMB

Item	Note VI	Amount in current year	Amount in last year
1. Cash Flow from Operating Activities:			
Cash from sale and render service		2,900,150,439.95	3,442,748,680.05
Net increase of customer's deposit and deposit taking of interbank		-18,216,095.79	207,687,982.44
Net increase borrowings from central bank			
Net increase borrowing funds to other financing institution		100,000,000.00	-400,000,000.00
Cash from original insurance contract premium			
Net cash from reinsurance business			
Net increase of insured deposit and investment			
Net increase of financial assets disposal measured as fair value and the variation included in current profit and loss			26,700,000.00
Interest, handling charges and commissions received		70,516,352.72	75,660,338.57
Net increase in funds deposit			
Net increase of repurchasing business funds		150,000,000.00	-70,230,690.24
Refund of tax and levies		28,762,629.10	46,184,165.70
Cash relating to other operating activities	Note 66	116,416,910.13	17,582,776.91
Sub-total of cash inflows from operating activities		3,347,630,236.11	3,346,333,253.43

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

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

January to June, 2019

Unit: Yuan Currency: RMB

Item	Note VI	Amount in current year	Amount in last year
Cash payments for goods purchased and services received		2,248,095,861.46	2,824,666,434.40
Net increase in loans and payments on behalf		-113,049,124.22	92,978,518.64
Net increase in deposits with centre bank and interbank		-35,965,201.45	-20,963,163.61
Payments of claims for original insurance contracts			
Interests, handling charges and commissions paid		17,655,245.40	11,555,470.20
Commissions on insurance policies paid			
Cash payments to and on behalf of employees		551,315,635.07	547,113,586.05
Payments of all types of taxes		63,461,723.65	53,298,187.27
Other cash payments relating to operating activities	Note 66	177,593,899.28	320,103,449.42
		2,909,108,039.19	3,828,752,482.37
Net cash flows from operating activities		438,522,196.92	-482,419,228.94

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

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

January to June, 2019

Unit: Yuan Currency: RMB

Item	Note VI	Amount in current year	Amount in last year
2. Cash flows from investing activities:			
Cash received from disposals and withdraw on investment		420,657,700.80	907,000,000.00
Cash received from returns on investments		49,785,104.53	27,227,230.25
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		2,275,226.18	1,796,706.77
Net cash received from disposals of subsidiaries and other business units			
Other cash received relating to investing activities	Note 66		2,750,000.00
Sub-total of cash inflows from investing activities		472,718,031.51	938,773,937.02
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		63,375,645.76	129,077,717.60
Cash payments to acquire investments		453,871,238.40	106,503,725.57
Net cash payments for acquisitions of subsidiaries and other business units			
Other cash payments relating to investing activities	Note 66	8,281.27	
Sub-total of cash outflows from investing activities		517,255,165.43	235,581,443.17
Net cash flows from investing activities		-44,537,133.92	703,192,493.85

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

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

January to June, 2019

Unit: Yuan Currency: RMB

Item	Note VI	Amount in current year	Amount in last year
3. Cash flows from financing activities:			
Cash received from investors in making investment in the enterprise			0.00
Including: cash received from issuing shares of minority shareholders			0.00
Cash received from the loans		500,000,000.00	537,807,500.00
Other cash received relating to financing activities			0.00
		<hr/>	<hr/>
Sub-total of cash outflows from financing activities		500,000,000.00	537,807,500.00
		<hr/>	<hr/>
Cash repayments of amounts borrowed		629,000,000.00	1,509,581,308.56
Cash payments for distribution of dividends or profits, or cash payments for interest expenses		75,156,446.34	124,615,971.33
Including: subsidiary companies pay cash to minority shareholders for interest expenses and distribution of dividends or profit			
Other cash payments relating to financing activities			
		<hr/>	<hr/>
Sub-total of cash outflows from financing activities		704,156,446.34	1,634,197,279.89
		<hr/>	<hr/>
Net cash flows from financing activities		-204,156,446.34	-1,096,389,779.89
		<hr/> <hr/>	<hr/> <hr/>

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

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

January to June, 2019

Unit: Yuan Currency: RMB

Item	Note VI	Amount in current year	Amount in last year
4. Effect of foreign exchange rate changes on cash and cash equivalents		2,970,642.98	-160,981.37
5. Net increase in cash and cash equivalents		192,799,259.64	-875,777,496.35
Plus: Cash and cash equivalents at beginning of period		1,279,587,830.24	2,946,734,827.85
6. Cash and cash equivalents at end of period		<u>1,472,387,089.88</u>	<u>2,070,957,331.50</u>

(The attached notes to the financial statements are part of the consolidated financial statements)

Legal Representative:
Li Xiaoyu

Chief Financial Officer:
Zhao Junfen

Accounting Manager:
Yao Weidong

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

CASH FLOW STATEMENT OF THE PARENT COMPANY

January to June, 2019

Unit: Yuan Currency: RMB

Item	Note XVI	Amount in current year	Amount in last year
1. Cash Flow from Operating Activities:			
Cash from sale and render service		2,524,426,710.83	2,757,813,721.53
Refund of tax and levies		7,453,891.30	3,307,705.50
Cash relating to other business activities		95,664,341.53	15,090,912.86
Sub-total of cash inflows from operating activities		2,627,544,943.66	2,776,212,339.89
Cash payments for goods purchased and services received		2,127,036,580.89	2,332,386,235.82
Cash paid to and on behalf of employees		259,491,026.57	309,136,459.66
Payments of all types of taxes		9,422,299.05	9,648,318.82
Cash paid relating to other operating activities		88,050,870.97	162,649,102.26
Sub-total of cash outflows from operating activities		2,484,000,777.48	2,813,820,116.56
Net cash flows from operating activities		143,544,166.18	-37,607,776.67

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

CASH FLOW STATEMENT OF THE PARENT COMPANY (CONTINUED)

January to June, 2019

Unit: Yuan Currency: RMB

Item	Note XVI	Amount in current year	Amount in last year
2. Cash flows from investing activities			
Cash received from returns on investments		434,300,000.00	704,500,000.00
Cash received from investments income		45,967,718.28	151,919,242.75
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,321,771.80	3,916,885.32
Net cash received from disposal of subsidiaries and other business units			
Cash received relating to other investing activities			2,750,000.00
		481,589,490.08	863,086,128.07
Sub-total of cash inflows from investing activities			
Cash paid to acquire fixed assets, intangible assets and other long-term assets		24,888,397.65	66,859,446.29
Cash paid for investments		671,752,000.00	398,000,000.00
Net cash paid to acquire subsidiaries and other business units			
Cash paid relating to other investing activities			
		696,640,397.65	464,859,446.29
Sub-total of cash outflows from investing activities			
Net cash flows from investing activities		-215,050,907.57	398,226,681.78

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

CASH FLOW STATEMENT OF THE PARENT COMPANY (CONTINUED)

January to June, 2019

Unit: Yuan Currency: RMB

Item	Note XVI	Amount in current year	Amount in last year
3. Cash flows from financing activities			
Cash received from investment absorption			
Cash received from the loans		1,240,000,000.00	1,179,900,000.00
Cash received relating to other financing activities			
Sub-total of cash inflows from financing activities		1,240,000,000.00	1,179,900,000.00
Cash repayments of amounts borrowed		1,413,000,000.00	2,134,581,308.56
Cash paid for dividends, profits appropriation or payments of interest		88,863,051.17	135,498,126.47
Cash paid relating to other financing activities		171,000.00	125,500.00
Sub-total of cash outflows from financing activities		1,502,034,051.17	2,270,204,935.03
Net cash flows from financing activities		-262,034,051.17	-1,090,304,935.03

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

CASH FLOW STATEMENT OF THE PARENT COMPANY (CONTINUED)

January to June, 2019

Unit: Yuan Currency: RMB

Item	Note XVI	Amount in current year	Amount in last year
4. Effect of changes in foreign exchange rate on cash and cash equivalents		-640.14	12,416.69
5. Net increase in cash and cash equivalents		-333,541,432.70	-729,673,613.23
Add: Cash and cash equivalents at the beginning of the year		1,280,174,973.16	2,453,757,053.43
6. Cash and cash equivalents at the end of the year		<u>946,633,540.46</u>	<u>1,724,083,440.20</u>

(The attached notes to the financial statements are part of the consolidated financial statements)

Legal Representative:
Li Xiaoyu

Chief Financial Officer:
Zhao Junfen

Accounting Manager:
Yao Weidong

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

January to June, 2019

Unit: Yuan Currency: RMB

Item	Amount in this year										
	The owner's equity attributable to parent company										
	Paid-in capital (or stock)	Other equity instrument	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserve	General risk reserves	Retained earnings	Minority equity	Total owners' equity
I. Closing balance of prior year	985,890,000.00	-	2,098,639,657.89	-	-16,663,576.18	3,274,006.51	442,101,172.16	-	493,080,403.24	648,894,106.74	4,666,073,770.36
Add: accounting policy changes											
Prior errors correction											
Enterprise merger under the same control											
Others											
II. Balance at the beginning of current year	985,890,000.00	-	2,098,639,657.89	-	-16,663,576.18	3,274,006.51	442,101,172.16	-	493,080,403.24	648,894,106.74	4,666,073,770.36
III. Increases/decreases in current year	-	-	-67,746.00	-	2,973,074.04	-38,727.15	-	25,104,151.50	-5,491,626.80	-9,282,421.05	13,181,705.54
(I) Total comprehensive income					2,973,074.04				19,612,525.70	-9,870,261.37	12,715,338.37
(II) Capital contributed by owners and capital decreases			-67,746.00							688,273.67	470,327.67
1. Capital contributed by owner											
2. Holders of other equity instruments invest in capital											
3. The amount of the shares paid into the shareholders' rights and interests											
4. Others			-67,746.00							688,273.67	470,327.67
(III) Profit distribution											
1. Appropriation of surplus reserve									-25,104,151.50		
2. Extraction of general risk reserves											
3. Profit distributed to owners (or stockholders)											
4. Others											

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

January to June, 2019

Unit: Yuan Currency: RMB

Item	Amount in this year										
	The owner's equity attributable to parent company										
	Paid-in capital (or stock)	Other equity instrument	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserve	General risk reserves	Retained earnings	Minority equity	Total owners' equity
(iv) Transfers within the owners' equity	-	-	-	-	-	-	-	-	-	-	-
1. Capital (or stock) transferred from capital surplus	-	-	-	-	-	-	-	-	-	-	-
2. Capital (or stock) transferred from surplus reserve	-	-	-	-	-	-	-	-	-	-	-
3. Recovery of losses by surplus reserve	-	-	-	-	-	-	-	-	-	-	-
4. Changes in net liabilities or net assets arising from the measurement of defined benefit plans	-	-	-	-	-	-28,727.15	-	-	-	-20,433.35	-49,160.50
5. Others	-	-	-	-	-	4,816,038.33	-	-	-	221,270.63	5,037,308.96
(vi) Special reserves	-	-	-	-	-	-	-	-	-	-241,703.98	-5,086,498.46
1. Extraction of special reserves	-	-	-	-	-	-	-	-	-	-	-
2. Use of special reserves	-	-	-	-	-	-	-	-	-	-	-
(vii) Others	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at the end of current year	985,650,000.00	-	2,094,471,911.89	-	-13,280,532.14	3,245,279.36	442,101,173.16	25,104,151.50	487,388,777.44	639,741,865.69	4,669,214,475.90

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

Prepared by: First Tractor Company Limited
January to June, 2019

Unit: Yuan Currency: RMB

Item	Amount in last year										
	The owner's equity attributable to parent company										
	Paid-in capital (or stock)	Other equity instrument	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserve	General risk reserves	Retained earnings	Minority equity	Total owners' equity
I. Closing balance of prior year	985,650,000.00	-	2,098,622,613.11	-	-16,268,884.50	3,674,330.81	438,442,350.67	12,754,318.98	1,273,219,846.84	641,677,022.15	5,439,982,478.06
Add accounting policy changes	-	-	-	-	-	-	3,653,821.49	-	507,215,011.34	80,636,251.82	91,510,084.65
Prior errors correction	-	-	-	-	-	-	-	-	-	-	-
Enterprise merger under the same control	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
II. Balance at the beginning of current year	985,650,000.00	-	2,098,622,613.11	-	-16,268,884.50	3,674,330.81	442,101,172.16	12,754,318.98	1,780,434,858.18	722,313,333.97	6,009,492,562.71
III. Increases/decreases in current year	-	-	-	-	314,837.41	144,636.24	-	-	-144,979,881.65	-7,399,310.91	-162,480,459.91
(i) Total comprehensive income	-	-	-	-	314,837.41	-	-	-	-144,979,881.65	-7,397,224.23	-152,613,009.47
(ii) Capital contributed by owners and capital decreases	-	-	-	-	-	-	-	-	-	-	-
1. Capital contributed by owner	-	-	-	-	-	-	-	-	-	-	-
2. Holders of other equity instruments invested capital	-	-	-	-	-	-	-	-	-	-	-
3. The amount of the shares paid into the shareholders' rights and interests	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-
(iii) Profit distribution	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation of surplus reserve	-	-	-	-	-	-	-	-	-	-	-
2. Extraction of general risk reserves	-	-	-	-	-	-	-	-	-	-	-
3. Profit distributed to owners (or stockholders)	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-

IX FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)
CONSOLIDATED INCOME STATEMENT (CONTINUED)

January to June, 2019

Unit: Yuan Currency: RMB

Item	Amount in last year										
	The owner's equity attributable to parent company									Total owners' equity	
	Paid-in capital (or stock)	Other equity instrument	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserve	General risk reserves	Retained earnings		Minority equity
(iv) Transfers within the owners' equity	-	-	-	-	-	-	-	-	-	-	-
1. Capital (or stock) transferred from capital surplus	-	-	-	-	-	-	-	-	-	-	-
2. Capital (or stock) transferred from surplus reserve	-	-	-	-	-	-	-	-	-	-	-
3. Recovery of losses by surplus reserve	-	-	-	-	-	-	-	-	-	-	-
4. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans	-	-	-	-	-	-	-	-	-	-	-
5. Others	-	-	-	-	-	-	-	-	-	-	-
(v) Special reserves	-	-	-	-	-	144,636.24	-	-	-	-12,069.68	132,546.56
1. Extraction of special reserves	-	-	-	-	-	7,177,094.39	-	-	-	913,888.19	7,490,922.58
2. Use of special reserves	-	-	-	-	-	-7,032,458.15	-	-	-	-325,924.87	-7,256,338.02
(vi) Others	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at the end of current year	985,650,000.00	-	2,094,652,622.63	-	-15,563,387.09	3,816,987.06	442,101,172.46	12,754,183.98	1,635,454,976.53	714,394,023.06	5,870,012,103.80

(The attached notes to the financial statements are part of the consolidated financial statements)

Legal Representative: **Li Xiaoyu** Chief Financial Officer: **Zhao Junfen** Accounting Manager: **Yao Weidong**

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

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

January to June, 2019

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Amount in this year											
	Paid-in capital (or stock)	Other equity instrument	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserve	Retained earnings	Others	Sub-total	Minority interest	Total owners' equity
(VI) Transfers within the owners' equity	-	-	-	-	-	-	-	-	-	-	-	-
1. Capital (or stock) transferred from capital surplus	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital (or stock) transferred from surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
3. Recovery of lossless surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
4. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans	-	-	-	-	-	-	-	-	-	-	-	-
5. Others	-	-	-	-	-	-	-	-	-	-	-	-
(VII) Special reserves	-	-	-	-	-	-	-	3,064,821.18	-	-	-	3,064,821.18
1. Extraction of special reserves	-	-	-	-	-	-	-	3,064,821.18	-	-	-	3,064,821.18
2. Use of special reserves	-	-	-	-	-	-	-	-3,064,821.18	-	-	-	-3,064,821.18
(VIII) Others	-	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at the end of current year	985,650,000.00	-	2,004,780,045.95	-	-	-	367,607,883.33	881,530,854.88	-	-	-	4,238,071,784.16

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

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

January to June, 2019

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

	Amount in last year											
	Participating capital (or stock)	Other equity instrument	Capital reserve	Less treasury stock	Other comprehensive income	Special reserves	Surplus reserve	Retained earnings	Others	Sub-total	Minority interest	Total owners' equity
I. Closing balance at prior year	985,880,000.00	-	2,004,780,045.95	-	-	-	3,839,490,898.84	1,711,697,203.46	-	-	-	5,068,288,318.25
Add: accounting policy changes	-	-	-	-	-	-	-	-	-	-	-	-
Prior errors correction	-	-	-	-	-	-	3,838,827.49	32,293,393.36	-	-	-	36,582,145.85
Others	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance at the beginning of current year	985,880,000.00	-	2,004,780,045.95	-	-	-	3,857,607,826.33	1,744,025,396.82	-	-	-	5,102,871,531.10
III. Increases/(decreases) in current year	-	-	-	-	-	-	-	-	-	-	-	-
(I) Total comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
(II) Capital contributed by owners and capital increases	-	-	-	-	-	-	-	-	-	-	-	-
1. Capital contributed by owner	-	-	-	-	-	-	-	-	-	-	-	-
2. Holders of other equity instruments invested capital	-	-	-	-	-	-	-	-	-	-	-	-
3. The amount of the shares paid into the shareholders' rights and interests	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation of surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
2. Profit distributed to owners (or stockholders)	-	-	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-	-	-

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

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

January to June, 2019

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

	Amount in 100,000 Yuan											
	Paid-in capital (or stock)	Other equity instrument	Capital reserve	Less: treasury stock	Other comprehensible	Special reserves	Surplus reserve	Retained earnings	Others	Sub-total	Minority interest	Total owners' equity
(VI) Transfers within the owners' equity												
1. Capital (or stock) transferred from capital surplus												
2. Capital (or stock) transferred from surplus reserve												
3. Recovery of lossless surplus reserve												
4. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans												
5. Others												
(VII) Special reserves												
1. Extraction of special reserves						4,726,454.04						4,726,454.04
2. Use of special reserves						-4,726,454.04						-4,726,454.04
(VIII) Others												
IV. Balance at the end of current year	986,820,000.00		-2,004,780,045.95			3,676,607,688.33	1,706,825,531.38					5,076,016,456.66

(The attached notes to the financial statements are part of the consolidated financial statements)

Legal Representative:

Li Xiaoyu

Chief Financial Officer:

Zhao Junfen

Accounting Manager:

Yao Weidong

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

I. GENERAL INFORMATION OF THE COMPANY

1. General information of the Company

First Tractor Company Limited (referred hereunder as “the Company”; the Company together with its subsidiaries are referred as the “Group”) is a limited company located in People’s Republic of China and established on May 8, 1997. the Company took over the principle business on tractor manufacturing and the corresponding assets and liabilities of YTO Group Corporation (referred hereunder as the “YTO Group”), with the net assets of RMB 636,346,000 equivalent to 450,000,000 state-owned corporation shares held by the Company, according to the reorganization plan effective from December 31, 1996. Thereafter, the Company issues 335,000,000 H shares (par value: RMB 1) under approval and the issuance resulted in the increase registered and paid-up share capital of the Company to RMB 785,000,000. the Company has been listed in Hong Kong Exchanges and Clearing Limited (“HKEx”) since June 23, 1997. On October 24, 2007, the Company allotted 60,900,000 H shares with the price of HKD 3.95/share, which increased the registered and paid-up share capital of the Company to RMB 845,900,000. According to the Permission [2012] No. 736 of China Securities Regulatory Commission, the Company was approved to publicly issue RMB common stocks not exceeding 150,000,000 shares, and the Company actually issued 150,000,000 shares with the issue price of RMB 5.40/share on July 27, 2012. The total proceed from the issuance of shares was received by the Company on August 1, 2012. the Company was listed and started to trade in Shanghai Stocks Exchange on August 8, 2012. The registered and paid-up share capital of the Company had increased to RMB 995,900,000.

Approved by 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, the total number of H shares repurchased and cancelled by the Company from July 19, 2016 to May 26, 2017 was 10,050,000 shares.

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

I. GENERAL INFORMATION OF THE COMPANY (CONTINUED)

1. General information of the Company (continued)

After issuing bonus share, selling new shares, increasing share capital, issuing new paper, and share repurchase, by June 30, 2019, the total capital stock of company is 985,850,000 shares and registered capital is RMB 985,850,000. The registered address of business license of the Company is No. 154 Construction Road, Luoyang, Henan Province. The parent company of the Company is YTO Group Corporation (referred hereunder as the “YTO Group”) and the ultimate controlling party of the YTO Group is China National Machinery Industry Corporation (referred hereunder as the “SinoMach Group”).

The Group is in agricultural machinery manufacturing industry. Its business scope mainly includes manufacturing and selling agricultural machineries, diesel engines and fuel injections, other machineries and operating business of finance company.

The financial statements are reported in August 29, 2019 by the board of directors of the Group.

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

II. SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group include 17 companies, which are:

The name of subsidiaries	The type of Subsidiaries	Rank	Holding Ratio (%)	Representative Ratio (%)
Zhongfei Heavy Industry Investment Co., Ltd.	holding subsidiaries	2	55.00	55.00
Changtuo Agricultural Machinery Equipment Group Co., Ltd.	participating stock subsidiaries	2	33.33	66.66
YTO Heilongjiang Agricultural Equipment Co., Ltd.	wholly-owned subsidiaries	2	100.00	100.00
Luoyang Tractor Research Institute Co., Ltd.	holding subsidiaries	2	51.00	51.00
YTO International Economic and Trade Co., Ltd.	wholly-owned subsidiaries	2	100.00	100.00
YTO (Luoyang)Flag Auto-Body Co., Ltd.	wholly-owned subsidiaries	2	100.00	100.00
YTO (Luoyang) Fuel Injection Co., Ltd.	holding subsidiaries	2	86.11	86.11
Brilliance China Machinery Holding Co., Ltd.	holding subsidiaries	2	90.10	90.10
Luoyang Changxing Agricultural Machinery Co., Ltd.	wholly-owned subsidiaries	2	100.00	100.00
YTO (Luoyang) Shentong Engineering Machinery Co., Ltd.	wholly-owned subsidiaries	2	100.00	100.00
China YTO Group Finance Limited Liability Company	holding subsidiaries	2	98.79	98.79
YTO (Luoyang) Diesel Engine Co., Ltd.	holding subsidiaries	2	85.47	85.47
YTO (Luoyang) Shunxing Parts Limited Liability Company	wholly-owned subsidiaries	2	100.00	100.00
YTO (Luoyang) Foundry Co., Ltd.	wholly-owned subsidiaries	2	100.00	100.00

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

II. SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The name of subsidiaries	The type of Subsidiaries	Rank	Holding Ratio (%)	Representative Ratio (%)
YTO (Xinjiang) Dongfanghong Equipment Machinery Co., Ltd.	wholly-owned subsidiaries	2	100.00	100.00
YTO France SAS	wholly-owned subsidiaries	2	100.00	100.00
YTO Belarus Technology Co. Ltd.	wholly-owned subsidiaries	2	100.00	100.00

The reason why that the proportion of the subsidiary is different from the proportion of the voting rights and holding half or below the voting power but still controlling the unit invested can refer to VIII. Interests in other entities 1. Interests in Subsidiaries.

Compared with the previous period, the number of subjects included in the consolidated financial statements in the current period decreased by 1 subsidiary which is rank 2.

1. Subsidiaries no longer included in the scope of merger, special purpose subjects, business entities that lose control by entrusting or leasing in the current period.

Company	The reason of change
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Yituo (Luoyang) Handling Machinery Co., Ltd.	Stock Right Disposal
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Detailed information on the subject of change in the scope of merger can be found in Note VII. Changes in the scope of consolidation.

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

III. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

1. Basis of preparation

Based on the transactions and events incurred, recognition and measurement shall be carried out in accordance with the Enterprise Accounting Standards-Basic Standards and Specific Enterprise Accounting Standards promulgated by the Ministry of Finance, the Guidelines for the Application of Enterprise Accounting Standards, the Interpretation of Enterprise Accounting Standards and other relevant provisions (hereinafter collectively referred as “ASBEs”). On this basis, we prepare financial statements in accordance with the disclosure provisions of Regulations on the Compilation Rules of Information Disclosure of Public Securities Companies No. 15-General Provisions on Financial Reporting (Amended in 2014) promulgated by China Securities Regulatory Commission, Disclosure Provisions of Securities Listing Rules and Hong Kong Companies Ordinance of the Hong Kong Stock Exchange, and the accounting policies stated in the Note V. Principal accounting policies and accounting estimates.

2. Going concern

The sustainability of the 12 months of the report from the end of the period has been evaluated. No significant matters or situation has been found which could influence the ability to maintain its sustainability. Therefore, the financial statements are based on the assumption of going concern.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Specific accounting policies and accounting estimates

Based on historical experience and other factors, including reasonable expectations for future events, our company carries out a continuous evaluation of the important accounting estimates and key assumptions adopted. If significant changes occur, the following important accounting estimates and key assumptions may lead to a significant impact on the asset and liability value of the future accounting year:

- (a) Impairment of receivables. The management of the Group assesses the credit risk based on the relevant asset portfolio and measures its loss provision based on the amount of expected credit losses over the life of the Group. If the expected figures are different from the original estimates, the difference will affect the book value of accounts receivable, as well as the impairment charges during the estimated changes.
- (b) Estimation of inventory impairment. The management of the Group has measured the lower of the cost and the net realizable value on the balance sheet day and the calculation of the net realizable value needs to be assumed and estimated. If the management of company revise the costs when estimating the selling price or project completed, it will affect the estimation of net realizable value of inventory, the differences of estimation will affect the provision of inventory depreciation.
- (c) Estimated useful life and estimated net residual value of fixed assets. The estimated useful life and estimated net residual value of fixed assets are based on the past actual life and actual net residual value of fixed assets with similar properties and functions. In the process of using fixed assets, the economic environment, technical environment and other environment may have a greater impact on the useful life and estimated net residual value of fixed assets. If the estimated useful life and net residual value of fixed assets differ from the original estimate, management will make appropriate adjustments.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

1. Specific accounting policies and accounting estimates (continued)

- (d) The fair value of financial assets. The Group determines the fair value of financial instruments that do not have an active market using various valuation techniques including discounted cash flow method. For an available-for-sale financial asset that is legally restricted to the Group's disposal during a specified period, its fair value is based on market quotes and adjusted based on the characteristics of the instrument. At the time of valuation, the Group needs to estimate the credit risk, market volatility and correlation of itself and counterparties, and the changes in these related factors assumptions will affect the fair value of financial instruments.
- (e) Deferred income tax assets and deferred income tax liabilities.

In recognizing deferred income tax assets, the Group has considered the possibility of deductible temporary differences and the reversal of deductible losses. The deductible temporary differences mainly include the asset impairment provision, the accrued expenses that have not been approved for pre-tax deduction, and the impact of offsetting internal unrealized profits. The recognition of deferred income tax assets is based on the Group's expectation that the deductible temporary difference and the deductible losses can be reversed in the foreseeable future by generating sufficient taxable income through continuing operations.

The Group has provided current income tax and deferred income tax based on current tax law requirements and current best estimates and fake designs. If the future changes due to tax laws or related circumstances, the Group needs to adjust the current income tax and deferred income tax.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

1. Specific accounting policies and accounting estimates (continued)

- (f) Income tax. In normal business activities, the tax treatment in many transactions and matters are uncertain. A significant decision on the income tax is needed. If the final identification result of these tax matters is different from the amount originally entered the account, the difference will affect the amount of tax payable during the final determination period.

2. Statement of compliance of Accounting Standards for Business Enterprises

In accordance with the Accounting Standards for Business Enterprises (ASBEs), the financial statements of the Group truly and completely present the financial position of the Group and their financial performance and cash flows and other related information.

Given the fact that Chinese ASBEs are equivalent to Hong Kong Financial Reporting Standards (HKFRSs), the Hong Kong Securities Regulatory Commission and the Hong Kong Stock Exchange have both accepted financial statements prepared by Hong Kong listed companies originally from mainland China in accordance to the Chinese ASBEs and audited by accounting firms based in mainland China with relevant qualifications. Approved by the 2014 second extraordinary Shareholders Meeting of the Group on 31 October 2014, the Group no longer prepares financial statements under both ASBEs and HKFRSs from the reporting year of 2014. Only the financial statements prepared in accordance to the Chinese ASBEs will be provided to shareholders of A shares and H shares of the Group with consideration of disclosure of the rules of the Hong Kong.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3. Accounting year

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

4. Operating cycle

The operating cycle of the Company is 12 months.

5. Recording currency

The recording currency of the Group is Renminbi (RMB). Its subsidiaries, associates and joint ventures determine their own recording currency according to their main economic environment.

The currency used by the group at the time of the preparation of this financial statement is RMB.

6. Accounting method for business combination under the common control and not under the common control

(a). *To take many transactions as a package transaction for accounting treatment, the terms, conditions, and economic effects of each transaction in a step by step process conform to one or more of the following cases:*

- I. These transactions are occurred at the same time or have considered the impact of each other.
- II. All these transactions together can achieve a complete business result.
- III. The occurrence of a transaction depends on the occurrence of at least one other transaction.
- IV. A deal alone is not economical, but it is economic when considering together with other transactions.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Accounting method for business combination under the common control and not under the common control (continued)

(b). Enterprise merger under common control

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

If there exist contingent consideration which need to confirm the estimated liabilities or assets, the difference between the estimated liabilities or the amount of assets and the price of subsequent contingent consideration, we should adjust the capital surplus (capital premium or equity premium). When the capital surplus is insufficient, adjust the retained earnings.

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

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Accounting method for business combination under the common control and not under the common control (continued)

(c). Enterprise merger not under common control

The purchase date refers to the date that the Group actually obtains the control right of the buyer, that is, the date of transfer of the net assets of the buyer or the control right of production and operation decision to the Group. the Group generally believes that the transfer of control is realized when the following conditions are met:

- I. An enterprise merger contract or agreement has been approved by the internal authority of the Group.
- II. The merger of enterprises should be approved by the relevant competent authorities of the state and has been approved.
- III. The necessary transfer procedures for property rights have been carried out.
- IV. the Group has paid most of the consolidated price and has the ability and plan to pay the surplus.
- V. the Group has actually controlled the financial and operating policies of the acquiree and has the corresponding interest and the corresponding risk.

Assets paid, and liabilities incurred and borne for the merger of enterprises by the Group on the purchase date shall be measured at fair value, with difference between fair value and its book value being recorded into the current profit and loss.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Accounting method for business combination under the common control and not under the common control (continued)

(c). Enterprise merger not under common control (continued)

The difference between the Group's fair value of the identifiable net assets of the acquiree acquired in the combination is recognized as goodwill; the combination cost is less than the difference between the fair value of the identifiable net assets of the acquiree obtained in the combination. After reviewing, it is accounted in the current profit and loss.

The merger of enterprises under different control, which is realized step by step through multiple exchange transactions, belongs to a package transaction, and each transaction is treated as a transaction that gains control. When it does not belong to a package deal, the equity investments held before the merger date are accounted for by the equity method, the initial cost of investment is the sum of the book value of the equity investment held by the purchaser before the purchase date and the additional investment cost on the purchase date. When disposing the equity investment whose other comprehensive income recognized by equity method for equity investment hold before purchase date shall be conducted on the same basis as direct disposal of related assets or liabilities by the invested entity. The initial investment cost of equity investment accounting by financial instrument recognition and measurement standards on merger date is the sum of the fair value on the date of merger and the additional investment cost. The difference between the fair value and the book value of the original ownership, as well as the changes in the accumulated fair value originally included in other comprehensive gains, shall all be transferred to the investment income of the current period on the merger date.

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IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Accounting method for business combination under the common control and not under the common control (continued)

(d). *The costs of merger*

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

7. Preparation of consolidated financial statements

(a) *Scope of the merger*

The consolidation scope of the Group includes all subsidiaries controlled.

(b) *Consolidated procedures*

Based on the financial statements of their own and each subsidiary, the Group prepare the consolidated financial statements refer to other relevant information. the Group consider the entire enterprise group as an accounting entity when preparing the consolidated financial statements. In accordance with the relevant accounting standards of measurement and reporting requirements, unified accounting policies reflect the enterprise overall financial status, operating results and cash flow.

All subsidiaries included in the consolidated financial statements are consistent with accounting polices. When the accounting policies adopted by the subsidiaries inconsistent with the Group, the necessary adjustment period according to the Group's accounting policies and accounting is needed.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

7. Preparation of consolidated financial statements (continued)

(b) Consolidated procedures (continued)

The consolidated financial statements set off the internal transactions between the Group and its subsidiaries which affect the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement and the consolidated shareholders' equity change statement. When the opinion of group consolidated financial statements and the subsidiaries are different, the transitions should be adjusted from the perspective of enterprise group.

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

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

When the subsidiary which was not under the same control acquired through business combination, the financial statements should be adjusted which was based on fair value of the identifiable net assets at the acquisition date.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

The joint arrangement of the Group 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 Group incurs asset transactions of purchase and sales not constituting to business transactions, the Group only recognizes the portion of profit or loss generated due to the transaction attributable to other parties of the joint operations.

9. 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 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.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. 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.

The monetary items in foreign currency are translated into RMB at the spot exchange rate of the balance 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 recognized is applied and the amount in RMB is consistent.

When convert non-monetary items into foreign currency by the fair value of the spot exchange rate, the exchange difference is counted as the profits and losses of the current period as the profit and loss of the fair value change. If non-monetary item used for sale of foreign currency, the balance of exchange formed into other comprehensive benefits.

(2) Foreign currency translation of 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 caused by above translation are separately presented under other comprehensive income.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Foreign exchange translation for financial statements (continued)

(2) Foreign currency translation of financial statements (continued)

When dealing with overseas operations, the difference between other comprehensive income items in the balance sheet and equivalent items of overseas operations in the foreign currency financial statements shall be transferred from other comprehensive income items to the current profits and losses. When disposing part of equity investment or other situation which leads to a reduction in the proportion of overseas business rights and interests but not lose control of overseas business, the difference between the foreign currency statements related to the overseas operation and disposal will be attributable to minority shareholders' rights and interests which means it will not be transferred into current profits or losses. When dealing with partial shares of overseas operation as a joint venture or a joint venture, the difference between the foreign currency statements related to the overseas operation is transferred to the current profit or loss according to the proportion of the overseas operation.

11. Financial instruments

Financial instruments include financial assets, financial liabilities, and equity instrument.

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IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (continued)

(1) Category of financial instruments

the Group classifies financial assets into the following three categories based on the business model of the financial assets under management and the contractual cash flow characteristics of financial assets:

- (a) Financial assets measured at amortized cost.
- (b) Financial assets measured at fair value through changes in other comprehensive income.
- (c) Financial assets measured at fair value through changes in profit or loss.

The classification of debt instrument investment depends on the business model in which the Group holds the investment; the classification of equity instrument investment depends on whether the Group has made an irrevocable choice at the initial confirmation of fair value and its changes are included in other comprehensive benefits. the Group only reclassifies all affected financial assets when changing the business model of financial assets.

Financial liabilities are divided into the following two categories:

- (a) Financial liabilities measured at fair value through profit or loss
- (b) Financial liabilities measured at amortized cost.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (continued)

(2) *The recognition and measurement of financial instruments*

(a) Financial assets measured at amortized cost

Financial assets classified as amortized cost are classified as financial assets that meet the following conditions:

- I. The business model for managing the financial assets is aimed at collecting contractual cash flows.
- II. The contractual terms of the financial asset stipulate that the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount.

(b) Financial assets measured at fair value through changes in other comprehensive income.

The financial assets of the Group that meet the following conditions are classified into financial assets measured at fair value and whose changes are included in other comprehensive income:

- I. The business model for managing the financial assets is aimed at both the collection of contractual cash flows and the sale of the financial assets.
- II. The contractual terms of the financial asset stipulate that the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount.

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IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (continued)

(2) *The recognition and measurement of financial instruments (continued)*

(b) *Financial assets measured at fair value through changes in other comprehensive income. (continued)*

At initial recognition, the Group may designate non-trading equity instrument investments as financial assets measured at fair value through other comprehensive income, and recognize dividend income when the conditions are met. Once the designation is made, it cannot be revoked.

(c) *Financial assets measured at fair value through changes in profit or loss*

the Group will divide financial assets except measured by amortized cost and financial assets measured by fair value through changes other comprehensive income into financial assets measured by fair value and whose changes are included in current profits and losses.

Where a financial asset is recognized or valued in the merger of an enterprise not under the same control, the financial asset shall be classified as a financial asset measured at fair value and whose changes are included in the profits and losses of the current period.

At the time of initial recognition, if the accounting mismatch can be eliminated or significantly reduced, the financial assets can be designated as financial assets measured at fair value through changes in profit or loss. Once the designation is made, it cannot be revoked.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (continued)

(2) *The recognition and measurement of financial instruments (continued)*

(d) Financial liabilities measured at fair value through profit or loss

This category includes trading financial liabilities (including derivatives that are financial liabilities) and financial liabilities designated as at fair value through profit or loss.

In the case of a business combination that is not under the same control, if the Group is recognized by the purchaser or has a consideration to form a financial liability, the financial liability is measured at fair value through profit or loss.

In the initial recognition, in order to provide more relevant accounting information, the Group can designate financial liabilities as financial liabilities measured at fair value through profit or loss. The designation is not revoked and should meet one of the following conditions:

- I. Can eliminate or significantly reduce accounting mismatches.
- II. According to the enterprise risk management or investment strategy specified in the official written documents, manage and evaluate the financial liability portfolio or financial assets and financial liabilities based on fair value, and report to key managers on the basis of this within the enterprise.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (continued)

(2) *The recognition and measurement of financial instruments (continued)*

(e) Financial liabilities measured at amortized cost

Except for the following items, the Group classifies financial liabilities as financial liabilities measured at amortized cost:

- I. Financial liabilities measured at fair value through profit or loss.
- II. Financial assets transfer does not meet the conditions for derecognition or financial liabilities arising from the transfer of transferred financial assets.
- III. Financial guarantee contracts that are not in the first two categories of this article, and loan commitments that are not subject to the market rate in the case of category I of this article.

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IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (continued)

(3) Initial measurement of financial instruments

the Group's financial assets or liabilities are measured at fair value when initially recognized. For financial assets and liabilities measured at fair value and whose changes are included in current profits and losses, relevant transaction costs are directly included in current profits and losses. For the other financial assets and losses, the relevant transaction costs are included in the initial confirmation amount.

Where there is a difference between the fair value of a financial asset or financial liability and the transaction price, the following conditions shall be treated:

At initial recognition, the fair value of a financial asset or financial liability is based on the quotation of the same asset or liability in an active market or the valuation technique using only observable market data, the difference between the fair value and the transaction price can be confirmed as a gain or loss.

At the initial recognition, if the fair value of financial assets or financial liabilities is determined in other ways, the difference between the fair value and the transaction price is deferred. After the initial recognition, the deferred difference is recognized as the gain or loss of the corresponding accounting period based on the degree of change in the corresponding accounting period. This factor should be limited to factors that market participants will consider when pricing the financial instrument, including time.

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IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (continued)

(4) Subsequent measurement of financial instruments

After the initial recognition, the financial assets of different categories are measured at amortized cost, measured at fair value through profit or loss and measured at fair value through profit or loss.

The amortized cost of financial assets or financial liabilities is determined by the following adjustments to the initial recognition amount of the financial assets or financial liabilities:

- I. Deduct the principal that has been repaid.
- II. Add or subtract the accumulated amortization amount formed by amortizing the difference between the initial confirmation amount and the maturity date using the effective interest method.
- III. Deduct the accumulated provision for losses (only applicable to financial assets).

The gains or losses arising from financial liabilities measured at amortized cost and not part of any hedging relationship shall be included in the profits and losses of the current period at the time of termination of recognition or included in the profits and losses of the relevant period in amortization according to the actual interest rate method except for financial assets.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (continued)

(4) Subsequent measurement of financial instruments (continued)

When the financial liability of the Group is initially recognized, the change in the fair value of the financial liability caused by the change in the credit risk of the enterprise shall be included in other comprehensive benefits, and other changes in the fair value shall be included in the current profits and losses. However, if the accounting treatment results in or expands the accounting mismatch in the profit and loss, then all the gains or losses of the financial liability (including the influence amount of the change in the credit risk of the enterprise itself) shall be included in the current profit and loss.

(5) The confirmation of termination of financial liabilities

(a) When a financial asset satisfies one of the following conditions, it shall be terminated:

- I. Termination of the contractual right to collect cash flow from the financial asset.
- II. The financial assets have been transferred, meanwhile, the transfer satisfies the requirements of financial assets termination and recognition in <Accounting Standards for Enterprises No. 23-Financial Assets Transfer>. Termination of recognition of financial assets or liabilities referred to in these Standards means that an enterprise transfers previously recognized financial assets or liabilities from its balance sheet.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (continued)

(5) *The confirmation of termination of financial liabilities (continued)*

(b) Conditions for the confirmation of termination of financial liabilities

If the current obligation of the financial liability (or part of it) has been discharged, the financial liability (or part of the financial liability) is derecognised. If the Group and the lender sign an agreement to replace the original financial liabilities with new financial liabilities, and the new financial liabilities are substantially different from the original financial liabilities, the original financial liabilities will be terminated and new financial liabilities will be confirmed.

If a substantial change is made to the contractual terms of the original financial liability (or part thereof), the original financial liability is derecognised and a new financial liability is recognized in accordance with the revised terms.

If the financial liability (or a part thereof) is derecognised, the difference between the carrying amount and the consideration paid (including the transferred non-cash assets or liabilities assumed) is recognized in profit or loss for the current period.

If the Group repurchases part of the financial liabilities, the book value of the financial liabilities as a whole is allocated based on the proportion of the fair value of the continuing recognition portion and the derecognised portion on the repurchase date. The difference between the book value assigned to the derecognised portion and the consideration paid (including the transferred non-cash assets or liabilities assumed) shall be included in the current profit and loss.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (continued)

(6) *Recognition and measurement of financial assets transfer*

When the financial assets transfer occurs, the Group assesses the extent of the risks and rewards of retaining the ownership of financial assets, and handles the following situations:

- I. If almost all risks and rewards of ownership of financial assets are transferred, the financial assets are derecognised and the rights and obligations arising or retained in the transfer are separately recognized as assets or liabilities.
- II. If retain almost all the risks and rewards of ownership of financial assets, continue to confirm the financial assets.
- III. If there is neither transfer nor retention of almost all risks and rewards of ownership of financial assets (i.e, other than paragraphs I and II), then according to whether or not they retain control over financial assets, the following situations are dealt with respectively:
 - i. If the financial assets are not retained, the financial assets are derecognised and the rights and obligations arising or retained in the transfer are separately recognized as assets or liabilities.
 - ii. If the control of the financial assets is retained, the relevant financial assets shall continue to be recognized according to the extent to which they continue to be involved in the transferred financial assets, and the related liabilities are recognized accordingly. The extent of continuing involvement in the transferred financial assets refers to the extent to which the Group assumes the risk or reward of changes in the value of the transferred financial assets.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (continued)

(6) *Recognition and measurement of financial assets transfer (continued)*

When judging whether the transfer of financial assets meets the above conditions for termination of recognition of financial assets, the principle of substance over form is adopted. the Group divides the transfer of financial assets into the overall transfer of financial assets and the partial transfer of financial assets:

- (a) If the overall transfer of financial assets meets the conditions for derecognition, the difference between the following two amounts is included in the current profit and loss:
 - I. The book value of the transferred financial assets on the date of termination confirmation.
 - II. The consideration received for the transfer of financial assets is the sum of the amount corresponding to the termination confirmation in the cumulative amount of changes in fair value that was originally recognised directly in other comprehensive income. (The financial assets involved in the transfer are financial assets measured at fair value through other comprehensive income.)

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (continued)

(6) *Recognition and measurement of financial assets transfer (continued)*

(b) If part of the financial assets is transferred and the transferred part as a whole meets the conditions for derecognition, the book value of the financial assets as a whole will be transferred between the derecognised part and the continuation confirmation part (in this case, The retained service assets shall be deemed to be part of the continuing recognition of the financial assets. They shall be apportioned according to their respective fair values on the transfer date, and the difference between the following two amounts shall be included in the current profit and loss:

- I. The book value of the derecognised part on the date of termination confirmation.
- II. The consideration received by the derecognised part is the sum of the amount corresponding to the derecognised part of the cumulative amount of changes in fair value previously included in other comprehensive income. (The financial assets involved in the transfer are financial assets measured at fair value through other comprehensive income.)

If the transfer of financial assets does not meet the conditions for derecognition, the financial assets are continually recognized and the consideration received is recognized as a financial liability.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (continued)

(7) *The method of determining the fair value of financial assets and financial liabilities*

Financial assets or financial liabilities in an active market are determined by quoted prices in active markets; quoted prices in active markets include easy and regularly available from exchanges, dealers, brokers, industry groups, pricing agencies or regulatory agencies. A quote for an asset or liability that represents a market transaction that actually and frequently occurs on the basis of fair trade.

Financial assets initially acquired or derived or financial liabilities assumed are based on market transaction prices as the basis for determining their fair value.

There are no financial assets or financial liabilities in an active market, and valuation techniques are used to determine their fair value. At the time of valuation, the Group adopts valuation techniques that are applicable in the current circumstances and that are sufficient to support the use of data and other information, and are selected to be consistent with the characteristics of assets or liabilities considered by market participants in transactions in related assets or liabilities. Enter values and use the relevant observable input values as much as possible. Unobservable input values are used where the relevant observable input values are not available or are not practicable.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (continued)

(8) *Preparation for impairment of financial assets (excluding receivables)*

- (a) Based on the expected credit losses, the Group evaluates the expected credit losses of financial assets measured at amortized cost and financial assets measured at fair value and whose changes are included in other comprehensive income, conducts impairment accounting treatment and confirms loss preparation.
- (b) When one or more events that adversely affect the expected future cash flows of a financial asset occur, the financial asset becomes a financial asset that has suffered a credit impairment. Evidence that credit impairment has occurred in financial assets includes the following observable information:
- I. The issuer or the debtor has significant financial difficulties;
 - II. The debtor breaches the contract, such as repayment of interest or principal default or overdue;
 - III. The creditor gives the debtor no concessions in any other circumstances for economic or contractual considerations relating to the financial difficulties of the debtor;
 - IV. The debtor is likely to go bankrupt or carry out other financial restructurings;
 - V. The financial difficulties of the issuer or the debtor cause the active market of the financial asset to disappear;
 - VI. Purchase or source a financial asset at a substantial discount, which reflects the fact that credit losses have occurred.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (continued)

(8) *Preparation for impairment of financial assets (excluding receivables) (continued)*

The credit impairment of financial assets may be caused by the joint action of multiple events, and may not be caused by separately identifiable events.

- (c) For purchased or sourced financial assets that have suffered credit impairment, the cumulative change in expected credit losses over the entire duration of the initial recognition is recognized as loss provision on the balance sheet date. On each balance sheet date, the amount of the change in expected credit losses over the entire life period is recognised in profit or loss as an impairment loss or gain. Even if the expected credit loss for the entire life period determined on the balance sheet date is less than the expected credit loss reflected in the estimated cash flow at the initial recognition, the expected change in credit loss is recognized as an impairment gain.
- (d) Except for the case of (c) the provision for loss of financial instruments, the Group assesses whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition on each balance sheet date, and measures the loss preparation, confirms the expected credit loss and its change according to the following situations:
 - I. If the credit risk of the financial instrument has increased significantly since the initial recognition, the loss provision is measured at the amount equivalent to the expected credit loss for the entire duration of the financial instrument. Regardless of whether the Group's assessment of credit losses is based on a single financial instrument or a combination of financial instruments, the increase or reversal of the loss provision resulting therefrom should be included in the current profit and loss as an impairment loss or gain.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (continued)

(8) *Preparation for impairment of financial assets (excluding receivables) (continued)*

- II. If the credit risk of financial instruments since the initial confirmation has not increased significantly, according to the equivalent of the financial instruments is expected in the next 12 months the amount of credit losses measuring their losses, regardless of the Group to evaluate credit loss is the basis of individual financial instruments or financial instrument combination, the resulting loss to increase or return amount, shall be used as impairment losses or gains recorded into the profits and losses.

The expected credit loss in the next 12 months refers to the expected credit loss caused by the possible default of financial instruments within the next 12 months of the balance sheet, which is part of the expected credit loss in the whole duration of the maturity (if the expected duration of a financial instrument is less than 12 months, it is the expected duration).

In conducting the assessment, the Group considers all reasonable and valid information, including prospective information. In order to ensure a significant increase in credit risk since the initial recognition of financial instruments, i.e., to confirm the expected credit loss for the entire duration of maturity, in some cases, the assessment of credit risk on the basis of portfolio is considered as a significant increase.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (continued)

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

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, if the following conditions are met, the net amount offset by each other is listed in the balance sheet:

- (a) the Group has a statutory right to offset the confirmed amount, and such legal right is currently enforceable;
- (b) the Group plans to settle the net assets or realize the financial assets and liquidate the financial liabilities at the same time.

12. Accounts receivables

(1) *Notes receivable*

As its short-term and low-risk of default, the group has a strong ability to pay for its contractual cash obligations in a short period of time. Therefore, the Group regards the bill receivable as a financial instrument with low credit risk. It directly assumes that credit risk has not increased significantly since the initial confirmation. Considering the zero historical default rate, the Group determines bad debt provision for the notes receivable is zero.

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IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Accounts receivables (continued)

(2) Accounts receivable

The Group's allowance for bad debts is based on the amount of anticipated credit losses during the entire life of the group's accounts receivable.

The Group is unable to obtain sufficient evidence of a significant increase in credit risk at a reasonable cost at a single instrument level, and it is feasible to assess whether a significant increase in credit risk is achieved on the basis of a portfolio. Therefore, on the basis of the actual loss rate of accounts receivable in previous years, the judgment of future recovery risk and the analysis of credit risk characteristics, the Group determines the expected credit loss rate and provision for bad debts.

Portfolio of credit risk	Expected loss reserve rate (%)
Aging portfolio	Details in estimated loss rate of age portfolio
Accounts receivables with collateral guarantee	The balance after deducting the recoverable value of the collateral from the original value as a risk exposure to predict credit losses

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IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Accounts receivables (continued)

(2) Accounts receivable (continued)

- (a) Expected credit losses of accounts receivable formed by domestic business which based on ageing credit risk characteristics

Aging	Estimated loss rate of receivables (%)
Within 1 year	1-15
1-2 years	50
2-3 years	100
Over 3 years	100

- (b) Expected credit losses of accounts receivable formed by international business which based on ageing credit risk characteristics.

Aging	Estimated loss rate of receivables (%)
Within 1 year	5
1-3 years	10
3-4years	30
4-5 years	60
Over 5 years	100

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IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Accounts receivables (continued)

(3) Other receivable

The Group measures other receivables loss provision in accordance with the following circumstances: ①If the credit risk has not increased significantly since the initial confirmation, the Group shall measure the loss preparation according to the amount of anticipated credit losses in the next 12 months. ②Financial assets whose credit risk has increased significantly since the initial confirmation, the Group measures the loss provision in the amount equivalent to the expected credit loss of the financial instrument during its entire life cycle. ③When purchasing or originating financial assets that have suffered credit impairment, the Group shall measure the loss provision in the amount equivalent to the expected credit loss during the whole life period.

For other receivables, the Group can not obtain sufficient evidence of significant increase in credit risk at a reasonable cost at a single instrument level, and it is feasible to assess whether significant increase in credit risk is achieved on the basis of portfolio. Therefore, the Group receives other receivables according to the common risk characteristics of financial instrument type, credit risk rating, initial confirmation date and residual contract duration. Line grouping and portfolio-based assessment of whether credit risk increases significantly.

- (a) The expected credit losses are measured based on the portfolio. The other receivables formed in the domestic and international business of the Group are calculated and deducted according to the corresponding age credit risk portfolio according to the corresponding age credit risk characteristics.
- (b) For non-operational low-risk businesses, other receivables are deducted in proportion to 1% of the balance.
- (c) The risk exposure estimates credit loss is the balance of the original value of accounts receivable with pledge guarantee deducting its recoverable value.

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IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Inventories

(1) *Classification of inventories*

Inventories are products that our company holds for sale in daily activities, materials consumed in the production process, materials in the process of providing services, in the production process. The inventories of the Group include raw material, packing materials, low-valued consumables, work-in-process, finished goods, and projects costs etc.

(2) *Method of valuation of inventory*

The purchase and emits of the stock are priced at the planned cost. Setting the “material cost difference” course and accounting balance of actual cost and plan cost, the final will be issued and balances the cost of inventory adjustment for the actual cost.

(3) *the basis for determining the net realizable value of inventory and the accrual method for the stock price drop preparation*

The estimated sales price of the inventories, such as finished products, inventory commodities and materials directly used for sale is deducted from the estimated sales cost and the amount after the relevant taxes and fees, and the net realizable value is determined. The net realizable value of inventory which require processes is determined by the estimated selling price of finished products deducting the estimated cost, estimated sales cost and related taxes and fees after completion. To execute sales contracts or labour contracts, the net realizable value is measured by the contract price. If the quantity of stock held is more than that of the sales contract, the net realizable value of the excess part will be measured by the general selling price.

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IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Inventories (continued)

(3) *the basis for determining the net realizable value of inventory and the accrual method for the stock price drop preparation (continued)*

Inventories provision accrues individually at the end of term. If a large stock has a lower unit price, provision for decline in inventory is prepared in accordance with the inventory category. If the inventory is related to a series of products that are produced which sold in the same area and have the same or similar end uses or purposes and it is difficult to separate the items from other items, the provision for decline in inventory will be combined.

If the reduction factors of inventory value have disappeared in the past, the reduced amount shall be recovered. Meanwhile, reserving the original provision for inventory, reversal of the amount count in the current profits and losses

(4) *Inventory system*

Adopting the perpetual inventory system.

(5) *Amortization method of low-value consumption goods and packaging*

- I. Low-value consumption goods adopt once writing-off method.
- II. Packaging adopt once writing-off method.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Contract assets and contract liabilities

The right of the Group to receive consideration for the transfer of goods to its customers, which depends on factors other than the passage of time, is recognized as a contractual asset. Part of the obligation to transfer goods to the customer when the customer has received or receivables consideration is recognized as contract liabilities.

The Group evaluates the anticipated credit loss of contract assets and measures its loss preparation based on the amount equivalent to the anticipated credit loss during the whole life period. Based on the actual loss rate of contract assets in previous years, the judgment of future recovery risk and the analysis of credit risk characteristics, the expected loss rate is determined and the provision for impairment of contract assets is calculated accordingly.

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IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. Assets classified as held for sale

(1) Confirmation criteria for assets classified as held for sale

the Group determines non-current assets or disposal teams that simultaneously meet the following requirements as assets classified as held for sale:

- (a) In accordance with the practice of selling such assets or disposal teams in similar transactions, they can be sold immediately in the current circumstances.
- (b) The sale is very likely occurring, that is, the Group has made a resolution on a sale plan, has been approved by the regulatory authorities (if applicable), and has obtained a firm commitment to purchase which the sale is expected to be completed within one year.

Purchase commitment is determined which means a legally binding purchase agreement signed by the Group with other parties. The agreement contains important terms such as transaction price, time and severe penalties for breach of contract that major adjustments or revocations to agreements is unlikely to happen.

(2) Accounting method for assets classified as held for sale

Where the Group holds non-current assets or disposal teams for sale without depreciation or amortization and their book value is higher than the net amount of fair value minus the selling expenses, the book value shall be written down to the net amount after the fair value minus the selling expenses. The amount written down shall be recognized as the loss of impairment of assets and shall be recorded in the profits and losses of the current period. At the same time, provision for impairment of assets classified as held for sale is made.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. Assets classified as held for sale (continued)

(2) Accounting method for assets classified as held for sale (continued)

For the non-current assets or disposal groups are classified as holding for sale on acquisition days, the amount of initial measurement is the lower between the initial measurement amount when these are not classified as holding for sale and fair value minus the net sale cost.

The above principles apply to all non-current assets, but not investment real estate which applying fair value model for follow-up measurement, biological assets Measured by net value minus sale cost, assets formed by employees' compensation, deferred tax assets, financial assets standardized by Financial Instruments-Related Accounting Standards, rights arising from insurance contracts regulated by relevant accounting standards for insurance contracts.

16. Long-term receivables

the Group's accounts receivable arising from finance leases and accounts receivable arising from deferred instalment collections and sales of goods and services that are of a substantially financing nature are recognized as long-term receivables. At the same time, the unrealized financing income is recognized according to the difference between the fair value of the contract receivable or the agreement price and the contract or agreement amount.

Provision for impairment of long-term receivables: taking the balance of original value after deducting unrealized financing income as the basis of deduction.

- (1) Within the normal repayment period, the balance after deducting the unrealized financing income according to the contract amount shall be deducted according to 1%.

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IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16. Long-term receivables (continued)

(2) The proportion of impairment shall be calculated according to the expected credit loss of the credit risk portfolio of overdue account age:

<u>Overdue age</u>	<u>Estimated loss rate of receivables (%)</u>
Within 1 year	5
1-3 years	10
3-4years	30
4-5 years	60
Over 5 years	100

17. 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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IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. 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 acquire 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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IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. 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 disposes 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.

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

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IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

In the situation where the Group 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 Group 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.

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Long-term equity investment (continued)

For loss of control in the invested company due to partly disposed long-term equity investment, for remaining shareholding 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 income 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 loss 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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IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

18. Investment properties

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

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

19. Fixed assets

(1) Conditions for confirmation of fixed assets

Fixed assets are tangible assets, having useful life over one accounting year, which are held to produce goods and/or the rendering of services, leasing to others, or for operating purposes. Fixed assets are confirmed when the following conditions are met at the same time:

- I. Fixed asset is recognized when it is probable that future economic benefits associated with the item will flow to the Group
- II. The cost of the item can be measured reliably.

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IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Fixed assets (continued)

(2) Initial measurement of fixed assets

The initial measurement of the group of fixed assets is based on costs.

- a. Purchased fixed assets cost including purchase price, import tariffs and other related taxes and fees, as well as the fixed asset for its intended use before the other expenses are directly attributable to the asset.
- b. The cost of building a fixed asset by itself is made up of the necessary expenditure until the construction of the assets has reached the desired state of use.
- c. The fixed assets invested by investors shall be accounted for the value stipulated in the investment contract or agreement. However, if the value of the contract or agreement is not fair, count the fair value.
- d. The cost of fixed assets is based on the present value of purchase price when the purchase price of fixed assets exceeds the normal credit condition which substantially has the nature of financing. The difference between the actual payment and the present value of the purchase price, in addition to the capitalization, is included in the current profit and loss in the credit period.

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IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Fixed assets (continued)

(3) Follow-up measurement and disposal of fixed assets

a. Depreciation of fixed assets

Provision of fixed asset depreciation is determined by its entry value after deducting the estimated net residual value in expected life. For fixed assets that have been prepared for impairment, the amount of depreciation of it is determined by book value after deducting the impairment based on useful life. When the fixed assets whose accumulated depreciation are enough, no longer depreciate it which continue being used.

The fixed assets formed by special reserve expenditures shall be reduced by the cost of forming fixed assets and the accumulated depreciation of the same amount shall be confirmed. The fixed assets shall not be further depreciated in the future.

Based on the nature and usage of fixed assets, the Group determines the service life of the fixed assets and the estimated net residual value. At the end of the year, the service life of the fixed assets, the estimated net residual value and the method of depreciation shall be reviewed, such as the corresponding adjustment to the original estimates.

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IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Fixed assets (continued)

(3) Follow-up measurement and disposal of fixed assets (continued)

a. Depreciation of fixed assets (continued)

Depreciation method, useful life, estimated residual value, depreciation rate of the fixed assets under the classification of the Group are as the following:

Classification	Depreciation method	Useful life (year)	The rate of estimated residual value (%)	Annual depreciation rate (%)
Land	–	Long-term		
Building	straight-line method	10-30	5-10	3.00-9.50
machinery	straight-line method	10-14	5-10	6.40-9.50
Transportation equipment	straight-line method	8-12	5-10	7.50-11.90
Electric & office equipment	straight-line method	5-8	5-10	11.30-19.00
others	straight-line method	5-14	5-10	6.40-19.00

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IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Fixed assets (continued)

(3) Follow-up measurement and disposal of fixed assets (continued)

b. Subsequent measurements of fixed assets

The subsequent expenditures related to the fixed assets, if satisfies the criteria of capitalization, recognize to the cost of fixed assets. if not, charges to profit or loss when it occurs.

c. Disposal of fixed assets

If an investment property is disposed of or if it withdraws permanently from use and no economic benefit will be obtained from the disposal, the recognition of it as an investment property shall be terminated. When an investment property is sold, transferred, discarded, damaged or destroyed, the Group shall deduct the carrying value of it as well as the relevant taxes from the disposal income, and include the residual amount in the current profits or losses.

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IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

20. Construction in progress

(1) *Initial measurement of construction in process*

The actual construction cost of the construction in progress is determined by the actual expenses incurred before the construction of the asset reaches the intended usable condition, including the cost of engineering materials, labor costs and relevant taxes payable. Capitalized borrowing costs and indirect costs that should be apportioned.

(2) *The criteria for construction-in-progress to convert into fixed asset*

The total expenditure incurred before the construction project is constructed to reach the intended usable condition shall be recorded as the value of the fixed assets. The construction of fixed assets under construction has reached the intended use of the state, but has not yet completed the final accounts, since the scheduled use of the date of use, according to the project budget, cost or actual project costs, according to the estimated value into fixed Assets and depreciation of fixed assets in accordance with the depreciation policy of the Group's fixed assets. After the completion of the final accounts, the original estimated value shall be adjusted according to the actual cost, but the original depreciation amount shall not be adjusted.

21. Borrowing cost

(1) *Recognition principle of capitalization of borrowing costs*

The borrowing costs, the Group can directly attributable to the acquisition and construction or production of assets eligible for capitalization, in the case of eligible for capitalization start capitalization, included in the relevant asset costs; Other borrowing costs shall be recognized as expenses at the time of occurrence and shall be included in the current profits and losses.

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IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Borrowing cost (Continued)

(1) Recognition principle of capitalization of borrowing costs (Continued)

Assets that are eligible for capitalization are assets that require a long period of time to purchase or produce activities to achieve fixed assets, investment real estate and inventory that are intended to be available or sold.

Borrowing costs begin to capitalize when the following conditions are met:

- I. Assets expenditure has occurred, including expenditure incurred in the form of cash, transfer of non-cash assets or interest-bearing debt for the acquisition or construction of assets eligible for capitalization.
- II. Borrowing costs have already occurred.
- III. The purchase and construction or production activities necessary for the asset to reach the intended use or saleable status.

(2) Capitalization period of borrowing costs

During the period of capitalization, the period during which the borrowing costs are suspended from capitalization is not included during the period from the point of time when the borrowing costs are capitalized to the point where the capitalization is stopped.

The borrowing costs shall cease to be capitalized when the assets acquired or produced meet the conditions for capitalization are ready for use or sold.

When part of the assets purchased or produced in accordance with the capitalization conditions are completed and can be used alone, the part of the asset borrowing costs to stop capitalization.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Borrowing cost (Continued)

(2) Capitalization period of borrowing costs (Continued)

The parts of the assets purchased or produced are completed separately but must wait until the whole is completed or can be sold abroad. The capitalization of the borrowing costs shall be stopped when the asset is completed as a whole.

(3) Suspension of capitalization period

If the assets that meet the capitalization conditions are interrupted abnormally during the construction or production process and the interruption time lasts for more than 3 months, the borrowing costs shall be suspended; the borrowing costs continue to be capitalized if the acquisition or production of assets eligible for capitalization to meet the required usable status or the availability of sales. The borrowing costs incurred during the interruption are recognized as profit or loss for the current period and the borrowing costs continue to be capitalized until the asset is purchased or the activity is resumed.

(4) Calculation for capitalization of borrowing costs

Special loan interest charges (excluding unused borrowing money deposited in the bank interest income, or for a temporary investment return on investment) and its ancillary expenses and construction or production of assets eligible for capitalization, before to the expected conditions for use or sale shall be capitalized.

Based on the weighted average of the asset expenditures that exceed the special borrowing portion, the accumulative asset expenditure is calculated to determine the amount of interest that the general borrowing should be capitalized. The capitalization rate is determined based on the average borrowing weighted average interest rate.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Borrowing cost (Continued)

(4) Calculation for capitalization of borrowing costs (Continued)

Where there is a discount or premium in the loan, the interest amount shall be adjusted in accordance with the real interest rate method to determine the discount or premium amount that shall be amortized during each accounting period.

22. Intangible assets and development expenditure

An intangible asset is an identifiable non-monetary asset without physical substance. Including land use right, software, other intangible assets.

(1) Initial measurement of intangible assets

The cost of outsourcing intangible assets, including purchase price, related taxes and other expenses directly attributable to the asset to the intended use. The purchase price of intangible assets exceeds the normal credit terms deferred payment, in essence, the nature of the financing, the cost of intangible assets to determine the value of the purchase price.

Debt restructuring to the debtor to owe, intangible assets, on the basis of the fair value of the intangible assets to determine its costs, and the book value of the debt restructuring and the to a debt is the difference between the fair value of intangible assets, included in the current profits and losses.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. Intangible assets and development expenditure (Continued)

(1) Initial measurement of intangible assets (Continued)

On the premise that the exchange of non-monetary assets possesses commercial essence and the fair value of assets exchanged or converted can be reliably measured, the intangible assets exchanged for non-monetary assets shall determine their entry value on the basis of the fair value of assets exchanged, unless there is conclusive evidence that the fair value of the converted assets is more reliable. Exchange of non-monetary assets that do not satisfy the preconditions mentioned above shall take the book value of the assets exchanged and the relevant taxes and fees payable as the cost of converting into intangible assets, and shall not recognize profits and losses.

The intangible assets acquired under the same control are determined by the book value of the merged party. The intangible assets acquired by enterprises under the control of non-identical control shall determine their accounting value at fair value.

Internal self-developed intangible assets, and its cost includes: the development of the intangible assets, consumption of materials, labour costs, registration fees, used in the development process of the amortization of patents and other concessions and for capitalization of interest costs, as well as to make the intangible asset to the expected purpose of the other direct costs.

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IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. Intangible assets and development expenditure (Continued)

(2) *The subsequent measurement of intangible assets*

the Group analyses and determines its service life when acquiring intangible assets, which is divided into intangible assets with limited service life and uncertain service life.

a. *Intangible assets with limited service life*

For intangible assets with limited service life, they are amortized by straight-line method for the economic benefits of enterprises. The life expectancy of the intangible assets with limited life span is predicted as follows:

Project	Expect service life	Reason
Land-use life	30-50 years	Benefit years
Software	2-10 years	Benefit years
Patent right	5-10 years	Benefit years

At the end of each term, the service life and amortization method of the intangible assets with limited service life will be rechecked. If there are differences with the original estimates, corresponding adjustments will be made.

After reviewing, the life and amortization methods of intangible assets are not different from previous estimates.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. Intangible assets and development expenditure (Continued)

(2) The subsequent measurement of intangible assets (Continued)

b. Intangible assets with uncertain service life

It is impossible to foresee that intangible assets will bring economic benefits to enterprises, which are regarded as intangible assets with uncertain service life. The intangible assets with uncertain service life are as follows:

The right of use of the trademark and the license of production have uncertain service life. The evaluation of the time limit for the right to use trademark and the right of production is based on the trend of market and competitive environment, the cycle of product use and the long-term development strategy of management. These bases generally show that the use of trademark and production license will provide a long-term net cash flow for the group within a limited period of time. The service life of it is uncertain because it cannot be foreseen for the period of economic benefits for the group.

For intangible assets with uncertain service life, they will not be amortized during the holding period, and the life of intangible assets will be reviewed at the end of each term. If the final review remains uncertain, the impairment test will continue during each accounting period.

After reviewing, the service life of this kind of intangible assets is still uncertain.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. Intangible assets and development expenditure (Continued)

(3) *Division of the research and development stages of internal research in the Group and the specific standards for development projects*

The stage of research: a stage of original planning, research, and research for the acquisition and understanding of new scientific or technical knowledge.

Development stage: before the commercial production or use, the research results or other knowledge will be applied to a plan or design to produce new or substantial improvements in materials, devices, products and other activities.

The expenditure of the research stage of the internal research and development project is included in the current profit and loss at the time of occurrence.

(4) *Specific standard for capitalization of expenditure in the development stage*

Internal research and development projects in the development phase of the expenditure, while meeting the following conditions identified as intangible assets:

- a. Complete the intangible asset so that it can be used or sold in technical feasibility.
- b. The intention to complete the intangible asset and to use or sell it.
- c. Intangible assets to generate economic benefits, including the ability to prove the existence of the products using the intangible assets market or the market of intangible assets, intangible assets will be used internally, to prove its usefulness.

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. Intangible assets and development expenditure (Continued)

(4) Specific standard for capitalization of expenditure in the development stage (Continued)

- d. Having sufficient technical, financial resources and other resource support to complete the development of the intangible asset and have the ability to use or sell the intangible asset.
- e. Expenditures attributable to the development stage of the intangible asset can be reliably measured.

Expenditures incurred in the development stage that do not meet the above conditions shall be included in the current profit and loss in the event of occurrence. The development expenditure which has been included in the profit and loss has not been reconfirmed as an asset in the future. Expenditures in the capitalized development phase are shown on the balance sheet as development expenditures and are converted into intangible assets from the date of the project's intended use.

23. Impairment on long-term assets

On the balance sheet date, the Group determines whether there may be a sign of a reduction in long-term assets. If there are signs of impairment in long-term assets, the recoverable amount is estimated on the basis of a single asset. If it is difficult to estimate the recoverable amount of a single asset, then determine the recoverable amount of the asset group on the basis of the asset group belonging to the asset.

The estimation of assets recoverable amount is the larger amount between the fair value deducting net cost when disposal and the expected value of future cash flow of assets.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Impairment on long-term assets (Continued)

The measurement results show that when the long-term recoverable amount assets is lower than its book value, the book value of long-term assets is reduced to its recoverable amount. The reduced amount is recognized as impairment loss recognised, at the same time, make the corresponding assets depreciation preparation. As soon as the loss of assets is confirmed, it shall not be returned during the subsequent accounting period.

After the asset impairment loss is confirmed, the depreciation or amortization expenses of the impairment assets will be adjusted accordingly in the future period so that the assets' book value of adjusted assets will be allocated in the remaining useful life (deducting the estimated net residual value).

No matter whether there is any sign of impairment or not, the impairment test is carried out every year because of the goodwill and the intangible assets of the enterprise merger.

In the devaluation test of goodwill, the book value of goodwill would be amortised to asset groups or portfolio groups benefiting from the synergy effect of an enterprise merger as expected. When taking an impairment test on the relevant asset group containing goodwill or combination of group assets, such as goodwill and the related asset group or combination of asset groups signs of impairment, first calculate the recoverable amount but not test the impairment which does not contain an asset group or combination of asset groups. Then, compare it with the related book value and confirm the impairment the corresponding loss. Next, testing impairment of goodwill includes asset group or combination of asset groups and comparing book value of the related asset group or combination of asset groups (book value includes the share of goodwill) with the recoverable amount. If the recoverable amount of asset group or combination of asset groups is lower than the book value, confirm the impairment loss of goodwill.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. Long-term prepayments

(1) Amortization method

Long-term prepaid expenses of the Group refer to expenses that already been spent and the benefit period is one year or more (excluding one year). Long-term deferred expenses are amortized using the straight-line method in its useful life.

Amortization years

Category	Amortization method	Notes
Maintenance costs	2-10 years	
Mould amortization	3-10 years	

25. Employee benefits

Remuneration is that the various forms of remuneration or compensation provided by the Group for the service provided by the staff or the dissolution of labour relations. Employee's benefits include short-term remuneration, post-employment benefits, layoff benefits and other long-term benefits.

(1) 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.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25. Employee benefits (Continued)

(2) 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 Group. As for defined contribution plan under which the group consumed obligation of making payment to independent funds, in order to exchange for staff services to be provide during the accounting period, shall be recognized as liabilities, and included into the profit or loss or related assets cost of the current period of the beneficiary.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25. Employee benefits (Continued)

(3) 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 labour 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.

Where the Group provides termination benefits to employees, the Group recognizes the liabilities of employee benefits payable generated from the termination benefits at the earlier date of the following two dates: 1) when the Group cannot reverse the termination benefits due to the plan of cancelling the labour relationship or the termination benefits provided by the advice of reducing staff; and 2) the Group recognizes the cost or expense relative to the payment of termination benefits of restructuring into the current profit or loss.

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.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25. Employee benefits (Continued)

(3) Termination benefits (Continued)

Early retirement benefits refer to the benefit offered to the employees who voluntarily accept Group's arrangement for early retirement. The Group pays the salary and social security for the employee who voluntarily retires after approval even though 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.

(4) 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 qualified for defined contribution plan. When the qualification is satisfied, net assets and liabilities of other long-term employment benefits are recognized and measured, accordingly. At the end of reporting period, employee benefits from other long-term employment benefits are recognized into the following components: cost of service, net interests on the net assets liabilities of other long-term employment benefit, changes from revaluation of net assets liabilities of other long-term employment benefit. The total net amount will be recognized as profit and loss or costs to related assets for the current year.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Expected liabilities

(1) Criteria for expected liabilities

The Group shall recognize expected liabilities if the contingent matters meet the following requirements:

The assumed responsibilities are current liability.

The fulfillment of obligations will cause the outflow of economic benefit from the Group

The amount of liabilities can be measured reliably.

(2) Measurement method of expected liabilities

The initial measure of expected liabilities is the best estimate of the expenditure required for the performance of the current obligations.

When determining the best estimates, the Group consider the risks, uncertainties and time value of the currency. If the time value of money has a great influence, the Group determine the best estimate by discounting the related future cash outflows.

The best estimates are measured in different situation as follow:

If there is a continuous range (or interval) of the required expenditure and the probability of the occurrence of all the results in the range is the same, the best estimate is determined according to the median value of the range, which is the average of the upper and lower limit.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Expected liabilities (Continued)

(2) Measurement method of expected liabilities (Continued)

There is a necessary expense that does not exist a continuous range (or range) or exist a continuous range with a range of different possibility of a variety of results. If the contingencies of individual projects involving, the best estimate is most likely to occur in accordance with the amount determined. If contingencies involving a number of projects, the best estimate according to various possible results and related probability calculation.

The total or part of the expected expenses of the Group is expected to be compensated by the third party. When the amount of the compensation is determined, it is basically determined and it can be independently recognized as assets. The amount of compensation confirmed will not exceed the book value of the estimated liabilities.

27. Revenue

(1) Recognition and measurement of revenue

(a) Contract confirmation principle

When the contract between the Group and the customer meets the following conditions at the same time, the Group recognizes the income when the customer obtains control of the relevant commodity:

- I. The parties to the contract have approved the contract and promised to fulfill their respective obligations;
- II. The contract clarifies the rights and obligations of the parties to the contract in relation to the goods transferred or the provision of services;

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. Revenue (Continued)

(1) Recognition and measurement of revenue (Continued)

(a) Contract confirmation principle (Continued)

- III. The contract has clear payment terms related to the goods transferred or services provided;
- VI. The contract has commercial substance, that is, fulfilling the contract will change the risk, time distribution or amount of future cash flow of the enterprise;
- V. The consideration that the enterprise has the right to obtain due to the transfer of goods or services to customers is likely to be recovered.

(b) Principle of confirmation of performance obligations

On the contract start date, the contract is evaluated, each individual performance obligation included in the contract is identified, and each individual performance obligation is fulfilled within a certain period of time, or is performed at a certain point in time, and then the revenue is recognized separately upon performance of each individual performance obligation.

If one of the following conditions is met, it is a performance obligation to be performed within a certain period of time; otherwise, it is a performance obligation at a certain point in time:

- I. The customer acquires and consumes the economic benefits brought by the performance of the Group while fulfilling the contract.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. Revenue (Continued)

(1) Recognition and measurement of revenue (Continued)

(b) Principle of confirmation of performance obligations (Continued)

- II. Customers can control the products under construction during the Group's performance.
- III. The goods produced during the performance of the enterprise have irreplaceable use, and the Group has the right to collect funds for the part of the performance that has been completed so far throughout the contract period.

The Group further divides the performance obligations in the customer contract. For the performance obligation fulfilled at a certain point in time, the Group recognizes the income when the customer obtains the control right of the relevant commodity; for the performance obligation fulfilled during a certain period of time, the Group is at that time. Revenue is recognized in accordance with the progress of the performance, and the output method (or input method) is used to determine the appropriate performance schedule based on the nature of the goods and services. The output method is based on the value of the goods transferred to the customer to determine the performance of the customer (the input method is based on the Group's commitment to fulfill the performance obligations), when the performance of the contract can not be reasonably determined, Where the Group is expected to be reimbursed for the cost incurred, the revenue shall be confirmed according to the cost amount incurred until the performance schedule can be reasonably determined.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. Revenue (Continued)

(1) Recognition and measurement of revenue (Continued)

(c) Confirmation of transaction price

The Group measures income according to the transaction price allocated to each individual performance obligation.

The Group determines the transaction price based on the terms of the contract and in combination with past practices. When determining the transaction price, consider the impact of variable consideration, major financing components in the contract, non-cash consideration, and customer consideration.

(d) Confirmation of the transaction price of individual performance obligations

When the contract includes two or more performance obligations, the Group shall distribute the transaction price to each individual performance obligation on the contract start date in accordance with the relative proportion of the individual selling prices of the commodities promised by each individual performance obligation. For contract discounts, the Group is prorated in proportion to each individual performance obligation.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. Revenue (Continued)

(1) Recognition and measurement of revenue (Continued)

(e) Confirmation of revenue

The enterprise shall fulfill its performance obligations in the contract, that is, the revenue is recognized when the customer obtains control of the relevant commodity. Consider the following signs when deciding whether a customer has acquired control of a product:

- I. The enterprise has the current right to collect the goods, that is, the customer has a current payment obligation for the goods.
- II. The enterprise has transferred the legal title of the goods to the customer, that is the customer has the legal title to the goods.
- III. The enterprise has transferred the goods in kind to the customer, that is, the customer has possessed the goods in kind.
- IV. The enterprise has transferred the main risks and rewards of ownership of the goods to the customer, that is, the customer has obtained the main risks and rewards of ownership of the goods.
- V. The customer has accepted the item.
- VI. Other indications that the customer has obtained control of the commodity.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. Revenue (Continued)

(2) *The specific accounting policies related to the main activities of the Group and its subsidiaries to obtain income are described as follows:*

I. Domestic product sales revenue

Domestic sales revenue mainly refers to the income from sales of products by the Group. According to the contract, the Group obtained the relevant evidence for the control of the product, and the Group completed the contract performance obligation to confirm the income.

II. Foreign trade income

Export income mainly refers to the income from engaging in foreign trade. Revenue shall be recognized after the Group declares its commodities offshore and after the transfer of product control rights.

III. Financial services income

The income from financial services is mainly the interest income and commission and commission income obtained by YTO Group Finance Co., Ltd., a subsidiary of the Group.

Interest income refers to the income provided to the other party but does not constitute an equity investment, or the income obtained by the other party occupying the Group's funds, including the deposit of inter-bank periodic interest income, loan interest income, discount interest income and so on. The Group recognizes the income based on the time and actual interest rate of the right to use the transferred funds.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. Revenue (Continued)

(2) *The specific accounting policies related to the main activities of the Group and its subsidiaries to obtain income are described as follows: (Continued)*

III. Financial services income (Continued)

Fees and commission income are charged fees and commissions by providing various services to customers. The fees and commissions collected through the provision of services during a certain period of time are recognized on average during the corresponding period, and other fees and commissions are recognized at the completion of the relevant transactions.

IV. Other

The Group recognizes revenue in accordance with the relevant provisions of the "Accounting Standards for Business Enterprises" and the actual business.

28. Government subsidy

(1) *Classification of government subsidy*

Government subsidy is the monetary assets and non-monetary assets obtained by the Group from the government free of charge. According to the relevant government documents provided by the subsidy object, the government subsidies are divided into asset-related government subsidies and income-related government subsidies.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Government subsidy (Continued)

(1) Classification of government subsidy (Continued)

As for government subsidies that have not been explicitly subsidized in government documents, the Group classifies government subsidies as grants pertinent to assets and grants pertinent to incomes, relevant judgement is stated which can refer to Note VI. Notes to the items of the consolidated financial statement Deferred revenue & Non-operating income.

Funds related to assets are government grants obtained by the Group for the acquisition, construction or otherwise formation of long-term assets. Revenue-related government grants refer to government grants other than government-related government subsidies.

(2) Confirmation of government subsidy

If there is evidence at the end of the period that the Group can meet the relevant conditions stipulated in the financial support policy and is expected to receive financial support funds, the government subsidy shall be recognized according to the amount receivable. In addition, government grants are recognized when they are actually received.

If the government subsidy is monetary assets, it shall be measured according to the amount received or receivable. If the government subsidy is a non-monetary asset, it shall be measured at fair value. If the fair value cannot be obtained reliably, it shall be measured according to the nominal amount (RMB1.00). Government grants measured in nominal terms are directly included in the current profits and losses.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Government subsidy (Continued)

(3) Accounting treatment method

The government subsidies related to the assets are recognized as deferred income and are included in the expenses or losses according to the period of use of the assets used or purchased.

Revenue related government subsidies are used to compensate the relevant expenses or losses in the subsequent period of the enterprise and are recognized as deferred income and are included in the expenses or losses during the period when the relevant expenses are recognized. Used to compensate for the relevant costs or losses incurred by the enterprise and are directly included in the current expenses or losses.

Government subsidies related to the daily activities of the business are included in other benefits. Government subsidies that are not related to daily activities in the business are included in the non-operating income.

Receiving government subsidies related to preferential interest rates for preferential loans to reduce related borrowing costs. To obtain the policy preferential interest rate loan provided by the loan bank, the amount of the loan received is taken as the entry value of the loan. The related borrowing cost is calculated according to the loan principal and the policy preferential interest rate.

When a confirmed government subsidy needs to be returned, the book value of the related assets will be reduced at the time of initial confirmation and the book value of the assets is adjusted. The balance of the related deferred income is reduced to the account balance of the related deferred income which is included in the current profit and loss. If there is no related deferred income, directly included in the profit and loss of the current period

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. Deferred tax assets/deferred tax liabilities

Deferred tax assets and deferred liabilities are recognised based on the differences (temporary differences) between tax bases of assets and liabilities and respective carrying amount. 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.

(1) Basis of confirmation for deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available to offset the deductible temporary difference and deduct loss and tax deduction for the year after the end of the year. However, deferred income tax assets resulting from the initial confirmation of assets or liabilities in a transaction with the following characteristics are not recognized: a. The transaction is not an enterprise merger. b. The transaction does not affect the accounting profit and the taxable income or the deductible loss as well.

As for deductible temporary differences related to the investment of the joint venture and meet the following conditions to confirm the corresponding deferred income tax assets: Temporary differences are likely to be turned back in the foreseeable future and it is likely to gain the amount of taxable income that is used to offset the temporary difference of deductible in the future.

(2) Basis of confirmation for deferred tax liabilities

The Group recognised the temporary tax difference between the current and the previous periods as deferred income tax liabilities. But it does not include:

- a. Temporary differences in the initial recognition of goodwill.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(2) Basis of confirmation for deferred tax liabilities (Continued)

- b. A transaction or event formed by a non-enterprise merger. Meanwhile, when the transaction or event occurs, it will neither affect the accounting profits nor affect the temporary difference formed by the taxable income (or deductible loss).
- c. For temporary tax differences related to investment in subsidiaries and joint ventures, the time of temporary difference reversal can be controlled and the temporary difference is unlikely to turn back in the foreseeable future.

30. Lease

On the commencement date of the contract, the company evaluates whether the contract is a lease or includes a lease. If one party in a contract gives up the right to control the use of one or more identifiable assets for a period of time in exchange for consideration, the contract is a lease or includes a lease.

(1) Spin off of lease contracts

When the contract contains a number of separate leases, the Company will split the contract and separate leases for accounting.

When the contract contains both leasing and non-leasing parts, the company will split the leasing and non-leasing parts. The leasing part shall be accounted for in accordance with the leasing standards, and the non-leasing part shall be accounted for in accordance with other applicable accounting standards for enterprises.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Lease (Continued)

(2) Consolidation of lease contracts

When two or more lease-containing contracts concluded by the Company with the same trader or its related parties at the same time or at a similar time meet one of the following conditions, the company shall merge them into one contract for accounting:

- I. The two or more contracts are concluded for general commercial purposes and constitute a package of transactions. If these are not considered as a whole, these overall commercial purposes cannot be recognized.
- II. The amount of consideration for a contract in two or more contracts depends on the pricing or performance of other contracts.
- III. The right-to-use assets transferred by the two or more contracts together constitutes a separate lease.

(3) Accounting for the Company as lessee

On the commencement date of leasing, the company recognizes the right-to-use assets and lease liabilities for leases, in addition to short-term leases and low-value assets leases with simplified treatment.

1) short-term leases and low-value assets leases

Short-term lease refers to a lease that does not include purchase options and has a lease term not exceeding 12 months. Low-value asset lease refers to the lease with lower value when a single leased asset has low value when it is new.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Lease (Continued)

(3) Accounting for the Company as lessee (Continued)

1) short-term leases and low-value assets leases (Continued)

The Company does not recognize the right-to-use assets and lease liabilities for the short-term leases and low-value asset leases. Relevant lease payments are incorporated in the cost of related assets or current profits and losses based on the straight-line method or other systematic and reasonable methods during the lease period.

The Company recognizes the right-to-use assets and lease liabilities for short-term leases and low-value assets other than those mentioned above.

2) Right-to-use assets

The Company initially measures the right-to-use assets at cost, which includes:

- I. initial measurement amount of lease liabilities.
- II. If there are rental incentives in the rental payments paid before or at the beginning of the lease term, the relevant amount of rental incentives happened shall be deducted.
- III. Initial direct expenses incurred by the Company.
- IV. Expected costs of dismantling and removing leased assets, restoring the site of leased assets or restoring leased assets to the agreed state of leasing terms (Excluding costs incurred for the production of inventory).

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Lease (Continued)

(3) Accounting for the Company as lessee (Continued)

2) *Right-to-use assets (Continued)*

After the beginning of the lease period, the company adopts the cost model to measure the right-to-use assets for subsequent measurement.

If the ownership of the leased assets can be reasonably determined at the expiration of the lease term, the company shall depreciate the leased assets within the remaining useful life of the leased assets. If it is impossible to reasonably determine the ownership of the leased assets at the expiration of the lease term, the company shall depreciate the leased assets within the shorter period of time between the lease term and the remaining useful life of the leased assets. In the future, depreciation shall be calculated based on the book value after deduction of impairment reserve refer to the above principles for the right-to-use assets with impairment reserve.

3) *Lease liabilities*

The Company initially measures the lease liabilities according to the present value of the unpaid lease payments at the beginning of the lease term. In calculating the present value of rental payments, the company adopts the rental interest rate as the discount rate. If it is impossible to determine the interest rate of the lease, the incremental borrowing rate of the company shall be used as the discount rate. Lease payments include:

- I. Fixed Payment and Substantive Fixed Payment after Deducting the Relevant Amount of Lease Incentive.
- II. Variable rental payments depending on index or ratio.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Lease (Continued)

(3) Accounting for the Company as lessee (Continued)

3) Lease liabilities (Continued)

- III. Where the Company reasonably determines that the option will be exercised, the amount of the lease payment includes the exercise price of the right to purchase the option.
- IV. Where the lease term reflects that the company will exercise the option to terminate the lease, the amount of the lease payment includes the amount to be paid for the exercise of the option to terminate the lease.
- V. Expected payments based on the guaranteed residual value provided by the Company.

The company calculates the interest charges of the lease liabilities for each period of the lease period at a fixed discount rate and takes them into account the profits and losses of the current period or the cost of related assets.

Variable lease payments not included in the measurement of lease liabilities shall be incorporated in current profits and losses or the cost of related assets when they actually occur.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Lease (Continued)

(4) Accounting for the Company as Lessor

1) Classification of Leases

The Company divides the lease into financing lease and operating lease on the start date of the lease. Financial lease refers to a lease that essentially transfers almost all the risks and rewards related to the ownership of leased assets. Its ownership may or may not be transferred eventually. Operational lease refers to leases other than financial leases.

If a lease has one or more of the following characteristics, the Company usually classifies it as a financial lease.

- I. At the end of the lease term, the ownership of the leased assets is transferred to the lessee.
- II. The lessee has the option to purchase the leased assets, and the purchase price set by the lessee is low enough compared with the expected fair value of the leased assets when exercising the option. Therefore, it can be reasonably determined on the lease start date that the lessee will exercise the option.
- III. Although the ownership of the assets is not changed, the lease period accounts for the majority of the life of the leased assets.
- IV. At the beginning of the lease, the present value of the rental fee is almost equal to the fair value of the leased assets.
- V. The nature of leased assets is special. If there is no major transformation, only the lessee can use them.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Lease (Continued)

(4) Accounting for the Company as Lessor (Continued)

1) Classification of Leases (Continued)

If one or more of the following conditions exist in a lease, the Company may also be classified as a financial lease:

- I. If the lessee stops the lease, the lessee shall bear the losses caused by the termination of the lease to the lessor.
- II. The profits or losses caused by the fluctuation of the fair value of the balance of assets belong to the lessee.
- III. The lessee can continue to lease far below the market level for the next period.

2) Accounting for operating lease

The Company adopts the straight line method or other systematic and reasonable method to recognize the rental receipts from operating leases as rental income during each period of the lease period. Capitalization of the initial direct expenses incurred in connection with operating leases shall be apportioned on the same basis as the recognition of rental income during the lease period, and shall be recorded in the profits and losses of the current period. Variable rental payments obtained in connection with operating leases that are not incorporated in the rental receipts shall be incorporated in the profits and losses of the current period when they actually occur.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Lease (Continued)

(4) Accounting for the Company as Lessor (Continued)

3) Accounting for financial lease

At the beginning of the lease term, the Company confirms the financial lease receivable on the financial lease and terminates the recognition of the financial lease assets.

When the initial measurement of the financial lease receivable is made, the present value of the financial lease receivable is the sum of the unsecured balance and the amount of the lease receivable that has not yet been received at the beginning of the lease term and the present value discounted at the interest rate included in the lease. The amount of rental receipts includes:

- I. Fixed payment and substantive fixed payment after deducting the relevant amount of lease incentive.
- II. Variable rental payments depending on index or ratio.
- III. In the case of reasonably determining that the lessee will perform the right of purchase option, the amount of rental receipt includes the right price of purchase option.
- IV. The lease term reflects that the lessee will perform the option to terminate the lease. The lease receipt includes the amount to be paid by the lessee in exercising the option to terminate the lease.
- V. Guarantee residual value provided by the lessee to the lessor, the party concerned with the lessee and an independent third party with financial capacity to fulfil the guarantee obligation.

The Company calculates and confirms the interest income for each period of the lease period abased on the fixed rental interest rate, and the variable rental payments which are not included in the net rental investment amount are included in the profits and losses of the current period when they actually occur.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Lease (Continued)

(5) Sale-leaseback

- 1) The Company as the seller and lessee

If the transfer of assets in the sale-leaseback transaction is for sale, the company shall measure the assets of the right of use formed by the after-sale leaseback based on the part of the book value of the original assets related to the right of use acquired by the leaseback, and only confirm the relevant gains or losses in respect of the rights transferred to the lessor. If the fair value of the sale consideration is different from the fair value of the assets, or the lessor does not collect rent at the market price, the Company will treat the amount of the sale consideration below the market price as the prepaid rent, and the amount higher than the market price as the additional financing provided by the lessor to the lessee for the accounting office. At the same time, adjust the relevant sales gains or losses according to fair value.

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Lease (Continued)

(5) Sale-leaseback (Continued)

- 1) The Company as the seller and lessee (Continued)

If the transfer of assets in the sale-leaseback transaction does not belong to the sale, the Company shall continue to recognize the transferred assets and at the same time recognize a financial liability equal to the transfer income.

- 2) The Company as buyer and lessor.

If the transfer of assets in the sale-leaseback transaction belongs to sales, the Company shall accounted for the purchase of assets and the lease of assets in accordance with the leasing standards. If the fair value of sales consideration is different from that of assets, or if the Company fails to collect rent at market price, the company will treat the amount of sales consideration below market price as advance rent, and the amount above market price as additional financing provided by the company to lessees. At the same time, adjust rent income according to market price.

If the transfer of assets in the sale-leaseback transaction does not belong to the sale, the Company shall recognize a financial asset equal to the transfer income.

31. Discontinued operation

It can be recognized as an integral part of discontinued operation when the component has been disposed of or classified as a component that can be separately classified for sale and meet one of the following requirements:

- (1) The component represents an independent major business or a separate major operating area.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Discontinued operation (Continued)

- (2) This component is part of a related plan to be disposed of an independent major business or a separate major operating area.
- (3) The component is a subsidiary made for resale.

Operating profit and loss and dispose profit and loss as the terminated profit and loss in the profit statement.

32. 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 state regulations. The Group shall directly reduce special reserve if the safety production cost is belonging to expense. If fixed asset is arising 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 depreciation shall be recognised in for this fixed asset in following periods.

33. Five-level classification of the asset quality in financial business

The subsidiary of the Group YTO Group Finance Co., Ltd belongs to the non-banking financial institutions. In accordance with the requirements of the China Banking Regulatory Commission, a five-level classification management is implemented on the assets of creditor's rights type, assets of equity type and other assets. Such assets are classified into five categories as normal, attention, secondary, suspicious and loss class. The percentage on which the impairment provision is accrued for each class is 1.5%, 3%, 30%, 60% and 100% respectively.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

34. General risk reserve

The subsidiary of the Group YTO Group Finance Co., Ltd belongs to the non-banking financial institutions. According to the provisions in the 'Measures for the administration of reserve provision of financial enterprises' (Cai Jin [2012] No.20) issued by the Ministry of finance, after adopting the standard method to calculate the potential risk valuation of risk assets, with the deduction of the asset impairment provision accrued, at the end of each year, the general risk reserve which is used to make up the unidentified possibility loss should be accrued from the net profit. When the potential risk valuation is lower than the asset impairment provision, no general risk reserve should be accrued. In principle, the balance of the general risk reserve should not be lower than the 1.5 % of the ending balance of the risk assets.

The assets borne the risk and loss of YTO Group Finance Co., Ltd specifically include: loans and advances granting out, financial assets available-for-sale, held-to-maturity investments, long-term equity investments, inter-bank deposits, funds lending out, assets used to set off debts and other receivables, etc.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

35. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

Content and reasons for the changes in Accounting Policies	Approval Process	Remarks (name and amount of report items affected by importance)
Accounting Standards for Business Enterprises No. 7 – Non-Monetary Transactions		For details, please refer to other instruction (1)
Accounting Standards for Business Enterprises No. 12 – Debt Restructuring		For details, please refer to other instruction (1)
Accounting Standards for Business Enterprises No. 21 – Leases		For details, please refer to other instruction (1)

Other instructions:

1) Impacts of the implementation of the new guidelines on the Group

On January 1, 2019, the Group implemented the new standards revised and issued by the Ministry of Finance: Accounting Standards for Enterprises No. 7-Non-monetary Transactions, Accounting Standards for Enterprises No. 12-Debt Restructuring, Accounting Standards for Enterprises No. 21-Lease.

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(1) Changes in significant accounting policies (Continued)

- I. The implementation of non-monetary trading standards and debt restructuring standards has no impact on the Group.
- II. Implementation of new leasing guidelines

Relevant accounting policies are detailed in Note 30. The impact of the implementation of the new leasing standards on the Group is as follows:

On the first execution date, the company does not reassess whether the existing contract is a lease or includes a lease, and applies this method to all contracts. Therefore, it only implements the convergence provisions of these standards for the contracts identified as a lease under the original lease criteria. In addition, the Group has chosen to adopt a simplified retrospective adjustment method to link up the above-mentioned lease contracts in accordance with the provisions of Accounting Standards for Enterprises No. 28-Accounting Policies, Changes in Accounting Estimates and Error Correction. That is, to adjust the retained earnings and other related items in the financial statements at the beginning of the first year of implementation of the present Standards without adjusting the comparable period information, and to adopt the relevant simplified method and the right-of-assets measurement are adopted for the leases based on each lease option. Accounting policies of the Group for low-value asset leases and short-term leases are non-recognition of right-of-use assets and lease liabilities.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(1) Changes in significant accounting policies (Continued)

The impacts of implementing the new leasing standards on items related to the current financial statements are shown below:

Item	December 31, 2018	Cumulative impact amount	January 1, 2019
Right-of-use assets		34,404,216.48	34,404,216.48
Lease liabilities		16,265,180.53	16,265,180.53
Lease liabilities due within one year		18,139,035.95	18,139,035.95

2) Impacts of implementing new reporting format on statements to the Group

In May 2019, the Ministry of Finance issued the and its changes are accounted in loss and profit in current period. The Group has prepared the interim financial statements for 2019 in accordance with the above circular, and The transfer of financial assets does not meet the terms of termination confirmation or continues to involve financial liabilities resulting from the transfer of financial assets.

Financial security contracts not covered by the first two items of this section and loan undertakings made at lower market rates than those not covered by the first item of the section.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(1) Changes in significant accounting policies (Continued)

3) Impacts of New Standards and Format of Statements on the Group

I. Consolidated balance sheet

Item	December 31, 2018	Impact of changes in presentation format	Adjusted amount after presentation format change	The Impact of Implementing New Accounting Standards for Enterprises	January 1, 2019
Lendings to Banks and Other					
Financial Institutions	200,000,000.00	257,777.78	200,257,777.78		200,257,777.78
Notes receivable		523,719,132.77	523,719,132.77		523,719,132.77
Accounts receivable		405,771,306.07	405,771,306.07		405,771,306.07
Notes receivable &					
Accounts receivable	929,490,438.84	-929,490,438.84			
Other receivables	65,741,038.66	-17,708,921.80	48,032,116.86		48,032,116.86
Other current assets	2,017,266,694.07	17,363,333.33	2,034,630,027.40		2,034,630,027.40
Total current assets	7,532,432,255.80	-87,810.69	7,532,344,445.11		7,532,344,445.11
Loans and advances					
to customers	1,011,378,462.91	87,810.69	1,011,466,273.60		1,011,466,273.60
Right-to-use assets				34,404,216.48	34,404,216.48
Total non-current assets	5,608,309,500.19	87,810.69	5,608,397,310.88	34,404,216.48	5,642,801,527.36
Total assets	13,140,741,755.99		13,140,741,755.99	34,404,216.48	13,175,145,972.47

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(1) Changes in significant accounting policies (Continued)

3) Impacts of New Standards and Format of Statements on the Group (Continued)

I. Consolidated balance sheet (Continued)

Item	December 31, 2018	Impact of changes in presentation format	Adjusted amount after presentation format change	The Impact of Implementing New Accounting Standards for Enterprises	January 1, 2019
Short-term loans	2,777,516,101.13	14,821,136.37	2,792,337,237.50		2,792,337,237.50
Absorption of deposits and interbank deposits	1,080,524,854.03	5,693,203.76	1,086,218,057.79		1,086,218,057.79
Notes payable		958,616,789.34	958,616,789.34		958,616,789.34
Accounts payable		1,194,829,925.57	1,194,829,925.57		1,194,829,925.57
Notes payable & Accounts payable	2,153,446,714.91	-2,153,446,714.91			
Other payables	312,621,126.21	-20,514,340.13	292,106,786.08		292,106,786.08
Non-current liabilities due within one year	76,664,479.21	-16,664,479.21	60,000,000.00	18,139,035.95	78,139,035.95
Total current liabilities	7,183,179,930.34	-16,664,479.21	7,166,515,451.13	18,139,035.95	7,184,654,487.08
Lease liabilities				16,265,180.53	16,265,180.53
Deferred income	169,360,596.63	16,664,479.21	186,025,075.84		186,025,075.84
Total non-current liabilities	1,301,486,055.29	16,664,479.21	1,318,150,534.50	16,265,180.53	1,334,415,715.03
Total liabilities	8,484,665,985.63		8,484,665,985.63	34,404,216.48	8,519,070,202.11

Note: The above table shows only the items affected in being financial statements, excluding the unaffected ones.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(1) Changes in significant accounting policies (Continued)

3) Impacts of New Standards and Format of Statements on the Group (Continued)

II. Balance sheet of the parent company

Item	December 31, 2018	Impact of changes in presentation format	Adjusted amount after presentation format change	The Impact of the Implementation of New Accounting Standards for Enterprises	January 1, 2019
Notes receivable	316,179,458.46	316,179,458.46			316,179,458.46
Accounts receivable	663,935,347.56	663,935,347.56			663,935,347.56
Notes receivable & Accounts receivable	980,114,806.02	-980,114,806.02			
Other receivables	87,936,879.35	-2,909,099.16	85,027,780.19		85,027,780.19
Other current assets	1,970,719,420.50	2,909,099.16	1,973,628,519.66		1,973,628,519.66
Total current assets	5,412,324,882.32		5,412,324,882.32		5,412,324,882.32
Right-of-use assets				26,811,354.48	26,811,354.48
Total non-current assets	5,261,363,319.50		5,261,363,319.50	26,811,354.48	5,288,174,673.98
Total assets	10,673,688,201.82		10,673,688,201.82	26,811,354.48	10,700,499,556.30
Short-term loans	3,249,320,000.00	10,392,338.69	3,259,712,338.69		3,259,712,338.69
Notes payable		774,848,987.81	774,848,987.81		774,848,987.81
Accounts payable		740,519,600.52	740,519,600.52		740,519,600.52
Notes payable & Accounts payable	1,515,368,588.33	-1,515,368,588.33			
Other payables	174,453,029.69	-11,843,727.58	162,609,302.11		162,609,302.11

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(1) Changes in significant accounting policies (Continued)

3) Impacts of New Standards and Format of Statements on the Group (Continued)

II. Balance sheet of the parent company (Continued)

Item	December 31, 2018	Impact of changes in presentation format	Adjusted amount after presentation format change	The Impact of the Implementation of New Accounting Standards for Enterprises	January 1, 2019
Non-current liabilities due within one year	71,492,363.64	-10,040,974.75	61,451,388.89	13,726,546.88	75,177,935.77
Total current liabilities	5,256,256,298.00	-11,492,363.64	5,244,763,934.36	13,726,546.88	5,258,490,481.24
Long term loans	1,030,000,000.00		1,030,000,000.00		1,030,000,000.00
Lease liabilities				13,084,807.60	13,084,807.60
Deferred income	114,491,964.32	11,492,363.64	125,984,327.96		125,984,327.96
Total non-current liabilities	<u>1,229,055,626.11</u>	<u>11,492,363.64</u>	<u>1,240,547,989.75</u>	<u>13,084,807.60</u>	<u>1,253,632,797.35</u>
Total liabilities	<u>6,485,311,924.11</u>	<u>11,492,363.64</u>	<u>6,485,311,924.11</u>	<u>26,811,354.48</u>	<u>6,512,123,278.59</u>

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(1) Changes in significant accounting policies (Continued)

3) Impacts of New Standards and Format of Statements on the Group (Continued)

III. Consolidated income statement

Item	From January to June, 2018	Impact of changes in presentation format	Adjusted amount after presentation format change
Loss on impairment of credit			
Loss on impairment of assets	37,729,042.96	-37,729,042.96	
Loss on impairment of credit (loss expressed with "-")		-26,405,502.16	-26,405,502.16
Loss on impairment of assets (loss expressed with "-")		-11,323,540.80	-11,323,540.80

IV. Income statement of the parent company

Item	From January to June, 2018	Impact of changes in presentation format	Adjusted amount after presentation format change
Loss on impairment of credit			
Loss on impairment of assets	168,800,917.13	-168,800,917.13	
Loss on impairment of credit (loss expressed with "-")		-32,003,471.39	-32,003,471.39
Loss on impairment of assets (loss expressed with "-")		-136,797,445.74	-136,797,445.74

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(2) Changes in significant accounting estimates

There has been no change in major accounting estimates during the current reporting period.

(3) Adjustments on related items on financial statements of the first execution year in accordance with the first implementation of new lease standards

Consolidated balance sheet

Unit: Yuan Currency: RMB

Item	December 31 2018	January 1 2019	Adjusting amount
Current assets:			
Monetary Funds	1,549,845,341.18	1,549,845,341.18	
Settlement reserves for balance			
Loans to banks and other financial institutions	200,000,000.00	200,257,777.78	257,777.78
Financial assets held for trading	897,235,968.16	897,235,968.16	
Financial assets measured at fair value through profit and loss			
Derivative financial assets	578,743.73	578,743.73	
Notes receivable	523,719,132.77	523,719,132.77	
Accounts receivable	405,771,306.07	405,771,306.07	
Finance receivables			
Advances to suppliers	107,561,199.88	107,561,199.88	
Premium receivables			

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(3) Adjustments on related items on financial statements of the first execution year in accordance with the first implementation of new lease standards (Continued)

Consolidated balance sheet (Continued)

Unit: Yuan Currency: RMB

Item	December 31 2018	January 1 2019	Adjusting amount
Reinsurance receivables			
Reinsurance contract reserves receivable			
Other receivables	65,741,038.66	48,032,116.86	-17,708,921.80
Including: Interest receivable	17,708,921.80		-17,708,921.80
Dividends receivable			
Financial assets purchased with agreement to re-sale	150,203,731.40	150,203,731.40	
Inventories	1,430,349,787.42	1,430,349,787.42	
Contract assets			
Assets classified as held for sale			
Non-current assets due within one year	184,159,312.46	184,159,312.46	
Other current assets	2,017,266,694.07	2,034,630,027.40	17,363,333.33
Total current assets	<u>7,532,432,255.80</u>	<u>7,532,344,445.11</u>	<u>-87,810.69</u>

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(3) Adjustments on related items on financial statements of the first execution year in accordance with the first implementation of new lease standards (Continued)

Consolidated balance sheet (Continued)

Unit: Yuan Currency: RMB

Item	December 31 2018	January 1 2019	Adjusting amount
Non-current assets:			
Loans and advances to customers	1,011,378,462.91	1,011,466,273.60	87,810.69
Debt investments			
Available-for-sale financial assets			
Other debt investments			
Held-to-maturity investments			
Long-term receivables	280,985,073.83	280,985,073.83	
Long-term equity investments	131,203,815.70	131,203,815.70	
Other investments in equity instruments			
Other non-current financial assets			
Investment properties			
Fixed assets	2,942,857,496.39	2,942,857,496.39	
Construction in progress	232,816,443.52	232,816,443.52	
Productive biological assets			
Oil and gas assets			
Right-of-use assets		34,404,216.48	34,404,216.48
Intangible assets	842,336,991.00	842,336,991.00	
Research and development expenses			
Goodwill			
Long-term unamortized expenses	41,237,156.30	41,237,156.30	
Deferred tax assets	125,494,060.54	125,494,060.54	
Other non-current assets			
Total non-current assets	5,608,309,500.19	5,642,801,527.36	34,492,027.17
Total assets	13,140,741,755.99	13,175,145,972.47	34,404,216.48

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(3) Adjustments on related items on financial statements of the first execution year in accordance with the first implementation of new lease standards (Continued)

Consolidated balance sheet (Continued)

Unit: Yuan Currency: RMB

Item	December 31 2018	January 1 2019	Adjusting amount
Current liabilities:			
Short-term loans	2,777,516,101.13	2,792,337,237.50	14,821,136.37
Borrowings from central bank			
Loans from banks and other financial institutes			
Financial liabilities held for trading			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities	2,727,592.84	2,727,592.84	
Notes payable	958,616,789.34	958,616,789.34	
Accounts payable	1,194,829,925.57	1,194,829,925.57	
Advances from customers			
Funds from selling out and repurchasing financial assets			
Receipts of deposits and deposits from other banks	1,080,524,854.03	1,086,218,057.79	5,693,203.76
Brokerage for trading securities			
Brokerage for consigning securities			
Employee benefits payable	189,486,846.96	189,486,846.96	
Taxes payables	24,562,534.28	24,562,534.28	
Other payables	312,621,126.21	292,106,786.08	-20,514,340.13

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(3) Adjustments on related items on financial statements of the first execution year in accordance with the first implementation of new lease standards (Continued)

Consolidated balance sheet (Continued)

Unit: Yuan Currency: RMB

Item	December 31 2018	January 1 2019	Adjusting amount
Including: Interests payable	20,514,340.13	0.00	-20,514,340.13
Dividends payable	8,273,287.83	8,273,287.83	
Fee and commission payable			
Reinsurance accounts payables			
Contract liabilities	369,490,638.57	369,490,638.57	
Liabilities classified as held for sale			
Non-current liabilities due within one year	76,664,479.21	78,139,035.95	1,474,556.74
Other current liabilities	196,139,042.20	196,139,042.20	
Total current liabilities	7,183,179,930.34	7,184,654,487.08	1,474,556.74

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(3) Adjustments on related items on financial statements of the first execution year in accordance with the first implementation of new lease standards (Continued)

Consolidated balance sheet (Continued)

Unit: Yuan Currency: RMB

Item	December 31 2018	January 1 2019	Adjusting amount
Non-current liabilities:			
Reserves for insurance contract			
Long-term loans	868,473,000.00	868,473,000.00	
Bonds payable			
Including: Preference shares			
Perpetual bond			
Lease liabilities		16,265,180.53	16,265,180.53
Long-term payables	8,971,437.07	8,971,437.07	
Long-term employee salary payable	119,715,885.28	119,715,885.28	
Contingent liabilities	3,981,625.85	3,981,625.85	
Deferred income	169,360,596.63	186,025,075.84	16,664,479.21
Deferred tax liabilities	130,983,510.46	130,983,510.46	
Other non-current liabilities			
Total non-current liabilities	<u>1,301,486,055.29</u>	<u>1,334,415,715.03</u>	<u>32,929,659.74</u>
Total liabilities	<u>8,484,665,985.63</u>	<u>8,519,070,202.11</u>	<u>34,404,216.48</u>

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(3) Adjustments on related items on financial statements of the first execution year in accordance with the first implementation of new lease standards (Continued)

Consolidated balance sheet (Continued)

Unit: Yuan Currency: RMB

Item	December 31 2018	January 1 2019	Adjusting amount
Owner's equity (or shareholder's equity):			
Paid-up capital (or share capital)	985,850,000.00	985,850,000.00	
Other equity instruments			
Including: Preference shares			
Perpetual bond			
Capital reserves	2,099,639,657.89	2,099,639,657.89	
Less: Treasury shares			
Other comprehensive income	-16,863,576.18	-16,863,576.18	
Special reserves	3,274,006.51	3,274,006.51	
Surplus reserves	442,101,172.16	442,101,172.16	
General risk reserves			
Retained earnings	493,080,403.24	493,080,403.24	
Total shareholders' equity (or shareholder's equity)	4,007,081,663.62	4,007,081,663.62	
Minority interests	648,994,106.74	648,994,106.74	
Total equity attributable to owners of the parent company (or shareholders' equity)	<u>4,656,075,770.36</u>	<u>4,656,075,770.36</u>	
Total liabilities and owners' equity (or shareholder's equity)	<u>13,140,741,755.99</u>	<u>13,175,145,972.47</u>	<u>34,404,216.48</u>

Note: The above table shows only the items affected in being financial statements, excluding the unaffected ones.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(3) Adjustments on related items on financial statements of the first execution year in accordance with the first implementation of new lease standards (Continued)

Parent Company Balance Sheet

Unit: Yuan Currency: RMB

Item	December 31 2018	January 1 2019	Adjusting amount
Current assets:			
Monetary Funds	1,622,239,658.46	1,622,239,658.46	
Financial assets held for trading	172,077,116.52	172,077,116.52	
Financial assets measured at fair value through profit and loss			
Derivative financial assets			
Notes receivable	316,179,458.46	316,179,458.46	
Accounts receivable	663,935,347.56	663,935,347.56	
Finance receivable			
Advances to suppliers	74,828,658.18	74,828,658.18	
Other receivables	87,936,879.35	85,027,780.19	-2,909,099.16

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(3) Adjustments on related items on financial statements of the first execution year in accordance with the first implementation of new lease standards (Continued)

Parent Company Balance Sheet (Continued)

Unit: Yuan Currency: RMB

Item	December 31 2018	January 1 2019	Adjusting amount
Including: Interest receivable	2,909,099.16	0.00	-2,909,099.16
Dividends receivable	75,294,698.36	75,294,698.36	
Inventories	504,408,343.29	504,408,343.29	
Contract assets			
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets	1,970,719,420.50	1,973,628,519.66	2,909,099.16
Total current assets	5,412,324,882.32	5,412,324,882.32	

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(3) Adjustments on related items on financial statements of the first execution year in accordance with the first implementation of new lease standards (Continued)

Parent Company Balance Sheet (Continued)

Unit: Yuan Currency: RMB

Item	December 31 2018	January 1 2019	Adjusting amount
Non-current assets:			
Debt investments			
Available-for-sale financial assets			
Other debt investments			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	2,866,295,996.80	2,866,295,996.80	
Other investment in equity instruments			
Other non-current financial assets			
Investment properties			
Fixed assets	1,624,010,518.82	1,624,010,518.82	
Construction in progress	143,966,878.57	143,966,878.57	
Productive biological assets			
Oil and gas assets			
Right-of-use assets		26,811,354.48	26,811,354.48
Intangible assets	534,497,286.56	534,497,286.56	
Research and development expenses			
Goodwill			
Long-term unamortized expenses	32,262,821.15	32,262,821.15	
Deferred tax assets	60,329,817.60	60,329,817.60	
Other non-current assets			
Total non-current assets	<u>5,261,363,319.50</u>	<u>5,288,174,673.98</u>	<u>26,811,354.48</u>
Total assets	<u>10,673,688,201.82</u>	<u>10,700,499,556.30</u>	<u>26,811,354.48</u>

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(3) Adjustments on related items on financial statements of the first execution year in accordance with the first implementation of new lease standards (Continued)

Parent Company Balance Sheet (Continued)

Unit: Yuan Currency: RMB

Item	December 31 2018	January 1 2019	Adjusting amount
Current liabilities:			
Short-term loans	3,249,320,000.00	3,259,712,338.69	10,392,338.69
Financial liabilities held for trading			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities	2,727,592.84	2,727,592.84	
Notes payable	774,848,987.81	774,848,987.81	
Accounts payable	740,519,600.52	740,519,600.52	
Advances from customers			
Contract liabilities	143,129,821.26	143,129,821.26	
Employee benefits payable	66,701,364.42	66,701,364.42	
Taxes payables	5,115,325.67	5,115,325.67	
Other payables	174,453,029.69	162,609,302.11	-11,843,727.58
Including: Interests payable	11,843,727.58	0.00	-11,843,727.58
Dividends payable			
Liabilities classified as held for sale			
Non-current liabilities due within one year	71,492,363.64	75,177,935.77	3,685,572.13
Other current liabilities	27,948,212.15	27,948,212.15	
Total current liabilities	5,256,256,298.00	5,258,490,481.24	2,234,183.24

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(3) Adjustments on related items on financial statements of the first execution year in accordance with the first implementation of new lease standards (Continued)

Parent Company Balance Sheet (Continued)

Unit: Yuan Currency: RMB

Item	December 31 2018	January 1 2019	Adjusting amount
Non-current liabilities:			
Long-term loans	1,030,000,000.00	1,030,000,000.00	
Bonds payable			
Including: Preference shares			
Perpetual bond			
Lease liabilities		13,084,807.60	13,084,807.60
Long-term payables			
Long-term employee salary payables	71,270,468.46	71,270,468.46	
Contingent liabilities	3,981,625.85	3,981,625.85	
Deferred income	114,491,964.32	125,984,327.96	11,492,363.64
Deferred tax liabilities	9,311,567.48	9,311,567.48	
Other non-current liabilities	0		
	<hr/>	<hr/>	<hr/>
Total non-current liabilities	<u>1,229,055,626.11</u>	<u>1,253,632,797.35</u>	<u>24,577,171.24</u>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Total liabilities	<u>6,485,311,924.11</u>	<u>6,512,123,278.59</u>	<u>26,811,354.48</u>
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IX FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(3) Adjustments on related items on financial statements of the first execution year in accordance with the first implementation of new lease standards (Continued)

Parent Company Balance Sheet (Continued)

Unit: Yuan Currency: RMB

Item	December 31 2018	January 1 2019	Adjusting amount
Owner's equity (or shareholder's equity):			
Paid-up capital (or share capital)	985,850,000.00	985,850,000.00	
Other equity instruments			
Including: Preference shares			
Perpetual bond			
Capital reserves	2,004,793,045.95	2,004,793,045.95	
Less: Treasury shares			
Other comprehensive income			
Specific reserve			
Surplus reserves	367,607,888.33	367,607,888.33	
Retained earnings	830,125,343.43	830,125,343.43	
	<hr/>	<hr/>	<hr/>
Total owners' equity			
(or shareholders' equity)	4,188,376,277.71	4,188,376,277.71	
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Total liabilities and owners' equity			
(or shareholder's equity)	10,673,688,201.82	10,700,499,556.30	26,811,354.48
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IX FINANCIAL REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

V. TAXATION

(1) Main categories of tax and tax rates

Categories of tax	Tax basis	Tax rates
Value added tax	Domestic sales\ Provide processing, repair and repair services, etc.	16%, 13%
	Provide agricultural machinery sales, tap water, heating, gas, etc.	10%, 9%
	Other taxable sales service behavior	6%
Urban construction and maintenance tax	Payment of the turnover tax	7%, 5%
Education surcharges	Payment of the turnover tax	3%, 2%
Enterprise income tax	Taxable income	25%, 15%
Property tax	The original value of the property of the 70% (or rental income) as the tax base	1.2%, 12%

The income tax rate of different tax subject:

Name of the subject of tax payment	Income tax rate
First Tractor Company Limited	15%
YTO (Luoyang) Diesel Engine Co., Ltd.	15%
Luoyang Tractor Research Institute Co., Ltd.	15%
Luoyang Xiyuan vehicle and Power Inspection Institute Co., Ltd.	15%
YTO (Luoyang) Flag Auto-body Co., Ltd.	15%
Other subsidiaries	25%
Foreign subsidiaries	Local tax rate

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

V. TAXATION (CONTINUED)

(2) The preferential tax policy and the basis

1. Value added tax (VAT)

From January 1, 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 on revenue from technology development 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' (Caishui [2016] No.36). Luoyang Changxing Agriculture Machinery Co., Ltd., subsidiaries of the Group, are exempted from VAT on sale of agricultural machinery according to Caishui [2001] No.113 Notice of Exemption from VAT for Agricultural Production Issued by Ministry of Finance and State Administration of Taxation.

Since the subsidiaries of the Group, 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 VAT in accordance with local applicable tax rates.

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

V. TAXATION (CONTINUED)

(2) The preferential tax policy and the basis (Continued)

2. 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 Group, 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.

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT

The following disclosed financial statement data, except as specified, "The beginning or beginning of the year" means January 1, 2019, "the end of the year or the end of the period" means June 30, 2019, "the current year or the current period" means January 1, 2019 to June 30, 2019, "the last year or the last period" means January 1, 2018 to June 30. The unit of currency is RMB.

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

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

1. Monetary funds

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Cash on hand	816,410.28	1,054,228.70
Bank deposit	1,650,199,407.94	1,493,280,584.24
Other monetary funds	94,060,929.62	55,510,528.24
Total	1,745,076,747.84	1,549,845,341.18
Including: total amount deposited abroad	85,239,953.83	91,002,872.56

The restricted monetary funds are as follows:

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Deposit of bank acceptance	43,446,776.20	33,196,283.29
Other deposit	38,215,827.49	10,068,971.93
Deposit reserve requirement for central banks	191,027,054.27	226,992,255.72
Total	272,689,657.96	270,257,510.94

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

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

2. Lendings to banks and other financial institutions

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Banks		
Non-bank financial institutions	97,000,000.00	200,257,777.78
Principal	100,000,000.00	200,000,000.00
Interest		257,777.78
Less: impairment provision	3,000,000.00	
Total	97,000,000.00	200,257,777.78

Note: In the current period, the Company lends to Tianjin Property Group Finance Co., Ltd. RMB 100,000,000.00, which is overdue by 30 June 2019. Therefore, 3% loss provision is made which the amount is RMB 3,000,000.00, and the book value of dismantled funds at the end of the period is RMB 97,000,000.00.

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

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

3. Trading financial assets

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Subtotal of financial assets measured at fair value and its movement recorded through profit or loss	10,128,374.01	14,058,351.64
Including: Debt instrument investment		295,500.00
Equity instrument investment	10,128,374.01	13,762,851.64
Subtotal of designated as financial assets measured at fair value and recorded in current profits and losses	927,898,440.00	883,177,616.52
Including: Debt instrument investment		
Equity instrument investment	927,898,440.00	883,177,616.52
Trust products		
Total	938,026,814.01	897,235,968.16

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

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

4. Derivative financial assets

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Foreign currency loan that locking foreign exchange rate	1,003,692.75	578,743.73
Total	1,003,692.75	578,743.73

Note: July 31st, 2018, the Group borrowe USD 35 million from Luoyang Branch of China Construction Bank Co., Ltd. Meanwhile,a contract of forward settlement and sale of foreign exchange was signed with Luoyang Branch of China Construction Bank Co., Ltd.. According to the provisions of Accounting Standards for Enterprises No. 22-Recognition and Measurement of Financial Instruments, when a company becomes a party to a financial instrument contract, it should recognize a financial asset or financial liability. Therefore, the Group recognizes this financial instrument as a derivative financial asset.

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

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

5. Notes receivable

(1) Classification of notes receivable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Bank acceptance notes	424,838,033.51	488,765,857.28
Commercial acceptance notes	26,350,436.69	34,953,275.49
Total	451,188,470.20	523,719,132.77

(2) Notes receivable which have been pledged at the end of the period

Unit: Yuan Currency: RMB

Item	Amount pledged at the end of the period
Bank acceptance notes	20,850,000.00
Commercial acceptance notes	
Total	20,850,000.00

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

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

5. Notes receivable (Continued)

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

Unit: Yuan Currency: RMB

Item	Amount de-recognized at the end of the period	Amount not de-recognized at the end of the period
Bank acceptance notes	829,340,164.76	
Commercial acceptance notes	_____	330,000.00
Total	829,340,164.76	330,000.00

(4) Notes that are transferred to accounts receivable by the Group at the end of the term due to the drawer has not fulfilled contract

Unit: Yuan Currency: RMB

Item	Amount transferred to accounts receivable at the end of the term
Commercial acceptance notes	
Bank acceptance bill	2,800,000.00
Total	2,800,000.00

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

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

6. Accounts receivable

(1) Classified disclosure of accounts receivable

Unit: Yuan Currency: RMB

Item	Ending Balance					Beginning Balance				
	Book balance		Bad debt provision		Accrual book value	Book balance		Bad debt provision		Accrual book value
	Amount	Ratio (%)	Amount	Ratio (%)		Amount	Ratio (%)	Amount	Ratio (%)	
Accounts receivable for anticipated credit losses on a portfolio basis	1,352,463,671.51	100.00	498,163,022.88	36.83	854,300,648.63	896,199,217.42	100.00	490,427,911.35	54.72	405,771,306.07
Including:										
Aging portfolio	1,249,649,608.89	92.40	481,957,438.49	38.57	767,692,170.40	843,277,315.54	94.09	474,560,442.71	56.28	368,716,872.83
Risk exposure portfolio such as collateral	102,814,062.62	7.60	16,205,584.39	15.76	86,608,478.23	52,921,901.88	5.91	15,867,468.64	29.98	37,054,433.24
Total	1,352,463,671.51	/	498,163,022.88	/	854,300,648.63	896,199,217.42	/	490,427,911.35	/	405,771,306.07

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

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

6. Accounts receivable (Continued)

(2) Accounts receivable for anticipated credit losses on a portfolio basis aging analysis of accounts receivable

1) Combined accrual item: ageing combination

Unit: Yuan Currency: RMB

Aging	Ending Balance		Accrual Ratio (%)
	Book Balance	Bad debt provision	
Within 1 year	744,153,534.58	16,956,087.75	2.28
1 to 2 yeas	31,822,290.67	13,843,328.70	43.50
2 to 3 yeas	15,618,008.91	10,562,631.36	67.63
Over 3 years	458,055,774.73	440,595,390.68	96.19
Total	1,249,649,608.89	481,957,438.49	38.57

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

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

6. Accounts receivable (Continued)

(2) Accounts receivable for anticipated credit losses on a portfolio basis aging analysis of accounts receivable (Continued)

2) Combined accrual items: risk exposure combinations such as collateral:

Unit: Yuan Currency: RMB

Name of portfolio	Ending balance		Accrual Ratio (%)
	Book value	Provision for bad debt	
Risk exposure portfolio such as collateral	102,814,062.62	16,205,584.39	15.76
Total	102,814,062.62	16,205,584.39	15.76

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

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

6. Accounts receivable (Continued)

(3) Age Disclosure of Accounts Receivable

Unit: Yuan Currency: RMB

Aging	Book Balance	Ending Balance Bad debt provision	Accrual Ratio (%)
Within 1 year	808,256,432.61	21,338,481.39	2.64
1 to 2 yeas	47,173,446.14	23,383,496.77	49.57
2 to 3 yeas	16,308,868.60	10,603,491.05	65.02
Over 3 years	<u>480,724,924.16</u>	<u>442,837,553.67</u>	<u>92.12</u>
Total	<u><u>1,352,463,671.51</u></u>	<u><u>498,163,022.88</u></u>	<u><u>36.83</u></u>

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

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

6. Accounts receivable (Continued)

(4) Provision for bad debts charged, recovered or returned in the current period

Unit: Yuan Currency: RMB

Item	Beginning balance	Changes in the current period				Ending Balance
		Increase: Provision	Decrease: roll-out	Decrease: Write off	Decrease: Other changes	
Accounts receivable for anticipated credit losses on a portfolio basis	490,427,911.35	13,821,889.16		86,242.00	6,000,535.63	498,163,022.88
Including: Aging portfolio	474,560,442.71	13,483,773.41		86,242.00	6,000,535.63	481,957,438.49
Risk exposure portfolio such as collateral	15,867,468.64	338,115.75				16,205,584.39
Total	490,427,911.35	13,821,889.16		86,242.00	6,000,535.63	498,163,022.88

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

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

6. Accounts receivable (Continued)

(5) Details of Top Five Accounts Receivable with the Ending Balance Classified by the Borrowers

Unit: Yuan Currency: RMB

Company	Ending Balance	Proportion to the ending balance of accounts receivable (%)	Bad debt provision
Liaoning Dongsheng Machinery Equipment Co., Ltd.	81,470,181.00	6.02	81,470,181.00
Urumqi Shifeng Agricultural Machinery Equipment Co., Ltd.	62,923,376.45	4.65	62,923,376.45
Ningxia Boxin Hengtong Machinery Equipment Co., Ltd.	59,010,216.03	4.36	59,010,216.03
Cuba TECNOIMPORT Langfang Rongtong Petroleum Machinery Equipment Co., Ltd.	36,544,106.27	2.70	7,615,714.35
	20,865,256.91	1.54	860,216.73
Total	260,813,136.66	19.28	211,879,704.56

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

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

7. Advances to suppliers

(1) Aging analysis of advances to suppliers

Unit: Yuan Currency: RMB

Aging	Ending balance			Beginning balance		
	Amount	Percentage (%)	Bad debt provision	Amount	Percentage (%)	Bad debt provision
Within 1 year	99,518,680.41	91.25	4,429,562.92	106,203,906.16	93.15	4,613,443.77
1-2 years	2,817,342.11	2.58	183,880.85	1,495,475.48	1.31	
2-3 years	1,179,691.46	1.08		2,485,830.48	2.18	16,850.60
Over 3 years	5,548,985.37	5.09	1,843,343.20	3,832,774.73	3.36	1,826,492.60
Total	109,064,699.35	100.00	6,456,786.97	114,017,986.85	100.00	6,456,786.97

Explanation for the untimely settlement of significant amounts of prepayments over 1 year:

No prepayments over one year and with a significant amount

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

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

7. Advances to suppliers (Continued)

(2) Details of top five advances to suppliers with the ending balance classified by the payees

Unit: Yuan Currency: RMB

Company name	Ending balance	Percentage in the ending balance of advances to suppliers (%)	Aging	Reason
Shanxi Jianbang Group Co., Ltd.	11,941,232.33	10.95	Within 1year	In progress
Luoyang YTO Zhongcheng Accessories Manufacturing Co., Ltd.	5,500,000.00	5.04	Within 1year	In progress
Germany ZUSEHULLERHILLE	4,429,562.92	4.06	Within 1year	In progress
Yangzhou Xintao Metal Material Co., Ltd.	4,312,000.00	3.95	Within 1year	In progress
Tianjin Ferrous Business Co., Ltd.	4,114,084.21	3.77	Within 1year	In progress
Total	30,296,879.46	27.78		

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

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

8. Other receivables

(1) List of item

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Interests receivable	66,666.66	
Dividends receivable		
Other receivables	57,044,663.63	48,032,116.86
Total	57,111,330.29	48,032,116.86

(2) Interests receivable

a. Classification of interests receivable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Time deposits		
Entrustment Loan		
Bond investments		
Other (Lendings to Banks and Other Financial Institutions)	66,666.66	
Total	66,666.66	

b. Explanation of interests receivable

Interest receivable is mainly overdue interest on funds receivable at the end of the term of YTO Group Finance Co., Ltd. which is a subsidiary of the Group.

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

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

8. Other receivables (Continued)

(3) Other receivables

a. Disclosure of other receivables

Unit: Yuan Currency: RMB

Item	Book balance		Ending Balance		book value
	Amount	Ratio (%)	Bad debt provision		
			Amount	Accrual Ratio (%)	
Accounts receivable for anticipated credit losses on a portfolio basis	86,326,360.38	100.00	29,281,696.75	33.92	57,044,663.63
Including: Aging portfolio	71,734,402.94	83.10	25,503,759.38	35.55	46,230,643.56
Low-risk portfolio	6,588,283.42	7.63	65,882.85	1.00	6,522,400.57
Risk exposure portfolio such as collateral	8,003,674.02	9.27	3,712,054.52	46.38	4,291,619.50
Total	86,326,360.38	100.00	29,281,696.75	33.92	57,044,663.63

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

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

8. Other receivables (Continued)

(3) Other receivables (Continued)

a. Disclosure of other receivables (Continued)

(Continued)

Item	Book balance		Beginning balance Bad debt provision		book value
	Amount	Ratio (%)	Amount	Accrual Ratio (%)	
Accounts receivable for anticipated credit losses on a portfolio basis	80,653,037.75	100	32,620,920.89	40.45	48,032,116.86
Including: Aging portfolio	65,576,018.32	81.3	30,191,882.69	46.04	35,384,135.63
Low-risk portfolio	8,440,769.43	10.47	84,407.70	1.00	8,356,361.73
Risk exposure portfolio such as collateral	6,636,250.00	8.23	2,344,630.50	35.33	4,291,619.50
Total	<u>80,653,037.75</u>	<u>100.00</u>	<u>32,620,920.89</u>	<u>40.45</u>	<u>48,032,116.86</u>

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

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

8. Other receivables (Continued)

(3) Other receivables (Continued)

b. Accounts receivable for anticipated credit losses on a portfolio basis

l. Aging portfolio

Unit: Yuan Currency: RMB

Aging	Ending balance		Accrual Ratio (%)
	Book balance	Bad debt provision	
Within 1 year	47,582,213.15	1,859,142.90	3.91
1-2 years	1,291,857.55	784,284.24	60.71
2-3 years	3,358,507.96	3,358,507.96	100.00
Over 3 years	19,501,824.28	19,501,824.28	100.00
Total	71,734,402.94	25,503,759.38	35.55

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

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

8. Other receivables (Continued)

(3) Other receivables (Continued)

b. Accounts receivable for anticipated credit losses on a portfolio basis (Continued)

II. Low-risk portfolio

Unit: Yuan Currency: RMB

Aging	Ending balance		Accrual percentage (%)
	Book balance	Bad debt provision	
Within 1 year	2,812,490.80	28,124.91	1.00
1-2 years	418,035.40	4,180.36	1.00
2-3 years	335,070.49	3,350.70	1.00
Over 3 years	3,022,686.73	30,226.88	1.00
Total	6,588,283.42	65,882.85	1.00

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

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

8. **Other receivables (Continued)**

(3) **Other receivables (Continued)**

b. *Accounts receivable for anticipated credit losses on a portfolio basis (Continued)*

III. Risk exposure portfolio such as collateral

Unit: Yuan Currency: RMB

Name of portfolio	Ending balance	Bad debt provision	Accrual percentage (%)
Risk exposure portfolio such as collateral	8,003,674.02	3,712,054.52	46.38
Total	8,003,674.02	3,712,054.52	46.38

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

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

8. Other receivables (Continued)

(3) Other receivables (Continued)

c. Aging disclosure of other receivables

Unit: Yuan Currency: RMB

Aging	Ending balance	Beginning balance
Within 1 year	50,394,847.95	34,998,514.30
1-2 years	3,077,172.97	14,285,858.78
2-3 years	3,693,578.45	3,241,639.71
Over 3 years	29,160,761.01	28,127,024.96
3-4 years		
4-5 years		
Over 5 years		
Total	86,326,360.38	80,653,037.75

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

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

8. Other receivables (Continued)

(3) Other receivables (Continued)

d. Provision for bad debts charged, recovered or returned in the current period

Unit: Yuan Currency: RMB

Item	Beginning balance	Provision	Changes in the current period			Ending Balance
			recovered or returned	Write off	Other changes	
Accounts receivable for anticipated credit losses on a portfolio basis	32,620,920.89	-3,153,068.83			-186,155.31	29,281,696.75
Including: Aging portfolio	30,191,882.69	-4,501,968.00			-186,155.31	25,503,759.38
Low-risk portfolio	84,407.70	-18,524.85				65,882.85
Risk exposure portfolio such as collateral	2,344,630.50	1,367,424.02				3,712,054.52
Total	<u>32,620,920.89</u>	<u>-3,153,068.83</u>	<u></u>	<u></u>	<u>-186,155.31</u>	<u>29,281,696.75</u>

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

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

8. Other receivables (Continued)

(3) Other receivables (Continued)

e. Details of top five other receivables with the ending balance classified by the borrowers

Unit: Yuan Currency: RMB

Company	Nature of payment	Ending balance	Aging	Percentage in the ending balance of other receivables (%)	Ending balance of bad debt allowance
Luoyang Chenhan Agricultural Equipment Technology Co., Ltd.	Equity transfer payment	13,637,808.03	Within 1 year	15.8	272,756.16
State Tax Bureau of Jianxi District, Luoyang City, Henan Province	Refundable export tax refund	6,339,576.75	Within 1 year	7.34	63,395.76
Shanghai Pengpu Machinery Factory Co., Ltd.	Other	6,490,000.00	Over 5 years	7.52	2,292,959.42
Jiangsu Qingjiang Tractor Co., Ltd.	Other	3,315,484.00	Over 5 years	3.84	3,315,484.00
Shaanxi Heavy-duty Motor Company Limited	Mould deposit	2,000,000.00	3-4 years	2.32	20,000.00
Total		31,782,868.78		36.82	5,964,595.34

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

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

8. Other receivables (Continued)

(3) Other receivables (Continued)

f. Classification of other receivables by nature

Unit: Yuan Currency: RMB

Nature of payment	Ending book value	Beginning book value
Receivables and payments between companies	14,260,294.06	10,491,012.79
Deposits and petty cash	6,564,587.18	6,952,889.93
Collection and payment of social insurance withheld	3,232,274.63	2,297,689.36
Tax refund for export receivables	6,276,180.99	18,495,136.59
Receivables from government subsidies		5,000,000.00
Equity transfer payment	13,365,051.87	
Others	13,346,274.90	4,795,388.19
	57,044,663.63	48,032,116.86
Total		

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

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

9. Buying back the sale of financial assets

(1) Classification according to the nature of the counterparty

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Domestic interbank institutes		150,203,731.40
Domestic other financial institutes		
Total		150,203,731.40

(2) Classification according to the asset type

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Bonds		150,203,731.40
Total		150,203,731.40

(3) Classification according to the remaining days to the maturity

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Due within one month		150,203,731.40
Total		150,203,731.40

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

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

10. Inventories

(1) Classification of inventories

Unit: Yuan Currency: RMB

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Raw materials	543,849,675.20	143,399,946.77	400,449,728.43	604,138,987.04	139,305,649.45	464,833,337.59
Work in progress	310,458,465.28	27,866,578.13	282,591,887.15	341,918,801.28	23,415,057.58	318,503,743.70
Finished goods	439,536,891.57	38,775,380.49	400,761,511.08	670,907,338.57	50,606,797.26	620,300,541.31
Goods shipped in transit	33,072,557.40	1,026,243.82	32,046,313.58	27,619,518.60	907,353.78	26,712,164.82
Total	<u>1,326,917,589.45</u>	<u>211,068,149.21</u>	<u>1,115,849,440.24</u>	<u>1,644,584,645.49</u>	<u>214,234,858.07</u>	<u>1,430,349,787.42</u>

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

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

10. Inventories (Continued)

(2) Impairment provision for inventories

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period		Decrease in this period		Other transfer out	Ending balance
		Provision for impairment	Others	Reversed	Write off		
Raw materials	139,305,649.45	10,857,837.85			6,533,026.11	230,514.42	143,399,946.77
Work in progress	23,415,057.58	4,746,049.22				294,528.67	27,866,578.13
Finished goods	50,606,797.26	8,788,318.76			20,430,917.35	188,818.18	38,775,380.49
Goods shipped in transit	907,353.78	205,463.58			86,573.54		1,026,243.82
Total	<u>214,234,858.07</u>	<u>24,597,669.41</u>			<u>27,050,517.00</u>	<u>713,861.27</u>	<u>211,068,149.21</u>

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

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

11. Non-current assets maturing within one year

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Original value of long-term receivable due within one year	227,119,088.96	170,816,064.55
The original value of creditor's rights investment within one year	93,703,220.89	114,582,672.94
The original value of financial lease within one year	15,636,307.19	9,162,965.01
Unconfirmed financing gains	-11,994,418.92	-13,506,259.23
Provision for impairment	-107,556,038.29	-96,896,130.81
Total	216,908,159.83	184,159,312.46

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

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

12. Other current assets

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Contract acquisition cost		
Return cost receivable		
Deferred expenses	2,013,384.13	252,746.63
Structured deposit and other wealth management products	1,826,000,000.00	1,776,357,700.80
Prepaid enterprise income tax	25,180,466.47	33,766,923.03
Value-added tax left for deduction	243,173,581.09	219,060,350.79
Input Tax to be Certified	432,660.58	224,386.34
Advance payment of other tax	94,178.74	10,671.57
Interest receivable		17,363,333.33
Subtotal	2,096,894,271.01	2,047,036,112.49
Provision for impairment	-12,406,085.09	-12,406,085.09
Total	2,084,488,185.92	2,034,630,027.40

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

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

13. Loans and advances to customers

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

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Subtotal of individual loans and advances	14,336,540.00	25,784,240.93
Property mortgages		23,780.93
Others	14,336,540.00	25,760,460.00
Subtotal of corporate loans and advances	886,427,788.44	1,019,705,884.92
Loans	779,213,125.00	923,971,500.00
Discounting	107,214,663.44	95,734,384.92
Total loans and advances	900,764,328.44	1,045,490,125.85
Less: Impairment provision of loans	34,240,806.54	34,111,662.94
Including: Provision made on individual basis		
Provision made on portfolio basis	34,240,806.54	34,111,662.94
Total carrying value of loans and advances	866,523,521.90	1,011,378,462.91
Interest receivable		87,810.69

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

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

13. Loans and advances to customers (Continued)

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

Unit: Yuan Currency: RMB

Distribution of industry	Ending balance	Percentage (%)	Beginning balance	Percentage (%)
Machinery manufacturing	886,427,788.44	98.41	1,019,705,884.92	97.53
Individuals	14,336,540.00	1.59	25,784,240.93	2.47
Total loans and advances	900,764,328.44	100.00	1,045,490,125.85	100.00
Less: Impairment provision of loans	34,240,806.54	3.80	34,111,662.94	3.26
Including: Provision made on individual basis				
Provision made on portfolio basis	34,240,806.54	3.80	34,111,662.94	3.26
Total carrying value of loans and advances	866,523,521.90	-	1,011,378,462.91	-
Interest receivable			87,810.69	-

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

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

13. Loans and advances to customers (Continued)

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

Unit: Yuan Currency: RMB

Geographic distribution	Ending balance	Percentage (%)	Beginning balance	Percentage (%)
Northeast China	237,510,575.00	26.37	322,353,550.00	30.83
North China			22,840,970.00	2.18
East China			31,053,800.00	2.97
Central China	649,155,403.44	72.07	657,284,255.85	62.87
Northwest China	14,098,350.00	1.56	11,769,550.00	1.13
Other areas			188,000.00	0.02
Total loans and advances	900,764,328.44	100.00	1,045,490,125.85	100.00
Less: Impairment provision of loans	34,240,806.54	3.80	34,111,662.94	3.26
Including: Provision made on individual basis				
Provision made on portfolio basis	34,240,806.54	3.80	34,111,662.94	3.26
Total carrying value of loans and advances	866,523,521.90	-	1,011,378,462.91	-
Interest receivable			87,810.69	

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

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

13. Loans and advances to customers (Continued)

(4) Distribution details by type of credit guarantee modes

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Credit loans	440,000,000.00	420,000,000.00
Guaranteed loans	304,138,190.00	490,539,010.00
Loans secured by collateral	156,626,138.44	134,951,115.85
Including: mortgage loans	49,411,475.00	39,216,730.93
Pledged loans	107,214,663.44	95,734,384.92
Total loans and advances	900,764,328.44	1,045,490,125.85
Less: Impairment provision of loans	34,240,806.54	34,111,662.94
Including: Provision made on individual basis		
Provision made on portfolio basis	34,240,806.54	34,111,662.94
Total carrying value of loans and advances	866,523,521.90	1,011,378,462.91
Interest receivable	-	87,810.69

(5) Provision for losses on loans

Unit: Yuan Currency: RMB

Item	Amount in this period		Amount in last period	
	Individual	Portfolio	Individual	Portfolio
Beginning balance		34,111,662.94		33,204,129.15
Current year provision		129,143.60		907,533.79
Ending balance		34,240,806.54		34,111,662.94

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

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

14. Long-term receivable

Unit: Yuan Currency: RMB

Nature of payment	Ending balance			Beginning balance			Discount Rate Interval
	Book balance	Impairment preparation	Book value	Book balance	Impairment preparation	Book value	
Finance lease cost	73,353,960.00	2,200,618.80	71,153,341.20	25,321,440.00	819,442.14	24,501,997.86	
Including: Unconfirmed							
Financing Income	5,638,063.51		5,638,063.51	1,993,297.96		1,993,297.96	
Selling goods by instalments	431,664,071.35	15,563,462.73	416,100,608.62	434,096,520.82	14,333,584.44	419,762,936.38	
Including: Unconfirmed							
Financing Income	49,675,132.21		49,675,132.21	57,508,821.62		57,508,821.62	
Financial leases due within one year and selling goods by instalments	-230,760,977.23	-13,852,817.40	-216,908,159.83	-166,472,770.33	-3,192,909.92	-163,279,860.41	
Total	274,257,054.12	3,911,264.13	270,345,789.99	292,945,190.49	11,960,116.66	280,985,073.83	

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

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

15. Long-term equity investments

Unit: Yuan Currency: RMB

Invested company	Beginning balance	Additional investment	Investment reduced	Changes of increase/decrease in the period					Others	Ending balance	Ending balance of impairment provision	
				Investment profit/loss recognized under equity method	Adjustment of other comprehensive income	Other equity changes	Declared cash dividends/profit to be distributed	Provision for impairment				
I. Investments in associates												
ZF YTO (Luoyang) Drive Axle Co., Ltd	130,189,284.61			-5,177,138.47					-649,709.81		124,362,435.33	
YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	759,316.82			-36,578.79							722,738.03	
Luoyang Fusate Auto Co., Ltd	7,004,515.65										7,004,515.65	
Luoyang MC Technology Consulting Co., Ltd	255,214.27			-3,495.10							251,719.17	
Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd.		3,871,238.40									3,871,238.40	
Subtotal	138,208,331.35	3,871,238.40		-5,217,213.36					-649,709.81		136,212,646.58	7,004,515.65
Total	138,208,331.35	3,871,238.40		-5,217,213.36					-649,709.81		136,212,646.58	7,004,515.65

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

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

16. Fixed assets

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Fixed assets	2,850,966,193.32	2,942,857,496.39
Liquidation of fixed assets		
Total	<u><u>2,850,966,193.32</u></u>	<u><u>2,942,857,496.39</u></u>

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

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

16. Fixed assets (Continued)

(1) Original Value and Accumulated Depreciation of Fixed Assets

Unit: Yuan Currency: RMB

Item	Land	Buildings	Machinery	Transportation equipment	Electronic and office equipment	Other equipment	Total
I. Original book balance							
1. Beginning balance	8,106,262.65	2,293,650,459.89	4,167,100,256.19	54,960,527.27	105,799,336.86	5,931,422.97	6,635,548,265.83
2. Increase amount in							
this period	-31,301.65	5,540,522.14	67,013,706.58	-1,202,171.72	2,403,978.05	34,217.36	73,758,950.76
Purchase	-	598,229.52	7,811,052.17	176,922.76	66,996.53	7,493.15	8,660,694.13
Transferred from construction in progress	-	3,409,506.10	57,393,895.31	125,000.00	2,125,397.58	38,377.79	63,092,176.78
Converted difference in Foreign Currency Statements	-31,301.65	1,532,786.52	496,399.28	-1,504,094.48	211,583.94	-11,653.58	693,720.03
Others	1,312,359.82	1,312,359.82					
3. Decrease amount in							
this period	-	25,338,925.88	34,001,010.87	871,043.95	906,566.11	114,787.36	61,232,334.17
Disposal of scrapped Others	-	25,338,925.88	34,001,010.87	871,043.95	906,566.11	114,787.36	61,232,334.17
4. Ending balance	8,074,961.00	2,273,852,056.15	4,200,112,951.90	52,887,311.60	107,296,748.80	5,850,852.97	6,648,074,882.42

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

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

16. Fixed assets (Continued)

(1) Original Value and Accumulated Depreciation of Fixed Assets (Continued)

Item	Land	Buildings	Machinery	Transportation equipment	Electronic and office equipment	Other equipment	Total
II. Accumulated depreciation							
1. Beginning balance		947,459,255.52	2,571,982,422.84	34,524,787.06	79,344,357.40	3,909,824.92	3,637,220,647.74
2. Increase amount in this period		35,549,921.89	106,400,384.72	1,662,943.63	2,997,074.96	219,103.68	146,829,428.88
Provision	-	35,446,753.31	105,475,054.27	1,900,447.69	2,971,945.23	226,637.97	146,020,838.47
Converted difference in Foreign Currency							
Statements		103,168.58	-16,339.71	-237,504.06	25,129.73	-7,534.29	-133,079.75
Others			941,670.16				941,670.16
3. Decrease amount in this period		10,038,587.66	30,291,283.41	824,126.75	842,012.28	103,550.37	42,099,560.47
Disposal of scrapped		10,038,587.66	30,291,283.41	824,126.75	842,012.28	103,550.37	42,099,560.47
Others							
4. Ending balance		972,970,589.75	2,648,091,524.15	35,363,603.94	81,499,420.08	4,025,378.23	3,741,950,516.15

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

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

16. Fixed assets (Continued)

(1) Original Value and Accumulated Depreciation of Fixed Assets (Continued)

Item	Land	Buildings	Machinery	Transportation equipment	Electronic and office equipment	Other equipment	Total
III. Impairment provision							
1. Beginning balance	4,363,098.80	10,651,046.79	37,804,916.17	2,155,375.14	302,084.15	193,600.65	55,470,121.70
2. Increase amount in this period	-16,846.80	-350.80	-65,068.87	-	10,824.37	-445.48	-71,887.58
Provision	-	-	-	-	-	-	-
Converted difference in Foreign Currency Statements							
	-16,846.80	-350.80	-65,068.87	-	10,824.37	-445.48	-71,887.58
Others							
3. Decrease amount in this period		10,952.37	193,747.40	-	35,361.40	-	240,061.17
Disposal of scrapped Others		10,952.37	193,747.40	-	35,361.40	-	240,061.17
4. Ending balance	4,346,252.00	10,639,743.62	37,546,099.90	2,155,375.14	277,547.12	193,155.17	55,158,172.95
IV. Book value							
1. Ending balance of book value	3,728,709.00	1,290,241,722.78	1,514,475,327.85	15,368,332.52	25,519,781.60	1,632,319.57	2,850,966,193.32
2. Beginning balance of book	<u>3,743,163.85</u>	<u>1,335,540,157.58</u>	<u>1,557,312,917.18</u>	<u>18,280,365.07</u>	<u>26,152,895.31</u>	<u>1,827,997.40</u>	<u>2,942,857,496.39</u>

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

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

16. Fixed assets (Continued)

(2) Fixed assets leased out by operating lease

Unit: Yuan Currency: RMB

Item	Book value
Houses and buildings	118,632,746.39
Machine and equipment	6,538,275.19
Total	125,171,021.58

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

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

16. Fixed assets (Continued)

(3) Fixed assets with the property right certificate unprocessed yet

Unit: Yuan Currency: RMB

Item	Book value	Reason for property right certificate not yet processed
New Youth Jiayuan Established by Subsidiary Research Institute	65,691,096.36	Youth Jiayuan is a public rental housing project. Its main body has been converted into fixed assets, but the project is still in the audit stage, so no real estate certificate has been obtained.
Main Factory house and office building of subsidiary Fulaige Zhengzhou Branch	13,703,240.75	The real estate property certificate is in the process of processing.
New cooling channel workshop of branch casting and forging plant	1,805,478.37	Construction project investment is inconsistent with the main body of construction land. According to the current relevant provisions, it is impossible to handle the real property certificate, which is a historical legacy.
Subsidiary Xinjiang Company Base Project	58,693,905.69	The property right has not yet been completed.
Branch heat treatment plant	7,129,744.19	New factory building. The property right certificate is in the process of processing
Cab workshop of branch body factory	84,309,562.37	New factory building. The project is not yet completed. property right certificate is in the process of processing
The factory buildings of the 100 thousand light diesel engines of the subsidiary, Jiangyan Power	17,039,631.13	The property right certificate is in the process of processing
Total	248,372,658.86	

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

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

16. Fixed assets (Continued)

(3) Fixed assets with the property right certificate unprocessed yet (Continued)

Other explanation of fixed assets:

The increase of depreciation in this period is RMB 146,020,838.47. Among the above fixed assets, the original value of the fixed assets on which the accumulated depreciation was fully accrued and still in use continuously was RMB 1,626,735,166.44. Refer to the statement in the Note 68 for detailed information about the ending balance of pledge on fixed assets.

17. Construction in progress

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Construction in progress	227,234,098.13	232,816,443.52
Total	227,234,098.13	232,816,443.52

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

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

17. Construction in progress (Continued)

(1) Details of construction in progress

Unit: Yuan Currency: RMB

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
New model application project of new wheeled tractor intelligent manufacturing	97,218,784.43	-	97,218,784.43	86,018,528.85	-	86,018,528.85
Small and Medium Sized Molding Line Transformation	19,285,412.59	-	19,285,412.59	9,447,032.27	-	9,447,032.27
New giant parts workshop	4,316,930.94	-	4,316,930.94	4,316,930.94	-	4,316,930.94
Automation renovation project of large-scale topcoat line	4,005,728.08	-	4,005,728.08	4,005,728.08	-	4,005,728.08
User Service Training Workshop	3,865,497.35	-	3,865,497.35	4,097,620.97	-	4,097,620.97
New Production Line of Automatic Multipurpose Furnace	2,366,379.30	-	2,366,379.30	2,366,379.30	-	2,366,379.30
Installation of Natural Gas Pipeline for Reconstruction Project of Lost Foam Immersion Line	2,191,009.17	-	2,191,009.17	-	-	-
Agricultural high-power diesel engine project	1,688,232.54	-	1,688,232.54	1,688,232.54	-	1,688,232.54
Intelligent Assembly Line Phase I of National Fourth Upgrading and Reconstruction Project	9,012,733.58	-	9,012,733.58	49,493,693.89	-	49,493,693.89

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

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

17. Construction in progress (Continued)

(1) Details of construction in progress (Continued)

Unit: Yuan Currency: RMB

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Infrastructure Improvement						
Project of No.2 Workshop	12,760,633.88	-	12,760,633.88	-	-	-
Component Matching and Product Verification Base Construction Project	2,205,544.76	-	2,205,544.76	-	-	-
Improvement of Basic Support Service Ability of Traceability Transfer of Industry Measurement Value	3,887,096.59	-	3,887,096.59	1,404,855.78	-	1,404,855.78
Pouring machine	6,070,408.17	-	6,070,408.17	6,070,408.17	-	6,070,408.17
Double disc cooler	2,252,888.59	-	2,252,888.59	2,064,941.86	-	2,064,941.86
Robot Renovation Project of Core Making Center	3,230,769.23	-	3,230,769.23	3,608,127.71	-	3,608,127.71
Construction in progress in						
France	23,651,393.01	20,474,626.51	3,176,766.50	19,408,908.68	11,305,639.72	8,103,268.96
Electrophoresis line	4,571,112.96	996,870.96	3,574,242.00	4,571,112.96	996,870.96	3,574,242.00
Plant foundation	2,206,437.39	2,206,437.39	-	2,206,437.39	2,206,437.39	-
Others	57,455,416.71	11,330,376.28	46,125,040.43	57,886,828.48	11,330,376.28	46,556,452.20
Total	262,242,409.27	35,008,311.14	227,234,098.13	258,655,767.87	25,839,324.35	232,816,443.52

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

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

17. Construction in progress (Continued)

(2) Important Changes in the Current Period of Construction Projects

Unit: Yuan Currency: RMB

Project name	Budget	Opening balance	Increase for the period	Amount transferred to fixed assets for the period	Other decrease in amount for the period	Ending balance	Cumulative investment in projects as a percentage of the budget (%)	Project Progress	Including: Accumulative amount of the capitalization of interest	Interest for the period Amount of capitalization rate of interest for the period (%)	Capitalization Source of capital
New model application project of new wheeled tractor intelligent manufacturing	541,800,000.00	86,018,528.85	12,014,319.35	75,000.00	739,063.77	97,218,784.43	95%	100%			Raise independently
Small and Medium Sized Molding Line Transformation	56,149,700.00	9,447,032.27	9,838,380.32			19,285,412.59	60%	65%			Raise independently
New giant parts workshop	97,000,000.00	4,316,890.94				4,316,890.94	100%	100%			Raise independently
Automation renovation project of large-scale topcoat line	7,600,000.00	4,005,728.08				4,005,728.08	53%	90%			Raise independently
User Service Training Workshop	6,902,400.00	4,097,620.97	654,498.05	749,808.27	336,613.40	3,865,487.35	100%	100%			Raise independently
New Production Line of Automatic Multipurpose Furnace	9,350,000.00	2,966,379.30				2,966,379.30	29%	30%			Raise independently
Installation of Natural Gas Pipeline for Reconstruction Project of Lost Foam Immersion Line	4,450,000.00		2,191,009.17			2,191,009.17	94%	98%			Raise independently
Industrial Park Large Power Plant (Phase II)	198,240,000.00	1,688,232.54				1,688,232.54	98%	100%	12,829,031.02		Raising funds
Intelligent Assembly Line Phase I of National Fourth Upgrading and Reconstruction Project	58,000,000.00	49,493,693.89	515,432.99	40,996,393.30		9,012,733.58	86%	96%			Raise independently
Infrastructure Improvement Project of No.2 Workshop	24,480,000.00		12,760,633.88			12,760,633.88	52%	96%			Raise independently
Component Match and Product Validation Base Construction Project	9,850,000.00		2,205,544.76			2,205,544.76	22%	42%			Raise independently

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

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

17. Construction in progress (Continued)

(2) Important Changes in the Current Period of Construction Projects (Continued)

Project name	Budget	Opening balance	Increase for the period	Amount transferred to fixed assets for the period	Other decrease in amount for the period	Ending balance	Cumulative investment in projects as a percentage of the budget (%)	Project Progress (%)	Including:		Source of capital
									capitalization of interest	Interest for the period Amount of capitalization rate of interest for the period (%)	
Improvement of Basic Support Service											
Ability of Traceability Transfer of Industry Measurement Value	9,500,000.00	1,404,855.78	2,482,240.81			3,887,096.59	41%	41%			Raise independently
Pouring machine	7,960,000.00	6,070,408.17				6,070,408.17	88%	90%			Raise independently
Double disc cooler	1,800,000.00	2,064,941.86	187,946.73			2,252,888.59	100%	90%			Raise independently
Robot Renovation Project of Core Making Center	4,500,000.00	3,608,127.71		377,358.48		3,230,769.23	84%	60%			Raise independently
Construction in progress in France	35,157,888.13	19,408,908.68	4,891,661.17	302,879.67	146,297.17	23,651,388.01	93%	93%			Raise independently
Electrophoresis line	2,800,000.00	4,571,112.96				4,571,112.96	100%	93%			Raise independently
Plant foundation	3,288,000.00	2,206,437.39				2,206,437.39	100%	68%			Raise independently
Total	<u>1,080,917,988.13</u>	<u>200,768,939.39</u>	<u>47,741,667.23</u>	<u>42,501,439.72</u>	<u>1,222,174.34</u>	<u>204,786,992.56</u>	<u>/</u>	<u>/</u>	<u>12,829,031.02</u>	<u>/</u>	<u>/</u>

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

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

17. Construction in progress (Continued)

(3) *Provision for impairment of construction in progress is included in this report period.*

Unit: Yuan Currency: RMB

Project name	Amount of provision	Reason
Construction in progress in France	9,230,495.01	Project suspension

18. Right-to-use assets

Unit: Yuan Currency: RMB

Item	Right-to-use assets	Total
I. Carrying amount		
1. Opening balance	34,404,216.48	34,404,216.48
2. Increased amount in current period	532,328.32	532,328.32
3. Decreased amount in current period		
4. Ending balance	34,936,544.80	34,936,544.80

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

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

18. Right-to-use assets (Continued)

Item	Right-to-use assets	Total
II. Accumulated depreciation		
1. Opening balance		
2. Increased amount in current period		
(1) Provision	10,637,287.94	10,637,287.94
3. Decreased amount in current period		
(1) Disposal		
4. Ending balance	10,637,287.94	10,637,287.94
III. Provision for impairment		
1. Opening balance		
2. Increased amount in current period		
(1) Provision		
3. Decreased amount in current period		
(1) Disposal		
4. Ending balance		
IV. Book value		
1. Book value at the end of period	24,299,256.86	24,299,256.86
2. Book value at the beginning of period	34,404,216.48	34,404,216.48

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

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

19. Intangible assets

(1) Detail spreadsheet of intangible assets

Unit: Yuan Currency: RMB

Item	Land use right	Patents	Others	Software	Trademarks	Total
I. Original book balance						
1. Beginning balance	910,924,304.91	5,609,583.74	9,989,215.16	82,539,448.28	59,526,000.00	1,068,588,552.09
2. Increase amount in this period				878,335.32		878,335.32
Purchase				877,874.11		877,874.11
Others				461.21		461.21
3. Decrease amount in this period	6,846,400.00	21,195.42	31,546.97	171,688.00		7,070,830.39
Disposal	6,846,400.00			171,688.00		7,018,088.00
Others		21,195.42	31,546.97			52,742.39
4. Ending balance	904,077,904.91	5,588,388.32	9,957,668.19	83,246,095.60	59,526,000.00	1,062,396,057.02
II. Accumulated amortization						
1. Beginning balance	163,065,566.38	4,688,393.93	3,673,528.22	53,712,635.01		225,140,123.54
2. Increase amount in this period	11,774,293.15	214,094.18	356,575.28	3,122,381.43		15,467,344.04
Provision	11,774,293.15	214,094.18	356,575.28	3,122,320.31		15,467,282.92
Others				61.12		61.12
3. Decrease amount in this period	1,677,368.09	20,181.18	11,570.90	171,688.00		1,880,808.17
Disposal	1,677,368.09			171,688.00		1,849,056.09
Others		20,181.18	11,570.90			31,752.08
4. Ending balance	173,162,491.44	4,882,306.93	4,018,532.60	56,663,328.44		238,726,659.41

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

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

19. Intangible assets (Continued)

(1) Detail spreadsheet of intangible assets (Continued)

Item	Land use right	Patents	Others	Software	Trademarks	Total
III. Impairment provision						
1. Beginning balance		633,515.33		477,922.22		1,111,437.55
2. Increase amount in this period						
Provision						
3. Decrease amount in this period						
4. Ending balance		633,515.33		477,922.22		1,111,437.55
IV. Book value						
1. Ending balance of book value	730,915,413.47	72,566.06	5,939,135.59	26,104,844.94	59,526,000.00	822,557,960.06
2. Beginning balance of book value	<u>747,858,738.53</u>	<u>287,674.46</u>	<u>6,315,686.94</u>	<u>28,348,891.05</u>	<u>59,526,000.00</u>	<u>842,336,991.00</u>

(2) Explanation of intangible assets

N/A

(3) No land use right without property right certificate

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

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

20. Development expenditure

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period		Decrease in this period		Ending balance
		Internal development expenditure	others	Transfer to current period profit or loss	Recognized as intangible assets	
Updates on accessories and R&D on other machinery products		931,231.08		931,231.08		
Research and development for dynamical machinery products		27,132,634.56		27,132,634.56		
Technological process research and development		11,471,807.52		11,471,807.52		
Fundamental research		4,582,282.62		4,582,282.62		
Research and development of tractor products		112,412,080.01		112,412,080.01		
Total		156,530,035.79		156,530,035.79		

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

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

21. Goodwill

(1) Original value of goodwill

Unit: Yuan Currency: RMB

Name of invested company	Beginning balance	Increase in this period		Decrease in this period		Ending balance
		Formed from combination	Others	Disposal	Others	
Chang Tuo Agricultural Machinery Equipment Group Co., Ltd	14,297,893.81	—	—	—	—	14,297,893.81
Total	<u>14,297,893.81</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>14,297,893.81</u>

(2) Impairment provision for goodwill

Unit: Yuan Currency: RMB

Name of invested company	Beginning balance	Increase in this period		Decrease in this period		Ending balance
		Provision	Others	Disposal	Others	
Chang Tuo Agricultural Machinery Equipment Group Co., Ltd	14,297,893.81	—	—	—	—	14,297,893.81
Total	<u>14,297,893.81</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>14,297,893.81</u>

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

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

22. Long-term deferred expenses

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Amortization in this period	Other decrease in this period	Ending balance
Patent use right	17,806.26		10,683.76		7,122.50
Amortization of equipment relocation expenses	1,700,603.01		106,287.72		1,594,315.29
Mold amortization	28,884,870.73	5,496,399.64	6,487,451.03		27,893,819.34
Amortization of maintenance expenditure	9,764,752.70	192,236.03	1,304,304.31		8,652,684.42
Others	869,123.60	2,741,371.31	320,699.56		3,289,795.35
Total	<u>41,237,156.30</u>	<u>8,430,006.98</u>	<u>8,229,426.38</u>		<u>41,437,736.90</u>

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

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

23. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets recognized

Unit: Yuan Currency: RMB

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred tax asset	Deductible temporary difference	Deferred tax asset
Provision for asset impairment	131,695,154.51	21,667,922.39	152,095,358.97	26,699,960.09
Deductible losses	19,204,000.21	6,337,320.07	19,278,438.13	6,361,884.58
Termination welfare	119,850,337.02	19,456,354.87	197,070,575.41	31,621,061.64
Wages payable and accrued expense	251,153,012.92	51,433,234.24	187,044,843.88	40,438,463.49
Deferred revenue	134,868,805.06	20,230,320.77	135,810,438.25	20,371,565.74
Changes in fair value of trading financial assets			4,500.00	1,125.00
Total	656,771,309.72	119,125,152.34	691,304,154.64	125,494,060.54

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

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

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

(2) Deferred tax liabilities recognized

Unit: Yuan Currency: RMB

Item	Ending balance		Beginning balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Asset evaluation increase from business combination not under same control	102,875,449.04	25,718,862.26	106,905,076.77	26,726,269.19
Fair value change	739,769,098.60	110,965,364.79	695,048,275.13	104,257,241.27
Total	842,644,547.64	136,684,227.05	801,953,351.90	130,983,510.46

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

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Provision for asset impairment	970,926,638.36	1,240,154,957.60
Deductible losses	2,105,218,297.73	2,142,783,123.58
Total	3,076,144,936.09	3,382,938,081.18

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

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

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

(4) *Deductible losses unrecognized as deferred tax liabilities due in the following year*

Unit: Yuan Currency: RMB

Year	Ending balance	Beginning balance	Remark
Year of 2019		81,990,879.86	
Year of 2020	279,813,415.21	288,422,449.61	
Year of 2021	137,102,842.38	145,618,595.54	
Year of 2022	169,224,686.46	229,005,869.70	
Year of 2023	172,658,007.22	172,001,440.84	
Year of 2024	38,580,008.81	–	
Year of 2025		–	
Year of 2026	4,540,249.64	4,540,249.64	
Year of 2027	83,040,410.33	91,795,402.69	
Year of 2028	1,129,408,235.70	1,129,408,235.70	
Year of 2029	90,850,441.98		
Total	2,105,218,297.73	2,142,783,123.58	/

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

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

24. Short-term borrowings

(1) Classification of borrowings

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Mortgaged loans	70,000,000.00	70,000,000.00
Credit loans	2,624,440,346.81	2,707,516,101.13
Interests payable	21,821,189.42	14,821,136.37
Total	<u>2,716,261,536.23</u>	<u>2,792,337,237.50</u>

(2) Explanation of short-term loans

The subsidiary of the Group, Changtuo Agricultural Machinery Equipment Group Co., Ltd. drawn short-term loan of RMB 70,000,000 from Jilin Bank Dong Sheng Branch by mortgage of real estate and land. The period will be extended after maturity, with an annual interest rate of 6.525% and a maturity date of 30 November 2019.

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

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

25. Absorption of deposits and interbank deposits

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Demand deposit	689,147,308.96	545,421,025.68
Including: Corporate	684,993,778.11	542,226,691.92
Individuals	4,153,530.85	3,194,333.76
Time deposit (including notice deposit)	362,947,012.00	535,103,828.35
Including: Corporate	362,947,012.00	535,103,828.35
Individuals		
Interests payable	10,214,437.28	5,693,203.76
Total	1,062,308,758.24	1,086,218,057.79

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

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

26. Derivative financial liabilities

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Currency forward and swap	<u>1,725,546.87</u>	<u>2,727,592.84</u>
Total	<u><u>1,725,546.87</u></u>	<u><u>2,727,592.84</u></u>

Note: On September 28, 2018, the Group borrowed US\$70 million from Luoyang Branch of Bank of Communications Limited and US\$30 million from China Construction Bank Limited. Both loans submitted currency swap transaction applications to banks, and implemented principal and interest rate swaps. Sino-African Heavy Industries Investment Co., Ltd., a subsidiary of the Group, used its own US dollars to lock foreign exchange forward. By the end of June 2019, a total of USD 880,943.00 was locked in foreign exchange. According to the provisions <Accounting Standards for Enterprises No. 22-Recognition and Measurement of Financial Instruments>, when a company becomes a party to a financial instrument contract, it should recognize a financial asset or financial liability. Therefore, the Group recognizes this financial instrument as a derivative financial liability.

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

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

27. Notes payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Bank acceptance notes	887,719,675.36	929,393,127.79
Commercial acceptance notes	19,871,665.10	29,223,661.55
Total	<u><u>907,591,340.46</u></u>	<u><u>958,616,789.34</u></u>

28. Accounts payable

(1). List of account payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Purchase payable	1,307,174,834.85	1,116,711,556.82
Purchase of construction equipment payable	41,872,827.76	65,193,459.38
Service payment payable	40,653,518.39	11,507,463.92
Others	3,889,524.70	1,417,445.45
Total	<u><u>1,393,590,705.70</u></u>	<u><u>1,194,829,925.57</u></u>

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

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

28. Accounts payable (Continued)

(2). Accounts payable with significant amount aged over 1 year

Unit: Yuan Currency: RMB

Company name	Ending balance	Reason for not paid or reversed
Hong Kong LLAF INTERNATIONAL CO.,LTD	16,019,919.20	Unsettled
Total	16,019,919.20	

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

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

29. Employee benefits payable

(1) Classification of employee benefits payable

Unit: Yuan Currency: RMB

Item	Opening balance	Increased amount in current period	Decreased amount in current period	Ending balance
I. Short-term remuneration	92,505,328.13	414,756,369.05	430,852,534.88	76,409,162.30
II. Post-employment benefits				
– Defined contribution plan	1,874,211.86	49,725,879.66	50,868,838.53	731,252.99
III. Resignation benefit	95,107,306.97	1,111,114.37	48,926,873.82	47,291,547.52
IV. Other benefits due within one year				
Total	<u>189,486,846.96</u>	<u>465,593,363.08</u>	<u>530,648,247.23</u>	<u>124,431,962.81</u>

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

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

29. Employee benefits payable (Continued)

(2) Short-term remuneration

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Wages or salaries, bonuses, allowances and subsidies	61,353,463.18	302,767,662.19	315,966,544.82	48,154,580.55
Staff welfare expense	-	18,881,619.00	18,881,619.00	-
Social insurance expense	509,931.56	20,976,632.30	21,348,601.58	137,962.28
Including: Medical insurance expense	487,886.97	18,721,970.43	19,071,895.12	137,962.28
Work-related injury insurance	-1,462.48	1,002,082.98	1,000,620.50	-
Maternity insurance	23,507.07	1,252,578.89	1,276,085.96	-
Housing funds	1,706,858.38	24,666,697.80	25,560,467.30	813,088.88
Union & employee education funds	28,557,581.35	8,038,491.63	9,645,855.18	26,950,217.80
Others	377,493.66	39,425,266.13	39,449,447.00	353,312.79
Total	<u>92,505,328.13</u>	<u>414,756,369.05</u>	<u>430,852,534.88</u>	<u>76,409,162.30</u>

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

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

29. Employee benefits payable (Continued)

(3) Defined contribution plan

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Basic endowment insurance	1,324,713.94	47,877,931.52	48,792,186.96	410,458.50
Unemployment insurance premium	33,097.48	1,847,948.14	1,881,045.62	-
Enterprise annuity payment	<u>516,400.44</u>	<u>-</u>	<u>195,605.95</u>	<u>320,794.49</u>
Total	<u><u>1,874,211.86</u></u>	<u><u>49,725,879.66</u></u>	<u><u>50,868,838.53</u></u>	<u><u>731,252.99</u></u>

The explanation of defined contribution plan: the Group participates in the social insurance plans set up by the government according to the provisions. According to the plan, the Group pays the costs of such plans according to the relevant provisions of the local government. In addition to the above charges paid, the Group no longer undertakes the further payment obligations. The corresponding expenditure is recognized into the current period profit or loss, or the cost of the related assets when incurred.

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

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

30. Taxes payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Value-added tax (VAT)	4,542,720.28	1,927,845.86
Enterprise income tax	1,270,894.17	13,531,121.03
Individual income tax	126,327.02	1,838,143.14
Urban maintenance and construction tax	197,591.12	50,093.18
Property tax	5,211,615.92	4,869,814.98
Land use tax	3,332,003.28	1,944,810.35
Education surcharge	141,134.39	39,716.89
Other taxes	328,666.47	360,988.85
Total	15,150,952.65	24,562,534.28

The explanation of taxes payable: N/A

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

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

31. Other payable

(1). Classification of items

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Dividends payable	8,273,287.83	8,273,287.83
Other payables	323,030,700.78	283,833,498.25
Total	331,303,988.61	292,106,786.08

(2). Dividends payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Natural person shareholders	8,273,287.83	8,273,287.83
Total	8,273,287.83	8,273,287.83

Explanation of dividends payable: Huachen China Machinery Holdings Limited, a subsidiary of the Group, distributes the unpaid portion of the dividend

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

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

31. Other payable (Continued)

(3). Other payables

a. Classification of other payables by nature

Unit: Yuan Currency: RMB

Nature of payment	Ending balance	Beginning balance
Receivables and payments between companies	92,555,044.88	77,057,903.01
Cash pledge and deposits	68,077,039.84	65,146,997.86
Expenses payable	96,427,269.07	87,941,079.14
Collection and payment on behalf of others	32,401,695.95	25,026,537.30
Others	33,569,651.04	28,660,980.94
Total	323,030,700.78	283,833,498.25

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

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

31. Other payable (Continued)

(3). Other payables (Continued)

b. Significant amount of other payables aged over 1 year

Unit: Yuan Currency: RMB

Company name	Ending balance	Reason for not paid or reversed
YTO Group Corporation	50,540,612.33	Unsettled
Funds for housing construction and maintenance	2,514,843.33	Unsettled
Total	53,055,455.66	

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

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

32. Contractual liability

(1) Contractual liability

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Payment for goods	<u>159,278,501.22</u>	<u>369,490,638.57</u>
Total	<u><u>159,278,501.22</u></u>	<u><u>369,490,638.57</u></u>

(2) Aging analysis of contractual liability

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Within 1 year (including 1 year)	<u>136,029,336.30</u>	<u>341,860,503.30</u>
Over 1 year	<u>23,249,164.92</u>	<u>27,630,135.27</u>
Total	<u><u>159,278,501.22</u></u>	<u><u>369,490,638.57</u></u>

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

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

32. Contractual liability (Continued)

(3) Significant amounts of advance from customers aged over 1 year

Unit: Yuan Currency: RMB

Company name	Ending balance	Reason for not paid or reversed
Poly Technology Co., Ltd.	4,291,619.50	In progress
Jiangxi Wangshi Zhifang Industrial Co., Ltd.	1,990,000.00	In progress
Wuyuan Jinhe Industry and Trade Co., Ltd.	1,312,310.00	In progress
Total	7,593,929.50	

33. Non-current liabilities due within one year

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Long-term loans due within 1 year	30,000,000.00	60,000,000.00
Lease liabilities due within 1 year	14,646,594.61	18,139,035.95
Interest on long-term loans due within 1 year	1,298,879.22	
Total	45,945,473.83	78,139,035.95

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

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

34. Other current liabilities

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Discount and allowance	187,370,099.20	101,991,553.31
Warranty fee for 3 after sale services included	87,179,675.77	82,271,658.28
Agent service fees		2,600,000.00
Transportation fee	8,999,125.00	4,930,950.00
Others	6,782,672.15	4,344,880.61
Total	290,331,572.12	196,139,042.20

35. Long-term loans

(1) Classification of loans

Unit: Yuan Currency: RMB

Classification of loans	Ending balance	Beginning balance
Guarantee loan	78,170,000.00	78,473,000.00
Credit loans	820,000,000.00	850,000,000.00
Interests payable	1,298,879.22	
Subtotal	899,468,879.22	928,473,000.00
Long-term loans due within 1 year	-30,000,000.00	-60,000,000.00
Including: credit loans	-30,000,000.00	-60,000,000.00
Interest on long-term loans due within 1 year	-1,298,879.22	
Long-term loans due over 1 year	868,170,000.00	868,473,000.00

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

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

35. Long-term loans (Continued)

(2) Due date analysis of long-term loans

Unit: Yuan Currency: RMB

Due date	Ending balance	Beginning balance
Over than 1 year after the balance sheet date, but not over than 2 years	868,170,000.00	629,236,500.00
Over than 2 years after the balance sheet date, but not over than 5 years		239,236,500.00
Over 5 years		
Total	868,170,000.00	868,473,000.00

Explanation of long-term loans:

Guarantee loan: YTO (France) Agricultural Equipment Co., Ltd., a subsidiary of the Group, is guaranteed by the Company to borrow 10,000,000.00 Euros from the Paris Branch Bank of China Construction Bank Limited, amounting to RMB 78,170,000.00. Borrowing rate is Euro Interbank Offer Rate.

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

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

36. Lease liabilities

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Lease liabilities	23,027,729.39	34,404,216.48
Lease liabilities due within one year	-14,646,594.61	-18,139,035.95
Total	8,381,134.78	16,265,180.53

37. Long-term payable

(1). Classification of items

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Long-term payable	8,941,432.26	8,971,437.07
Special Payables		
Total	8,941,432.26	8,971,437.07

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

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

37. Long-term payable (Continued)

(2). Long-term payable

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Long-term borrowing from non-financial institutions	8,941,432.26	8,971,437.07
Total	8,941,432.26	8,971,437.07

Other explanation:

Yitwo Agro-industrial, an overseas subsidiary of the Group, signed a supplemental agreement with the government of Ivory Coast. According to the agreement, Yitwo Agro-industrial borrowed a loan from the government, which the outstanding amount of 750,120,156.00 (equivalent to RMB8,941,432.26) was originally due in 1997, the repayment was postponed until 2024.

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

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT

38. Long-term salary payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Long-term dismissal benefits	140,596,128.80	166,727,294.53
Less: Non-discounted long-term payable remuneration for employees whose long-term dismissal benefits expire within one year	47,291,547.52	47,011,409.25
Total	93,304,581.28	119,715,885.28

39. Estimated liabilities

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance	Reason for occurring
Pending litigation	1,120,000.00	1,120,000.00	Note 1
Other	2,861,625.85	2,861,625.85	Note 2
Total	3,981,625.85	3,981,625.85	

Note 1: Natural person Feng Chuanhai and the First Tractor Company Limited's bodywork are in dispute over compensation for personal injury caused by traffic accidents. the Group's estimated compensation amount is RMB 1,120,000.00.

Note 2: In 2017, when the sale of a towed forklift (Luoyang) Co., Ltd. was formed, part of the payment was made in the current period, and the balance was not yet paid.

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

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

40. Deferred revenue

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance	Reason
Government subsidies related assets	164,300,674.98		8,379,843.72	155,920,831.26	
Government subsidies related benefit	21,724,400.86	8,584,800.00	7,566,605.46	22,742,595.40	
Total	<u>186,025,075.84</u>	<u>8,584,800.00</u>	<u>15,946,449.18</u>	<u>178,663,426.66</u>	

Item of government grants

Unit: Yuan Currency: RMB

Liabilities Items	Opening balance	Additions for current period Amount of grants	Revenue from operation accounted in current period	Other revenue accounted in current period	Other changes	Ending balance	Asset-related/ revenue-related
Industrial revitalization and technological transformation	11,000,000.00			1,098,000.00		9,902,000.00	Related to income
Key Technology and Equipment for Precision Forming of Large Digital Dieless Casting	702,400.00			702,400.00			Related to income
Mechanical industry measurement value traceability transmission basic support service capacity improvement	4,750,000.00			26,172.96		4,723,827.04	Related to income
Integration and demonstration application of agricultural machine navigation operation technology based on Beidou	1,614,443.01			90,621.22		1,523,821.79	Related to income

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

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

40. Deferred revenue (Continued)

Item of government grants (Continued)

Liabilities Items	Opening balance	Additions for current period Amount of grants	Revenue from operation accounted in current period	Other revenue accounted in current period	Other changes	Ending balance	Asset-related/ revenue-related
Research on key technologies of clean and combustion of agricultural diesel engine	269,433.49	22,300.00		231,861.05		60,072.44	Related to income
Research on control of agricultural machinery exhaust aftertreatment system and key technologies of OBD	634,326.43	57,500.00		49,171.69		642,654.74	Related to income
Agricultural machinery pollution emission control technology and system research	1,259,629.97			6,214.84		1,253,415.13	Related to income
Key Technology Research and Machine Development of Hilly Mountain Tractor	1,019,738.37			227,443.63		792,294.74	Related to income
Research and system development of reliability testing technology for tractor	1,475,060.94			164,893.88		1,310,157.06	Related to income
Research on Field Operation Quality and Test Performance Verification Technology of Tractor Unit	580,607.50			283,917.70		306,689.80	Related to income
Research and System Development of Tractor Inspection Technology	760,725.47					760,725.47	Related to income
Tractor Test Environment Warehouse and Complete Comprehensive Verification Platform	3,000,000.00			29,350.98		2,970,649.02	Related to income

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

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

40. Deferred revenue (Continued)

Item of government grants (Continued)

Liabilities Items	Opening balance	Additions for current period Amount of grants	Revenue from operation accounted in current period	Other revenue accounted in current period	Other changes	Ending balance	Asset-related/ revenue-related
Research on Fault Warning and Remote Diagnosis Technology for Tractor Operation Information Collection	783,929.47			104,804.90		679,124.57	Related to income
Development of key core components for new energy-saving and environmentally	1,511,003.93			37,070.69		1,473,933.24	Related to income
Research and Application of New Wear-resistant Metal Material in Agricultural Machinery Equipment	1,561,078.03			299,890.22	760,000.00	501,187.81	Related to income
Development of Intelligent Electric Tractor	394,618.94			28,148.34		366,470.60	Related to income
Application research of intelligent design platform in the development of high power tractor	979,895.01			78,882.73		901,012.28	Related to income
Development and Industrialization of LF Series Power Shift Tractors		2,000,000.00				2,000,000.00	Related to income
Development and Industrialization of Non-road Guo-4 Diesel Engine		2,000,000.00				2,000,000.00	Related to income
State Key Laboratory of Tractor Power System		505,000.00				505,000.00	Related to income

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

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

40. Deferred revenue (Continued)

Item of government grants (Continued)

Liabilities Items	Opening balance	Additions for current period Amount of grants	Revenue from operation accounted in current period	Other revenue accounted in current period	Other changes	Ending balance	Asset-related/ revenue-related
Medium power energy-saving and environmentally friendly agricultural diesel engine integrated development and machine matching	5,167,520.30			472,133.59		4,695,386.71	Related to income
Application Engineering of "Machine Replacement" for Tractor Parts		4,000,000.00		4,000,000.00		1,790,000.00	Related to income
C Series Government Project Grant	2,148,000.00			358,000.00		8,208,000.00	Related to assets
Special funds for urban security housing projects	8,352,000.00			144,000.00		41,650,000.00	Related to assets
High-power non-road diesel engine	44,100,000.00			2,450,000.00		3,465,000.00	Related to assets
Energy-saving and environmentally friendly diesel engine crankshaft	3,735,000.00			270,000.00		4,000,000.00	Related to assets
Annual production of 1000 high-power power shift heavy-duty wheel tractors	4,250,000.00			250,000.00		12,652,641.76	Related to assets
Improve independent research and development capabilities	13,323,657.10			671,015.34		7,000,000.00	Related to assets
Modern agricultural equipment smart cockpit digital factory	7,000,000.00					38,690,909.08	Related to assets
New wheeled tractor core capacity improvement	41,109,090.90			2,418,181.82			

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

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

40. Deferred revenue (Continued)

Item of government grants (Continued)

Liabilities Items	Opening balance	Additions for current period Amount of grants	Revenue from operation accounted in current period	Other revenue accounted in current period	Other changes	Ending balance	Asset-related/ revenue-related
New wheeled tractor intelligent manufacturing new model application	11,900,000.00					11,900,000.00	Related to assets
Key product testing platform	12,500,524.57			694,473.60		11,806,050.97	Related to assets
Others	132,402.41					132,402.41	Related to assets
Total	<u>186,025,075.84</u>	<u>8,584,800.00</u>	<u>144,000.00</u>	<u>15,042,449.18</u>	<u>760,000.00</u>	<u>178,663,426.66</u>	

Explanation for deferred revenue: N/A

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

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

41. Share capital

Unit: Yuan Currency: RMB

Item	Beginning balance	Issue new stock	Changes in current period (+,-)			Subtotal	Ending balance
			Bonus share	Equity fund transferred into shares	Others		
Total amount of shares	985,850,000.00	-	-	-	-	985,850,000.00	

Explanation of share capital: No change in equity in the current period.

42. Capital reserve

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Capital stock premium	1,851,848,375.56			1,851,848,375.56
Others capital reserve	247,791,282.33		167,746.00	247,623,536.33
Total	2,099,639,657.89		167,746.00	2,099,471,911.89

Explanation of capital reserve: The reduced capital reserve in this period is due to the disposal of the equity of YTO (Luoyang) Handling Co., Ltd., a subsidiary company in this year.

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

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

43. Other comprehensive income

Unit: Yuan Currency: RMB

Item	Beginning balance	Amount incurred in this period					Less: Change and re measure the changes in the net liabilities or net assets of the beneficiary	Ending balance
		Before income tax amount incurred in this period	Less: recognized into other comprehensive income in prior period and transferred into current period profit or loss	Less: Income tax expense	Attributable to the parent company after tax	Attributable to the minority shareholders after tax		
Other comprehensive income that will be subsequently reclassified to profit and loss	-16,863,576.18	2,898,768.21			2,973,074.04	-74,305.83		-13,890,502.14
1. Exchange differences from retranslation of foreign currency financial statements	-16,863,576.18	2,898,768.21			2,973,074.04	-74,305.83		-13,890,502.14
Total other comprehensive income	<u>-16,863,576.18</u>	<u>2,898,768.21</u>	<u></u>	<u></u>	<u>2,973,074.04</u>	<u>-74,305.83</u>	<u></u>	<u>-13,890,502.14</u>

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

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

44. Special reserves

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Safety production expense	3,274,006.51	4,816,058.33	4,844,785.48	3,245,279.36
Total	<u>3,274,006.51</u>	<u>4,816,058.33</u>	<u>4,844,785.48</u>	<u>3,245,279.36</u>

45. Surplus reserve

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Statutory surplus reserve	441,329,741.16			441,329,741.16
Discretionary surplus reserve	771,431.00			771,431.00
Total	<u>442,101,172.16</u>	<u></u>	<u></u>	<u>442,101,172.16</u>

46. General risk reserves

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
General risk reserves		25,104,151.50		25,104,151.50
	<u></u>	<u>25,104,151.50</u>	<u></u>	<u>25,104,151.50</u>

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

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

47. Retained earnings

Unit: Yuan Currency: RMB

Item	Current year	Last year
Beginning balance of retained earnings before adjustment	493,080,403.24	1,273,219,846.84
Total amount of adjustment on beginning balance of retained earnings		507,215,011.34
Beginning balance of retained earnings after adjustment	493,080,403.24	1,780,434,858.18
Add: Net profit for the year attributable to shareholders of the parent company	19,612,525.70	-144,979,881.65
Less: Allocation of statutory retained earnings		
Withdrawal of any retained earnings		
Draw general risk provision	25,104,151.50	
Dividends on ordinary shares payable		
Ordinary shares converted into share capital		
Ending balance of this period	487,588,777.44	1,635,454,976.53

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

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

47. Retained earnings (Continued)

Breakdown of Adjusted Undistributed Profit at the beginning of the period:

1. As retrospective adjustments have been made to the Accounting Standards for Business Enterprises and its related new requirements, the effect of the opening retained profits was \$0.
2. As a result of the changes in accounting policies, the undistributed profits at the beginning of the period was \$0.
3. Due to the correction of major accounting errors, the undistributed profits at the beginning of the period was \$0.
4. The effect of the change in the scope of merger resulting from the same control was that the undistributed profits of \$0 at the beginning of the period were affected.
5. The combined effect of other adjustments is that the undistributed profit at the beginning of the period is \$0.

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

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

48. Operating revenue and operating costs

Unit: Yuan Currency: RMB

Item	Amount incurred in this period		Amount incurred in last period	
	Income	Cost	Income	Cost
Main business	3,352,321,412.27	2,885,370,895.76	3,465,129,814.31	3,108,957,733.72
Other business	23,962,830.71	20,657,498.06	44,288,151.18	24,724,444.49
Total	3,376,284,242.98	2,906,028,393.82	3,509,417,965.49	3,133,682,178.21

49. Net interest income

Unit: Yuan Currency: RMB

Item	Cumulative amount in this period	Cumulative amount in last period
	Interest income	47,885,722.12
Including: From deposits in other banks	16,103,026.98	36,879,073.14
From deposits in central bank	1,715,013.09	2,266,350.30
Lending funds	4,948,333.28	6,379,055.54
Loans and advances granted	24,823,825.49	24,101,695.68

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

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

49. Net interest income (Continued)

Item	Cumulative amount in this period	Cumulative amount in last period
Including: Individual loans and advances	1,725,254.27	219,178.54
Corporate loans and advances	20,039,932.21	20,619,901.29
Notes discounting	3,058,639.01	3,262,615.85
Buying back the sale of financial assets	295,523.28	1,287,684.74
Others		1,777.76
Interest expense	17,000,296.03	6,683,589.47
Including: From deposits in other banks		
From deposits in central bank	247,128.34	
Deposits from banks and other financial institutes	48,611.11	981,068.06
Deposits adsorption	16,704,556.58	5,702,521.41
Sale of repurchase financial assets		-
Others		
Net interest income	30,885,426.09	64,232,047.69

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

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

50. Fees and net commission income

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Fees and commission income	1,803,302.58	1,056,364.22
Clearing and settlement fees	12,346.56	25,982.72
Agent fees	293,518.83	70,141.50
Credit commitment fees and commissions	40,562.80	86,628.10
Others	1,456,874.39	873,611.90
Fees and commission expense	235,533.76	169,071.50
Service fee expense	235,533.76	169,071.50
Commission expense		
Fees and net commission income	1,567,768.82	887,292.72

51. Taxes and surcharges

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Urban maintenance and construction tax	1,406,112.91	1,268,647.59
Education surcharge	1,015,624.00	911,264.75
Property tax	11,079,418.62	11,412,667.89
Land use tax	5,540,327.97	7,052,835.48
Vehicle and vessel usage tax	31,074.18	39,939.84
Stamp duty	2,692,216.87	2,986,166.19
Others	1,015,163.27	1,231,306.10
Total	22,779,937.82	24,902,827.84

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

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

52. Selling expenses

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Transportation expenses	77,595,079.33	86,035,499.16
Sales service fees	5,711,503.86	16,370,118.98
Employee compensation	30,297,748.61	42,494,280.68
Advertising fees	791,580.67	2,061,850.98
Packing expenses	5,758,866.76	6,503,334.88
Publicity fees	1,599,261.50	2,518,186.73
Exhibition expenses	6,980,706.02	1,434,930.08
Travel expenses	7,267,645.24	7,896,793.53
Rent fees	922,185.10	3,406,296.06
Others	4,419,832.04	6,560,425.10
Total	141,344,409.13	175,281,716.18

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

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

53. Administrative expenses

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Employee compensation	69,846,371.52	107,043,404.76
Depreciation expenses	30,346,163.71	28,389,564.03
Repair expense	12,486,342.61	17,722,055.36
Amortization of intangible assets	12,750,767.73	12,807,738.00
Rent fees	10,358,074.28	9,255,262.82
Overseas personnel expenses	1,981,013.77	1,972,336.47
Office fee	1,544,075.43	2,048,946.45
Business entertainment expense	1,413,620.17	2,159,643.44
Travel expenses	1,206,298.49	1,794,305.17
Water and electricity	3,672,915.06	1,650,852.39
Party construction expenses	2,583,143.55	2,830,196.71
Labor expenses	3,922,733.14	5,414,423.28
Insurance fee	5,127,663.95	6,510,012.01
Others	11,548,298.97	20,532,695.38
Total	168,787,482.38	220,131,436.27

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

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

54. Research & development expenses

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Employee compensation	72,774,931.14	70,416,826.26
Depreciation expenses	22,854,868.41	22,708,243.53
Material cost	39,376,013.97	46,866,485.69
Test and Inspection Fee	1,444,143.43	4,210,218.02
Design fee	1,833,111.54	785,769.81
Others	18,246,967.30	16,683,681.81
Total	156,530,035.79	161,671,225.12

55. Finance expenses

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Interest expense	83,118,600.84	73,055,205.28
Less: Interest income	38,782,268.47	19,245,257.88
Exchange loss	1,463,334.89	4,126,913.45
Bank charges		
Other expense	-4,406,290.19	-10,483,427.21
Total	41,393,377.07	47,453,433.64

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

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

56. Other income

(1) Details of other income

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Government grants	18,582,933.40	14,201,314.07
Total	18,582,933.40	14,201,314.07

(2) Government grants included in other income

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period	Related to assets/ related to income
Equipment complex parts personalized rapid customization intelligent manufacturing new model demonstration verification		218,963.91	Related to income
Key Technology Research and Machine Development of Hilly Mountain Tractor	227,443.63	70,263.79	Related to income

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

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

56. Other income (Continued)

(2) Government grants included in other income (Continued)

Item	Amount in this period	Amount in last period	Related to assets/ related to income
Medium power energy-saving and environmentally friendly agricultural diesel engine integrated development and machine matching	472,133.59	110,983.68	Related to income
Research on Fault Early Warning and Remote Diagnosis Technology of Tractor Operation Information Collection	104,804.90	31,984.18	Related to income
Integration and demonstration application of agricultural machine navigation operation technology based on Beidou	90,621.22	66,488.21	Related to income
Intelligent Tractor Positioning and Remote Monitoring System		1,000,000.00	Related to income
Wheel tractor technical transformation		1,384,000.00	Related to assets
C Series Government Project Grant	358,000.00	358,000.00	Related to assets

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

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

56. Other income (Continued)

(2) Government grants included in other income (Continued)

Item	Amount in this period	Amount in last period	Related to assets/ related to income
Energy-saving and environmentally friendly diesel engine crankshaft machining production line project	270,000.00	270,000.00	Related to assets
New wheeled tractor core capacity improvement	2,418,181.82	2,418,181.82	Related to assets
Annual production of 1000 high-power power shift heavy-duty wheel tractors	250,000.00	1,500,000.00	Related to assets
Industry support funds		1,534,600.00	Related to income
Industrial revitalization and technological transformation	1,098,000.00	1,098,000.00	Related to assets
Development of key core components for new energy-saving and environmentally friendly agricultural diesel engines	37,070.69	397,393.09	Related to income
Research and System Development of Reliability Testing Technology for Tractor Key Parts	164,893.88	177,806.39	Related to income
Agricultural machinery pollution emission control technology and system research project		37,975.25	Related to income

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

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

56. Other income (Continued)

(2) Government grants included in other income (Continued)

Item	Amount in this period	Amount in last period	Related to assets/ related to income
Application Research of Intelligent Design Platform in the Development of High Power Tractor	78,882.73	146,452.23	Related to income
Research on Control of Agricultural Machinery Exhaust Aftertreatment System and Key Technologies of OBD	49,171.69	10,777.84	Related to income
Improve independent research and development capabilities	671,015.34	651,810.79	Related to assets
Key product testing and testing platform	694,473.60	694,473.60	Related to assets
Central Foreign Economic and Trade Development Special Grant Fund		1,000,000.00	Related to income
Development of Intelligent Electric Tractor (Double-Motor Coupling Drive Electric Tractor (35) Horsepower Integrated Machine Creation and Test Assessment)	28,148.34	1,880.02	Related to income
Research on Field Operation Quality and Test Performance Verification Technology of Tractor Unit	283,917.70	644,079.27	Related to income

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

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

56. Other income (Continued)

(2) Government grants included in other income (Continued)

Item	Amount in this period	Amount in last period	Related to assets/ related to income
2017 annual corporate R&D expenses provincial financial incentive funds		187,200.00	Related to income
In-depth promotion of industrial economic transformation and upgrading incentive funds		190,000.00	Related to income
Key Technology and Equipment for Precision Forming of Large Digital Dieless Casting	702,400.00		Related to income
Luoyang Science and Technology Innovation Voucher	259,200.00		Related to income
Research on Quality Improvement Technology of Key Parts of Agricultural Machinery	9,400.00		Related to income
Key Laboratory of Cleanliness Control Technology for Modern Agricultural Equipment in Luoyang City	100,000.00		Related to income
Research and Application of New Wear-resistant Metal Material in Agricultural Machinery Equipment	299,890.22		Related to income

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

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

56. Other income (Continued)

(2) Government grants included in other income (Continued)

Item	Amount in this period	Amount in last period	Related to assets/ related to income
The First Set of Major Technological Equipment Products Award and Subsidy Funds	406,600.00		Related to income
First batch of demonstration enterprises of single champion in manufacturing industry	1,000,000.00		Related to income
Application Engineering of “Machine Replacement” for Tractor Parts	4,000,000.00		Related to income
High-power non-road diesel engine	2,450,000.00		Related to assets
others	5,000.00		Related to income
Agricultural machinery pollution emission control technology and system research	6,214.84		Related to income
Research on Key Technologies of Clean Combustion for Agricultural Diesel Engine	231,661.05		Related to income
Tractor Test Environment Warehouse and Complete Comprehensive Verification Platform	29,350.98		Related to income

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

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

56. Other income (Continued)

(2) Government grants included in other income (Continued)

Item	Amount in this period	Amount in last period	Related to assets/ related to income
Patent grant fee	4,000.00		Related to income
Supporting Funds for Technological Transactions of Small and Micro Enterprises	278,700.00		Related to income
Post-financing of scientific and technological innovation and entrepreneurship service institutions	500,000.00		Related to income
Income Tax Credit	167,584.22		Related to income
Improvement of Basic Support Service Ability of Traceability Transfer of Measurement Value in Machinery Industry	26,172.96		Related to income
Examination and award of Engineering Technology Research Center	100,000.00		Related to income
Subsidy Income of Subsidy Fund for Small and Medium-sized Enterprises in Developing International Market Projects in the Second Half of 2016	68,500.00		Related to income

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

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

56. Other income (Continued)

(2) Government grants included in other income (Continued)

Item	Amount in this period	Amount in last period	Related to assets/ related to income
Income of Subsidy Fund for Small and Medium-sized Enterprises in Developing International Market Projects in the First Half of 2017	80,500.00		Related to income
Fund subsidy income of export credit insurance projects in the first half of 2017	561,000.00		Related to income
Total	18,582,933.40	14,201,314.07	

Explanation of other income: N/A

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

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

57. Government subsidies

(1) Classification of government subsidies

Unit: Yuan Currency: RMB

Projects of government subsidies	Amount in this period	Amount in last period	remark
Government subsidies included in deferred income	8,584,800.00	6,658,680.00	
Government subsidies included in other income	3,540,484.22	2,911,800.00	
Government subsidies included in non-operating income	8,727,492.80		
Total	20,852,777.02	9,570,480.00	

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

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

58. Investment income

(1) Details of investment income

Unit: Yuan Currency: RMB

Item	Amount incurred in this period	Amount incurred in last period
Investment income from long-term equity investments by equity method	-5,217,213.36	-1,364,851.82
Investment income from long-term equity investments by cost method		
Investment income from disposal of long-term equity investments	22,714,314.58	
Investment income from holding of trading financial assets	13,303,759.64	11,054,096.25
Investment income from disposal of trading financial assets	7,273,664.46	6,957,793.33
Investment income from disposal of debt investments	585,422.58	
Investment income from holding of debt investments		717,239.61
others		
Total	38,659,947.90	17,364,277.37

(2) Explanation of investment income: N/A

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

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

59. Income from changes in fair value

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Financial assets measured at fair value and its movement recorded through profit and loss	41,057,068.58	65,240,168.04
Fair Value Gains Arising from Derivative financial instruments	1,426,994.99	7,800,000.00
Total	42,484,063.57	73,040,168.04

60. Loss on impairment of assets

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Impairment losses on prepayments		-183,880.85
Losses of decreasing price of inventory and impairment losses of contract performance cost	-24,597,669.41	-10,821,648.95
Impairment losses on construction in progress	-9,230,495.01	-318,011.00
Total	-33,828,164.42	-11,323,540.80

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

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

61. Loss on impairment on credit

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Loss of impairment of receivables	-13,279,875.28	-21,972,049.94
Loss of impairment of loan assets	-129,143.60	-4,433,452.22
Others	-3,000,000.00	
Total	-16,409,018.88	-26,405,502.16

62. Assets disposal income

Unit: Yuan Currency: RMB

Item	Amount incurred in this period	Amount incurred in last period
Profit or loss of the disposal of fixed assets	-50,437.30	497,857.69
Total	-50,437.30	497,857.69

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

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

63. Non-operating income

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period	Extraordinary gains and losses recognized in this period
Gain on debt restructuring		3,400,243.47	
Unpayable payables	4,704,947.50	2,202,154.98	4,704,947.50
Government grants	8,871,492.80	144,000.00	8,871,492.80
Others	1,542,411.57	1,139,219.26	1,542,411.57
Total	15,118,851.87	6,885,617.71	15,118,851.87

(1) Details of government grants

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period	Related to assets/Related to income
Special funds for urban security housing projects	144,000.00	144,000.00	Related to income
Zombie enterprise subsidy	8,727,492.80		Related to income
Total	8,871,492.80	144,000.00	

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

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

64. Non-operating expenses

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period	Extraordinary gains and losses recognized in this period
Debt restructuring	420,000.00	110,643.22	420,000.00
Donations to outside party		8,000.00	
Long-outstanding expenditure			
Extraordinary loss			
Inventory losses			
losses of non-current assets due to damage or scrap			
Others	91,505.42	308,296.49	91,505.42
Total	511,505.42	426,939.71	511,505.42

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

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

65. Income tax expenses

(1) Chart of income tax expenses

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Current income tax expenses	14,058,842.16	26,360,411.29
Deferred income tax expense	12,045,060.28	11,842,058.84
Others		
Total	<u><u>26,103,902.44</u></u>	<u><u>38,202,470.13</u></u>

66. Notes to items of cash flow statement

(1) Cash receipts from other operating activities

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Cash receipts from interest income of bank deposits	11,034,962.67	5,698,129.26
Cash receipts from other receivables	105,381,947.46	11,884,647.65
Total	<u><u>116,416,910.13</u></u>	<u><u>17,582,776.91</u></u>

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

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

66. Notes to items of cash flow statement (Continued)

(4) Other cash payments relating to financing activities

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Net cash received by disposal subsidiaries and other business units is negative	8,281.27	
Total	8,281.27	

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

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

67. Supplementary information for consolidated cash flow statement

(1) Supplementary information for consolidated cash flow statement

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
1. Reconciliation of net profit to cash flows from operating activities		
Net profit	9,816,570.16	-152,954,729.28
Add: Provision for asset impairment	50,237,183.30	37,729,042.96
Depreciation of fixed asset	146,020,838.47	153,753,391.09
Amortization of intangible assets	15,467,282.92	15,508,114.34
Amortization of long-term deferred expenses	8,229,426.38	7,731,623.14
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain listed as "-")	50,437.30	-497,857.69
Loss on disposal of fixed assets (Gain listed as "-")		
Gain or loss from changes in fair value (Gain listed as "-")	-42,484,063.57	-73,040,168.04
Financial expenses (Gain listed as "-")	55,371,295.04	56,756,107.00
Loss on investments (Gain listed as "-")	-38,659,947.90	-17,364,277.37
Decrease in deferred tax assets (Increase listed as "-")	6,368,908.20	3,194,232.18
Increase in deferred tax liabilities (Decrease listed as "-")	5,700,716.59	8,647,826.65
Decrease in inventories (Increase listed as "-")	309,200,058.51	-197,527,465.67

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

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

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

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

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Decrease in operating receivables (Increase listed as “-”)	-40,450,841.91	-484,111,476.41
Increase in operating payables (Decrease listed as “-”)	-82,310,868.02	138,793,244.55
Others	35,965,201.45	20,963,163.61
Net cash flow generated from operating activities	438,522,196.92	-482,419,228.94
2. Significant non-cash investing and financing activities		
Conversion of debts into capital		
Convertible bonds repayable within 1 year		
Fixed assets acquired under finance lease arrangement		
3. Net changes in cash and cash equivalents		
Ending balance of cash	1,472,387,089.88	2,070,957,331.50
Less: Beginning balance of cash	1,279,587,830.24	2,946,734,827.85
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	192,799,259.64	-875,777,496.35

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

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

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

(2) Cash and cash equivalents

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
1. Cash	1,472,387,089.88	1,279,587,830.24
Including: Cash on hand	816,410.28	1,054,228.70
Bank deposits ready for payment	1,459,172,353.67	1,266,288,328.52
Other monetary funds ready for payment	12,398,325.93	12,245,273.02
Deposit in the Central Bank ready for payment		
Interbank deposits		
Loans to other banks		
2. Cash equivalents		
Including: Bond investments due within 3 months		
3. Ending balance of cash and cash equivalents	1,472,387,089.88	1,279,587,830.24
Including: Cash and cash equivalents with restricted use of the parent company or the subsidiaries of the Group		

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

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

68. Assets with restricted ownership or right-to-use

Unit: Yuan Currency: RMB

Item	Ending balance of book value	Reason
Monetary funds	272,689,657.96	Cash deposits and statutory reserve deposited in the Central Bank
Notes receivable	20,850,000.00	Pledged
Fixed assets	52,347,495.07	Short-term loan mortgage guarantee
Intangible assets	16,446,061.88	Short-term loan mortgage guarantee
Total	362,333,214.91	

69. Net current assets

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Current assets	7,663,561,402.09	7,532,344,445.11
Less: current liabilities	7,047,920,338.74	7,184,654,487.08
Net current assets	615,641,063.35	347,689,958.03

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

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

70. Total assets deduct current liabilities

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Total assets	13,015,259,242.52	13,175,145,972.47
Less: current liabilities	7,047,920,338.74	7,184,654,487.08
Total assets deduct current liabilities	5,967,338,903.78	5,990,491,485.39

71. Loan

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Short-term bank loan	2,194,440,346.81	2,077,516,101.13
Short-term entrustment loan	500,000,000.00	700,000,000.00
Long-term loans due in one year	30,000,000.00	60,000,000.00
Long-term loan	868,170,000.00	868,473,000.00
Total	3,592,610,346.81	3,705,989,101.03

Note: Only the principal of the loan is reflected above, not the interest payable.

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

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

71. Loan (Continued)

(1) Analysis of loan

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Bank loan		
Paid within one year	2,724,440,346.81	2,837,516,101.13
Paid after one year	868,170,000.00	868,473,000.00
Total	<u>3,592,610,346.81</u>	<u>3,705,989,101.13</u>

(2) Maturity date analysis of loan

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Bank loan		
Within 1 year	2,724,440,346.81	2,837,516,101.13
1-2 years	868,170,000.00	629,236,500.00
2-5 years		239,236,500.00
Over 5 years		
Total	<u>3,592,610,346.81</u>	<u>3,705,989,101.13</u>

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

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

72. Foreign currency monetary items

(1) Foreign currency monetary items

Item	Ending balance of foreign currency	Exchange rate	Ending balance converted into RMB
Monetary funds			147,745,311.19
USD	13,014,877.96	6.8747	89,473,381.51
EUR	2,106,715.64	7.8170	16,468,196.16
HKD	42,349,763.73	0.87966	37,253,393.16
YEN	3,374,611.00	0.0638	215,300.18
AUD	32,729.73	4.8156	157,613.29
XOF	305,252,577.00	0.01192	3,638,610.72
ZAR	1,032,499.05	0.4852	500,968.54
BYR	11,249.11	3.3645	37,847.63
Accounts receivable			131,139,598.75
USD	13,913,577.70	6.8747	95,651,672.61
EUR	2,229,841.53	7.8170	17,430,671.24
AUD	754,318.65	4.8156	3,632,496.89
XOF	145,404,401.22	0.01192	1,733,220.46
ZAR	26,157,332.13	0.4852	12,691,537.55

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

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

72. Foreign currency monetary items (Continued)

(1) Foreign currency monetary items (Continued)

Item	Ending balance of foreign currency	Exchange rate	Ending balance converted into RMB
Other receivables			12,872,857.61
EUR	1,609,668.06	7.8170	12,582,775.23
XOF	23,231,857.50	0.01192	276,923.74
ZAR	27,120.03	0.4852	13,158.64
Long-term receivables and non-current assets due within one year			481,339,203.55
USD	49,943,840.77	6.8747	343,348,922.14
EUR	17,652,588.13	7.8170	137,990,281.41
Accounts payable			47,893,889.76
USD	4,405,652.89	6.8747	30,287,541.92
EUR	2,194,015.24	7.8170	17,150,617.12
AUD	16,497.46	4.8156	79,445.17
XOF	5,798,201.00	0.01192	69,114.56
ZAR	150,000.00	0.4852	72,780.00
BYR	69,665.92	3.3645	234,390.99

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

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

72. Foreign currency monetary items (Continued)

(1) Foreign currency monetary items (Continued)

Item	Ending balance of foreign currency	Exchange rate	Ending balance converted into RMB
Other payables			6,012,285.87
USD	68,132.67	6.8747	468,391.67
HKD	34.03	0.87966	29.94
EUR	708,457.63	7.8170	5,538,013.29
BYR	1,739.03	3.3645	5,850.97
Short-term loans			928,084,500.00
USD	135,000,000.00	6.8747	928,084,500.00
Long-term loans			78,170,000.00
EUR	10,000,000.00	7.8170	78,170,000.00
Long-term payables			8,941,432.26
XOF	750,120,156.00	0.01192	8,941,432.26

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

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

72. Foreign currency monetary items (Continued)

(2) Overseas business entities

Company name	Overseas main business place	Recording currency	The basis for recording currency selection
Brilliance China Machinery Holdings Co., Ltd	Hong Kong	USD	Business environment and the main settlement currency
YITWO Agro-Industrial	Côte d'Ivoire	XOF	Business environment and the main settlement currency
CAD FUND MCHINERY (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
YTO Belarus Technology Co. Ltd.	Belarus	BYR	Business environment and the main settlement currency

73. Reserved funds

According to the applicable law of China, where the Group is registered and established, the allowable reserve of the Group on June 30, 2019 is RMB 487,588,777.44, and the capital reserve-equity premium is RMB 1,851,848,375.56.

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

VII. CHANGES IN THE SCOPE OF CONSOLIDATION

1. Disposal of subsidiary companies

Whether there is a single disposal of investments in subsidiaries and loss of control

Monetary unit: RMB

Subsidiary	Equity disposal consideration	Equity disposal proportion (%)	Equity disposal approach	Time point of losing control	Determination basis for time point of losing control	Difference amount of disposal consideration and shares of corresponding net assets of the subsidiary at consolidated level	Proportion of remaining equity on the date of loss of control (%)	Book value of the remaining equity on the date of loss of control	Fair value of the remaining equity on the date of loss of control	Re-measure the gain or loss arising from the remaining equity at fair value	Method and main assumptions for determining the fair value of the remaining equity on the date of loss of control	Amount of other comprehensive income related to the equity investment of the original subsidiary transferred to the investment gains and losses
YTO (Luoyang) Transporting Machinery Company Limited	13,637,808.03	93.39	Equity transfer	28 February 2019	Other explanations	22,714,314.58	0.00	0.00	0.00	0.00		0.00

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

VII. CHANGES IN THE SCOPE OF CONSOLIDATION (CONTINUED)

1. Disposal of subsidiary companies (Continued)

Other explanations:

In February 2019, the Company and Luoyang Chenhan Agricultural Equipment & Technology Company Limited*(洛陽辰漢農業裝備科技有限公司) entered into the Equity Transfer Agreement. Pursuant to the Equity Transfer Agreement, the Company transferred 93.39% equity interests in YTO (Luoyang) Transporting Machinery Company Limited at a transfer price of RMB13,637,800 to Luoyang Chenhan Agricultural Equipment & Technology Company Limited. Upon the completion of assets transfer procedure in February 2019 by the Company, the Company lost the control of such subsidiary.

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

VIII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Composition of the Group

Name of the subsidiary	Main operating place	Registration place	Business nature	Shareholding percentage (%)		
				Acquisition method	Direct	Indirect
China-Africa Heavy Industry Investment Co., Ltd	China	China	Sale of agricultural machinery	55.00		Establishment
Chang Tuo Agricultural Machinery Equipment Group Co., Ltd	China	China	Tractor manufacturing	33.33		Subsidiaries acquired through business combination not under common control
YTO Heilongjiang Agricultural Machinery Co., Ltd	China	China	Tractor manufacturing	100.00		Establishment
Luoyang Tractor Research Institute Co., Ltd	China	China	Others	51.00		Business combination under common control
YTO International Economic and Trade Co., Ltd	China	China	Sale of agricultural machinery	100.00		Business combination under common control
YTO (Luoyang) Flag Auto-Body Company Limited	China	China	Tractor manufacturing	100.00		Business combination under common control

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

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) Composition of the Group (Continued)

Name of the subsidiary	Main operating place	Registration place	Business nature	Shareholding percentage (%)		
				Acquisition method	Direct	Indirect
YTO (Luoyang) Fuel Injection Co., Ltd	China	China	Power machinery manufacturing	66.60	22.83	Business combination under common control
Brilliance China Machinery Holdings Ltd.	China	Bermuda	Investment shareholding	90.10		Establishment
Luoyang Changxing Agricultural Machinery Co., Ltd	China	China	Sale of agricultural machinery	70.00	30.00	Establishment
YTO (Luoyang) Shentong Construction Machinery Co., Ltd	China	China	Other machinery manufacturing	100.00		Establishment
China YTO Group Finance Co., Ltd	China	China	Finance	94.60	4.80	Establishment
YTO (Luoyang) Diesel Engine Co., Ltd	China	China	Power machinery manufacturing	67.94	19.45	Business combination under common control
YTO Shunxing (Luoyang) Spare Parts Co., Ltd	China	China	Tractor manufacturing	100.00		Subsidiaries acquired through business combination not under common control

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

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) Composition of the Group (Continued)

Name of the subsidiary	Main operating place	Registration place	Business nature	Shareholding percentage (%)	
				Acquisition method	Direct Indirect
YTO (Luoyang) Casting and Forging Co., Ltd.	China	China	Tractor manufacturing	100.00	Business combination under common control
YTO (Xinjiang) Machinery Co., Ltd	China	China	Tractor manufacturing	100.00	Establishment
YTO FRANCE SAS	France	France	Tractor manufacturing	100.00	Establishment
YTO Belarus Technology Co. Ltd	Belarus	Belarus	Research and development	100.00	Business combination under common control

1). Explanation on the proportion of the shareholding ratio of the subsidiary is different from the proportion of voting rights:

According to the decision of the first meeting of the sixth board of directors in 2012, the Company raised capital with RMB94.25 million based on the valuation of net assets of Changtuo Agricultural Machinery Equipment Group Co., Ltd (referred to as "Changtuo Company") on March 31, 2012. the Company holds 33.33% equity of Changtuo Company after raising capital. In accordance with the agreement between the Company and China National Machinery Industry Corporation (referred to as "SinoMach"), SinoMach authorized its voting right and supervision and management right corresponding to 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 authorization period, SinoMach cannot unilaterally withdraw its authorization. SinoMach has to obtain the written consent from the Company if SinoMach needs to transfer its equity to a third party. However, the Company has the priority purchase right. At this point, the Company obtained 66.66% voting right and actual control right of Changtuo Company.

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

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(2) Significant partially-owned subsidiaries

Name of the subsidiary	Shareholding percentage of minority shareholders (%)	Profit or loss attributable to minority shareholders	Dividends declared to minority shareholders in this period	Ending balance of minority interests
Brilliance China Machinery Holdings Co., Ltd	9.9	-334,259.17		3,361,463.75
YTO Group Finance Co., Ltd	1.21	276,880.92		10,354,378.19
China-Africa Heavy Industry Investment Co., Ltd	45	-130,271.23		42,948,898.34
Luoyang Tractor Research Institute Co., Ltd	49	-13,566,660.09		314,767,691.99
YTO (Luoyang) Diesel Engine Co., Ltd	14.53	5,322,098.07		240,349,093.55
YTO (Luoyang) Fuel Injection Co., Ltd	13.89	-393,033.95		20,314,031.86
Chang Tuo Agricultural Machinery Equipment Group Co., Ltd	66.67	-2,306,792.29		12,152,979.98

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

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

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

The main financial information of these subsidiaries is the amount before each company offset each other, but the adjustment of fair value and unified accounting policy is made after the merger day.

Item	Ending balance/Amount in this period							
	YTO (Luoyang) Transportation Machinery Co., Ltd	Brilliance China Machinery Holdings Co., Ltd	YTO Group Finance Co., Ltd	China-Africa Heavy Industry Investment Co., Ltd	Luoyang Tractor Research Institute Co., Ltd	Chang Tuo Agricultural Machinery Equipment Group Co., Ltd	YTO (Luoyang) Fuel Injection Co., Ltd	YTO (Luoyang) Machinery Equipment Group Co., Ltd
Current assets		105,684,264.58	1,604,472,913.91	115,070,071.30	269,391,163.65	1,855,823,859.66	82,599,042.76	14,328,560.37
Non-current assets		10,312,050.00	2,229,300,873.51	2,021,095.35	496,225,688.88	700,233,111.16	99,011,834.58	146,116,797.70
Total assets		115,996,314.58	3,833,773,787.42	117,091,166.65	765,616,852.53	2,556,056,970.82	181,610,877.34	160,445,358.07
Current liabilities		84,036,140.41	3,000,363,284.60	14,657,261.35	36,356,938.56	1,010,151,874.35	30,869,505.15	135,165,403.65
Non-current liabilities			185,411.14	9,258,565.33	54,199,510.59	133,092,187.67	7,208,057.71	7,050,433.32
Total liabilities		84,036,140.41	3,000,548,695.74	23,915,826.68	90,556,449.15	1,143,244,062.02	38,077,562.86	142,215,836.97
Operating income	317,577.93		76,289,095.16	25,500,213.71	60,354,515.17	722,396,703.60	33,771,445.67	
Net profit	3,020,539.66	-3,376,355.24	22,877,048.89	-276,030.00	-27,687,061.41	38,166,858.86	-2,830,229.37	-3,460,186.70
Total comprehensive income	3,020,539.66	-3,142,288.72	22,877,048.89	-502,388.22	-27,687,061.41	38,166,858.86	-2,830,229.37	-3,460,186.70

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

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

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

Item	Ending balance/Amount in this period							
	YTO (Luoyang) Transportation Machinery Co., Ltd	Brilliance China Machinery Holdings Co., Ltd	China-Africa			Luoyang		Chang Tuo
			YTO Group Finance Co., Ltd	Heavy Industry Investment Co., Ltd	Research Institute Co., Ltd	Tractor YTO (Luoyang) Diesel Engine Co., Ltd	YTO (Luoyang) Fuel Injection Co., Ltd	Agricultural
								Machinery Equipment Group Co., Ltd
Cash Flow of Operational Activities	2,072,567.29	183,699.73	-72,935,118.39	-2,781,083.14	31,815,440.46	73,210,710.63	-6,445,538.78	2,638,116.44
Current assets	5,874,021.31	108,843,020.38	1,969,422,990.27	118,663,361.07	269,290,957.69	1,705,630,724.03	81,382,896.93	14,652,423.39
Non-current assets	21,835,652.98	10,294,800.00	2,321,854,731.70	1,962,223.84	498,473,291.39	703,624,640.56	106,066,076.78	151,727,132.27
Total assets	27,809,674.29	119,137,820.38	4,291,277,721.97	120,625,584.71	767,764,249.08	2,409,255,364.59	187,428,973.71	166,379,555.66
Current liabilities	40,129,046.10	84,035,357.49	3,480,658,362.02	17,836,211.47	44,929,002.79	903,929,190.87	32,637,840.00	137,392,776.23
Non-current liabilities	248,202.05		271,317.16	9,117,735.58	52,765,140.01	130,682,123.78	8,427,589.86	7,266,421.63
Total liabilities	40,377,248.15	84,035,357.49	3,480,929,679.18	26,953,947.05	97,694,142.80	1,034,611,314.65	41,065,429.86	144,659,197.86
Operating income	1,803,198.87		92,955,320.01	57,523,345.13	105,680,213.99	723,213,184.83	35,279,482.22	
Net profit	-2,084,201.51	2,157,287.15	37,638,744.16	-1,803,289.56	-562,735.01	9,996,534.87	-11,704,544.39	-10,791,698.49
Total comprehensive income	-2,084,201.51	3,057,542.72	37,638,744.16	-1,911,562.47	-562,735.01	9,996,534.87	-11,704,544.39	-10,791,698.49
Cash Flow of Operational Activities	-10,936,365.24	1,218,721.36	-1,103,544,674.81	-10,450,296.14	8,174,440.77	1,170,916.72	-9,538,424.53	-2,037,833.37

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

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures or associates

(1) Significant joint ventures or associates

Name of joint ventures or associates	Main operating place	Registration place	Business nature	Shareholding percentage (%)		Accounting method of investments in joint ventures or associates
				Direct	Indirect	
ZF YTO (Luoyang) Drive Axle Co., Ltd	China	China	Tractor manufacturing	49.00		Equity method
YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	China	China	Tractor manufacturing	20.00		Equity method

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

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures or associates (Continued)

(2) Main financial information of important joint ventures

Item	Ending balance/Amount incurred in this period		Beginning balance/Amount incurred in previous period	
	YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	ZF YTO (Luoyang) Drive Axle Co., Ltd	YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	ZF YTO (Luoyang) Drive Axle Co., Ltd
Current assets	2,550,940.04	106,220,602.56	2,812,309.91	121,251,327.99
Non-current assets	1,304,638.29	204,373,096.33	1,384,221.51	184,366,831.34
Total assets	<u>3,855,578.33</u>	<u>310,593,698.89</u>	<u>4,196,531.42</u>	<u>305,618,159.33</u>
Current liabilities	144,613.08	38,194,092.15	299,967.23	39,910,220.53
Non-current liabilities	97,295.00	18,486,221.17	100,000.00	
Total liabilities	<u>241,908.08</u>	<u>56,680,313.32</u>	<u>399,967.23</u>	<u>39,910,220.53</u>
Minority interests				
Equity attributable to the parent company shareholders	3,613,670.25	253,913,385.57	3,796,564.19	265,707,938.80
Share of net assets calculated by shareholding ratio	722,738.03	124,417,558.93	759,316.82	130,196,890.01
Adjusted matters		-55,123.60		-7,605.40
– Goodwill				
– Unrealized profits from internal transactions		-55,123.60		-7,605.40
– Others				

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

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures or associates (Continued)

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

Item	Ending balance/Amount incurred in this period		Beginning balance/Amount incurred in previous period	
	YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	ZF YTO (Luoyang) Drive Axle Co., Ltd	YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	ZF YTO (Luoyang) Drive Axle Co., Ltd
Book value of equity investments in joint ventures	722,738.03	124,362,435.33	759,316.82	130,189,284.61
Fair value of equity investments in joint ventures with public offer				
Operating income	143,607.34	72,769,577.77		95,958,507.81
Finance expenses	-21.71	-218,379.54	43.94	-669,942.00
Income tax expenses				626,243.40
Net profit	-182,893.94	-11,794,553.23	-225,348.27	-2,266,556.67
Net profits of discontinuing operation				
Other comprehensive income				
Total comprehensive income	<u>-182,893.94</u>	<u>-11,794,553.23</u>	<u>-225,348.27</u>	<u>-2,266,556.67</u>
Dividends from associates for current year				

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

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures or associates (Continued)

(3) Summary financial information of insignificant associates

Item	Ending balance/ Amount incurred in this period	Beginning balance/ Amount incurred in last period
Associates:		
Total book value of investments	251,719.17	63,761.10
Total amount of the following items calculated by shareholding ratio	-	
– Net profit	-3,495.10	-101,801.91
– Other comprehensive income		
	-3,495.10	-101,801.91
– Total comprehensive income	-3,495.10	-101,801.91

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

IX. RISK RELATED TO FINANCIAL INSTRUMENTS

The Group faces risks of various financial instruments in its daily activities, including credit risk, liquidity risk, market risk (including exchange rate risk, interest rate risk and commodity price risk). The Group's main financial instruments include currency funds, equity investments, creditor's rights investments, loans, accounts receivable, accounts payable, etc. The risks associated with these financial instruments and the risk management policies adopted by the Group to reduce these risks are described below:

The Board of Directors is responsible for planning and establishing the risk management framework of the Group, formulating the Group's risk management policies and related guidelines, and supervising the implementation of risk management measures. The Group has formulated risk management policies to identify and analyze the risks faced by the Group. These risk management policies specify specific risks, covering market risk, credit risk and liquidity risk management, etc. The Group regularly assesses changes in the market environment and the Group's business activities to determine whether to update risk management policies and systems.

The Group disperses the risk of financial instruments through appropriate diversification of investment and business portfolio, and reduces the risk of focusing on a single industry, a specific region or a specific counterparty by formulating corresponding risk management policies.

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Credit risk

Credit risk refers to the risk of financial loss caused by the failure of the counterparty to perform its contractual obligations. The Group has adopted a policy of cooperating only with creditworthy counterparties and obtaining sufficient collateral when necessary to mitigate the risk of financial losses arising from the failure of counterparties to fulfil their contractual obligation. The Group deals only with subjects rated as equal to or above the investment level. Rating information is provided by independent rating agencies. If such information is not available, the Group will use other publicly available financial information and its own transaction records to rate major customers. The Group continuously monitors the exposure to risks and the credit ratings of many counterparties and continuously monitors these exposure to credit risks.

On June 30, 2019, the biggest credit risk exposure that may cause financial losses to the Group was mainly due to the failure of the client or counterparty to perform on the due date. Specifically, it includes accounts receivable, other receivables and notes receivable, as well as the lending business of China YTO Group Finance Co., Ltd., a subsidiary of the Group.

The policy of the Group is to make all customers with credit term transactions to go through credit audit procedures. the Group evaluate the credit qualification of customers and set up corresponding credit period which are based on the financial status of customers, the possibility of obtaining guarantees from third parties, credit records and other factor refer to current market conditions. the Group will conduct regular monitoring of customer credit records. As for bad credit customers, the Group will use the written reminders, shorten the credit period or cancel the credit period to ensure that the Group's overall credit risk in the controllable range. In addition, the Group will continue to monitor balances of accounts receivable. The board of directors believes that the uncollected accounts receivable in the financial statement has an adequate allowance. Considering with such procedures, the board of directors believes that the credit risk has been significantly reduced.

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

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Credit risk (Continued)

Monetary funds held by the Group are mainly deposited in state-owned holding banks and other large and medium-sized commercial banks and other financial institutions. The management believes that these commercial banks have a high reputation and asset status, there is no significant credit risk, and will not cause any significant losses due to the default of the other party's units.

The debtor of accounts receivable is a large number of customers distributed in different industries and regions. The Group continues to conduct credit assessments of the financial position of debtors of accounts receivable and to purchase credit guarantee insurance when appropriate. Because the counterparts of currency funds and derivatives are reputable banks with high credit ratings, these instruments have low credit risk.

As of June 30, 2019, the accounts receivable of the top five customers accounted for 19.28% (June 30, 2018: 16.62%) of the Group's total accounts receivable, so the group has no significant risk of credit concentration.

Note receivable is guaranteed by state-owned banks or other reputable financial institution. Therefore, the credit risk of notes receivable is limited.

Regarding the carrying amount of financial assets in the consolidated balance sheet, for financial instruments measured at fair value, the book value reflects its risk exposure but not the maximum risk exposure. The maximum risk exposure will change along with the change of fair value in the future.

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

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

2. Liquidity risk

Liquidity risk refers to the risk of capital shortage when the Group fulfills its obligation to pay cash or other financial assets for settlement. Each member of the Group is responsible for its cash flow forecast. The financial company under the Group monitors the long-term and short-term capital demand at the Group level based on the cash flow forecast results of each member company. Through the fund pool plan set up by large banking financial institutions, the Group coordinates and dispatches surplus funds within the group, and ensures that member enterprises have sufficient cash reserves to fulfill payment obligations due for settlement. In addition, the Group has entered into a credit agreement with major business banks to support the Group in fulfilling its obligations related to commercial paper.

Cash Flow Payable as shown in the Contract Remaining Period at the Balance Sheet Date of the Group's Financial Liabilities:

Item	June 30, 2019				
	Net book value	Within 1 year	1-2 years	2-5 years	Over 5 years
Non-derivative financial liabilities					
Notes payable	907,591,340.46	907,591,340.46			
Accounts payable	1,393,590,705.70	1,393,590,705.70			
Other payables	323,030,700.78	323,030,700.78			
Interest on short-term and long-term loans	23,120,068.64	23,120,068.64			
Loan principal	3,592,610,346.81	2,724,440,346.81	868,170,000.00		
Absorbing deposits and Interbank Deposit	1,062,308,758.24	1,062,308,758.24			
Subtotal of non-derivative financial liabilities	7,302,251,920.63	6,434,081,920.63	868,170,000.00		
Derivative financial liabilities	1,725,546.87	1,725,546.87			
Financial liabilities	7,303,977,467.50	6,435,807,467.50	868,170,000.00		

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

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

2. Liquidity risk (Continued)

(Continued)

Item	December 31, 2018				
	Net book value	Within 1 year	1-2 years	2-5 years	Over 5 years
Non-derivative financial liabilities					
Notes payable	958,616,789.34	958,616,789.34			
Accounts payable	1,194,829,925.57	1,194,829,925.57			
Other payables	283,833,498.25	283,833,498.25			
Interest on short-term and long-term loans	14,821,136.37	14,821,136.37			
Loan principal	3,705,989,101.03	2,837,516,101.03	629,236,500.00	239,236,500.00	
Absorbing deposits and Interbank Deposit	1,086,218,057.79	1,086,218,057.79			
Subtotal of non-derivative financial liabilities	7,244,308,508.35	6,375,835,508.35	629,236,500.00	239,236,500.00	
Derivative financial liabilities	2,727,592.84	2,727,592.84			
Financial liabilities	7,247,036,101.19	6,378,563,101.19	629,236,500.00	239,236,500.00	

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

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Market risk

(1) Exchange rate risk

The main business of our company is in China, and the main business is settled in RMB. the Group has confirmed that the foreign currency assets and liabilities and future transactions in foreign currency still exists the risk of exchange rate (the currency for foreign currency assets and liabilities and foreign transactions mainly are US dollar, Hong Kong dollar, Euro, Yen, Australian dollar West African francs and Rand). The financial department of the Group is responsible for monitoring the scale of foreign currency transactions and foreign currency assets and liabilities of the Group to minimize the risk of exchange rate so that the Group may achieve the purpose of avoiding the exchange rate risk by signing forward foreign exchange contracts.

The term of forward foreign exchange contract or currency swap contract signed by the Group in this period is as follows: the Group's short-term and medium-term foreign currency loans of USD135 million have signed currency swap agreements with relevant banks and locked in the exchange rate to prevent the related risks caused by interest rate changes.

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

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Market risk (Continued)

(1) Exchange rate risk (Continued)

By the end of June 30, 2019, the amount of foreign currency financial assets and foreign currency financial liabilities converted into RMB is listed below:

Item	Ending balance		Beginning balance	
	Original currency	Converted into RMB	Original currency	Converted into RMB
Foreign currency of financial assets				
Monetary funds		147,745,311.19		163,371,093.95
USD	13,014,877.96	89,473,381.51	14,434,135.98	99,064,362.06
EUR	2,106,715.64	16,468,196.16	2,689,414.73	21,104,644.22
HKD	42,349,763.73	37,253,393.16	42,264,257.80	37,031,942.69
YEN	3,374,611.00	215,300.18	7.00	0.43
AUD	32,729.73	157,613.29	615,412.92	2,969,367.34
XOF	305,252,577.00	3,638,610.72	203,719,689.00	2,436,487.48
ZAR	1,032,499.05	500,968.54	1,513,403.99	716,596.79
GBP				
BYR	11,249.11	37,847.63	15,008.62	47,692.94
Accounts receivable		131,139,598.75		119,255,241.03
USD	13,913,577.70	95,651,672.61	13221746.95	90,743,493.72
EUR	2,229,841.53	17,430,671.24	566,552.24	4,445,905.40
AUD	754,318.65	3,632,496.89	1,614,639.72	7,790,636.65
XOF	145,404,401.22	1,733,220.46	246,045,861.22	2,942,708.50
ZAR	26,157,332.13	12,691,537.55	28,157,332.13	13,332,496.76

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

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Market risk (Continued)

(1) Exchange rate risk (Continued)

Item	Ending balance		Beginning balance	
	Original currency	Converted into RMB	Original currency	Converted into RMB
Other receivables		12,872,857.61		336,926.69
XOF	23,231,857.50	276,923.74	26,409,632.50	315,859.21
ZAR	27,120.03	13,158.64	44,493.09	21,067.48
EUR	1,609,668.06	12,582,775.23		
Long-term receivables & Non-current assets maturing within one year		481,339,203.55		491,605,342.44
USD	49,943,840.77	343,348,922.14	51,294,163.13	352,042,100.39
EUR	17,652,588.13	137,990,281.41	17,784,874.04	139,563,242.05
Foreign currency of financial liabilities		47,893,889.76		56,255,123.34
Accounts payable				
USD	4,405,652.89	30,287,541.92	5,353,426.42	36,741,636.24
EUR	2,194,015.24	17,150,617.12	2,453,632.06	19,254,386.88
AUD	16,497.46	79,445.17	16,497.46	79,600.24
XOF	5,798,201.00	69,114.56	5,796,739.94	69,346.48
ZAR	150,000.00	72,780.00	150,000.00	71,025.00
BYR	69,665.92	234,390.99	12,313.45	39,128.50

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

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Market risk (Continued)

(1) Exchange rate risk (Continued)

Item	Ending balance		Beginning balance	
	Original currency	Converted into RMB	Original currency	Converted into RMB
Other payables		6,012,285.87		56,815,677.09
USD	68,132.67	468,391.67	68,079.88	467,245.83
EUR	708,457.63	5,538,013.29	7,179,865.36	56,342,557.44
HKD	34.03	29.94		
XOF				
ZAR				
BYR	1,739.03	5,850.97	1,848.45	5,873.82
Short-term loans		928,084,500.00		928,516,101.13
USD	135,000,000.00	928,084,500.00	135,000,000.00	926,532,000.00
EUR			252,838.70	1,984,101.13
XOF				
Long-term loans		78,170,000.00		78,473,000.00
EUR	10,000,000.00	78,170,000.00	10,000,000.00	78,473,000.00
Long-term accounts payable		8,941,432.26		8,971,437.07
XOF	750,120,156.00	8,941,432.26	750,120,156.00	8,971,437.07

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

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Market risk (Continued)

(1) Exchange rate risk (Continued)

Sensitivity analysis:

By the end of June 30, 2019, as for the Group of foreign currency of financial assets and financial liabilities, if the RMB against the US dollar and euro currency appreciation or depreciation of 10% and other factors remain unchanged, the Group will reduce or increase retained profits about RMB 29,600,513.68 (from January to June of 2018: RMB 4,532,173.82).

(2) Interest rate risk

The interest rate risk of the Group arises from bank loans. 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 Group's financial department continuously monitors the Group's interest rate level. Rising interest rates will increase the cost of new interest-bearing liabilities and the interest expenditure of interest-bearing liabilities that the Group has not yet paid at floating interest rates, which will have a significant negative impact on the Group's financial performance. The management will make timely adjustments based on the latest market conditions. These adjustments may be made by arranging interest rate swaps to reduce interest rate risk.

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

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Market risk (Continued)

(2) Interest rate risk (Continued)

As of June 30, 2019, the Group's long-term interest-bearing liabilities are mainly floating rate contracts denominated in RMB and Euro, amounting to RMB 868,170,000. (Details in VI Note 35 Long-term Loans)

Sensitivity analysis:

By the end of June 30, 2019, if the interest rate calculated at floating interest rate has increased or decreased by 1%, while other factors remain unchanged, the Group's pre-tax profit will decrease or increase by about RMB 8,681,700.00. (from January to June of 2019: RMB 18,257,140.00).

The above sensitivity analysis assumption of interest rate changes has taken place on the balance sheet date and have been applied to all loans obtained by our company at floating interest rates.

(3) Price risk

Price risk refers to the risk of fluctuation caused by market price changes other than exchange rate risk and interest rate risk. It mainly comes from the changes of commodity price, stock market index, equity instrument price and other risk variables.

X. DISCLOSURE OF FAIR VALUE

1. financial instruments measured at fair value

In June 30, 2019, the Group expose the book value of financial asset instruments measured at fair value at three levels which is based on the lowest level of the three levels of the important input values used in the measurement of fair value. The three levels are defined as following:

First level: Unadjusted quotations of the same assets or liabilities that can be obtained on the day of measurement in the active market.

Second level: An input value directly or indirectly observable except for the first level of input value.

Input values in second level included: 1) Quotations similar to assets or liabilities in active markets. 2) Quotations of the same or similar assets or liabilities in an inactive market. 3) Other observable input values other than quotations, such as: The interest rate and yield curve, implied volatility and credit margin that can be observed during the normal quotation interval. 4) Input value of market verification.

Third level: The unobservable input value of the related assets or liabilities.

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

X. DISCLOSURE OF FAIR VALUE (CONTINUED)

2. Continuous fair value measurement

Unit: Yuan Currency: RMB

Item	Ending fair value			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				
(1) Financial assets held for trading				
1. Financial assets measured at fair value through profit and loss				
(1) Investments in debt instruments				
(2) Investments in equity instruments	10,128,374.01			10,128,374.01
(3) Derivative financial assets		1,003,692.75		1,003,692.75
2. Designated as financial assets measured at fair value and its changes accounted through profit or loss				
(1) Investments in debt instruments				
(2) Investments in equity instruments		927,898,440.00		927,898,440.00
(2) Other debt investments				
(3) Other investments in equity instruments				
(4) Property investment				

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

X. DISCLOSURE OF FAIR VALUE (CONTINUED)

2. Continuous fair value measurement (Continued)

Unit: Yuan Currency: RMB

Item	Ending fair value			Total
	The first level of fair value measurement	The second level of fair value measurement	The third level of fair value measurement	
1. Leasehold land use rights				
2. Rented buildings				
3. Land use rights held and intended to be transferred upon value added				
(5) Bioassets				
1. Consumption of biological assets				
2. Production of biological assets				
Total assets measured at fair value on a continuous basis	10,128,374.01	928,902,132.75		939,030,506.76
(6) Financial liabilities held for trading				
1. Financial liabilities measured at fair value through profit and loss				
Including: Debt securities issued for trading				
Derivative financial liabilities		1,725,546.87		1,725,546.87
Others				

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

X. DISCLOSURE OF FAIR VALUE (CONTINUED)

2. Continuous fair value measurement (Continued)

Unit: Yuan Currency: RMB

Item	Ending fair value			Total
	The first level of fair value measurement	The second level of fair value measurement	The third level of fair value measurement	
2. Designated as financial liabilities measured at fair value and its changes accounted through profit or loss				
Total liabilities measured at fair value on a continuous basis		1,725,546.87		1,725,546.87
2. Non-continuous fair value measurement				
(1) Assets held for sale				
Total assets measured at non-continuous fair value				
Total liabilities measured at non-continuous fair value				

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

X. DISCLOSURE OF FAIR VALUE (CONTINUED)

3. 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-timely 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 incorporated in current profit and loss at fair value).

4. 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 in the second level.

The Company hired Zhonglian Asset Appraisal Group Co., Ltd. to issue the valuation report for the investment in equity instruments held by the Company. The valuation method of equity instruments in valuation report is market method-comparisons of listed companies and market method.

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

X. DISCLOSURE OF FAIR VALUE (CONTINUED)

5. 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 then 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.

6. Continuing Level 3 fair value measurements, reconciliation between the opening and ending of the period and sensitivity analysis for unobservable inputs

There has been no transfer of fair value measurements between levels in the current year.

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

X. DISCLOSURE OF FAIR VALUE (CONTINUED)

7. The continuous fair value measurement project, the reason why there is transformation or no transformation between different levels in this period, the reasons for the conversion and the policy of determining the time point of conversion

The above continuous fair value measurement project of the Group has not changed between different levels in this year.

8. The changes in the valuation technology and the cause of the change in this period

The fair value valuation technology of the Group's financial instruments has not changed in this year.

9. The fair value of financial assets and financial liabilities that are not measured at fair value

Financial assets and liabilities that are not measured at fair value are mainly including: accounts receivable, short-term loans, accounts payables, non-current liabilities and long-term loans due within one year and an equity tool that is not quoted in an active market and its fair value is not reliably measured.

There is little difference between the book value and the fair value of the financial assets and liabilities that are not measured at fair value.

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION

1. Information of the parent company of the enterprise

Name of controlling shareholder	Registration place	Business nature	Registered capital (RMB ten thousand)	Percentage of shareholding in the Company (%)	Percentage of voting right in the Company (%)
YTO Group Corporation	Henan Luoyang	Production and sales of large and small tractors, construction machinery, diesel engines, etc.	302,374.96	41.66	41.66

(1) Explanation of the parent company of the Company: N/A

(2) The ultimate controlling party of the Company is China National Machinery Industry Corporation Ltd.

China National Machinery Industry Corporation Ltd, 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 of the Group is RMB26 billion.

2. Subsidiaries of the Company: refer to the related content in the Note IX 1. Interests in subsidiaries for the details of the subsidiaries.

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

3. The Company's Joint Ventures and Associated Enterprises

Refer to the related content in the Note IX 3. Significant joint ventures or associates for the details.

There are transactions incurred between the joint ventures and associates with the Company in this year or balances due to or from the Company realized in prior period carried forward.

Other associated

party names	Relationship to other related parties	Note
YTO (Luoyang) fuel injection Co., Ltd.	the Company's subsidiary and the joint venture of the controlling shareholder of the Company	the Company hold shareholding 10.57%
Luoyang Tractor Research Institute Co., Ltd.	the Company's subsidiary and the joint venture of the controlling shareholder of the Company	the Company hold share holding 49%
Luoyang Xiyuan vehicle and Power Inspection Institute Co., Ltd.	the Company's subsidiary and the joint venture of the controlling shareholder of the Company	The subsidiary of Luoyang Tractor Research Institute Co., Ltd
YTO (Luoyang) Rico Automobile Co. Ltd.	The joint venture of the controlling shareholder of the Company	the Company hold shareholding 45%

Note: According to the board rules of the Hong Kong stock exchange, the Company holding a share of 10% or more of the holding shareholders of the Company is a joint venture of the controlling shareholder of the Group.

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

4. Other related parties

Name of other related parties	Relationship to the Company
YTO (Luoyang) Special Purpose Vehicle Co., Ltd	Under common control
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	Under common control
YTO (Luoyang) Tobacco Machinery Co., Ltd.	Under common control
YTO (Luoyang) Logistics Co., Ltd	Under common control
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	Under common control
YTO (Luoyang) Huide Tooling Co., Ltd	Under common control
YTO (Luoyang) Accessories Service Co., Ltd.	
YTO (Luoyang) Dongchen Mold Technology Co., Ltd.	Under common control
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd	Under common control
Luoyang ZhongshouMachinery Equipment Co., Ltd.	Under common control
Luoyang No.1 Trailer Driver Training School Co., Ltd.	Under common control
Luoyang Tianhui Energy Engineering Co., Ltd	Under common control
Luoyang Fossett auto incorporate company	Under common control
Luoyang Duoan Advertising Co., Ltd	Under common control
Dongfanghong (Luoyang) Culture Communication Centre	Under common control
Beijing Heavy Transport Machinery Design Research Institute	Same ultimate control
SINOMACH-HI Group Changlin Co., Ltd.	Same ultimate control
SINOMACH-HI Equipment Group Co., Ltd.	Same ultimate control
Fuyang Bearing Co., Ltd.	Same ultimate control
Guangzhou Jisheng Lubrication Technology Co., Ltd.	Same ultimate control
Guangzhou Optical Sky Materials Technology Co., Ltd.	Same ultimate control
Guangzhou Optical Sky Environmental Protection Technology Co., Ltd.	Same ultimate control
SINOMACH-HI (Luoyang) Building Machinery Co., Ltd	Same ultimate control
SINOMACH-HI (Luoyang) Co., Ltd	Same ultimate control

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

4. Other related parties(Continued)

Name of other related parties	Relationship to the Company
The Sixth Design Institute Co., Ltd of the Ministry of Machinery Industry	Same ultimate control
The Fourth Design Institute Co., Ltd of the Ministry of Machinery Industry	Same ultimate control
The Fifth Design Institute of the Ministry of Machinery Industry	Same ultimate control
Jiangsu Meida Mechanical and Electrical Technology Co., Ltd.	Same ultimate control
Luoyang Bearing Research Institute Co., Ltd.	Same ultimate control
Luoyang Zhouyan Science and Technology Co., Ltd.	Same ultimate control
YTO (Luoyang) Engineering Machinery Co., Ltd	Same ultimate control
Changsha Gas-electric Auto Parts Co., Ltd	Same ultimate control
China SINOMACH Heavy Industry Corporation	Same ultimate control
China Machine Tool Corporation	Same ultimate control
The Fourth Construction of China Machinery Industry Co., Ltd.	Same ultimate control
China Machinery Industry Machinery Engineering Co., Ltd.	Same ultimate control
China Machinery Industry Construction Group Co., Ltd.	Same ultimate control
China Academy of Agricultural Mechanization	Same ultimate control
China Automobile Industrial Engineering Co., Ltd.	Same ultimate control
China Heavy Machinery Research Institute stock company	Same ultimate control
China (Tianjin) Automotive Equipment Co., Ltd.	Same ultimate control
Zhonghengtian Automobile Group (Ya'an) Automobile Co., Ltd.	Same ultimate control
China Heavy Machinery Research Institute Co., Ltd.	Same ultimate control
Zhonggong International Logistics Co., Ltd.	Same ultimate control
Xinjiang Zhongshu Agricultural and Animal Husbandry Machinery Co., Ltd.	Same ultimate control

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

4. Other related parties(Continued)

Name of other related parties	Relationship to the Company
Shandong Huayuan Lai Motor Internal Combustion Engine Co., Ltd.	Same ultimate control
Luoyang Shaoyan International Trade Co., Ltd.	Same ultimate control
Luoyang Zhongshou Machinery Assembly Co., Ltd.	Same ultimate control
Beijing Zhuozhong Cultural Media Co., Ltd.	Same ultimate control

The explanation of other related parties: The ultimate controlling party of the Company is China Machinery Industry Group Co., Ltd., so the subsidiaries controlled by China Machinery Industry Group Co., Ltd. are all related parties of the Company. Only the parties concerned with the Company are disclosed herein.

5. Related party transactions

(1) The transactions between subsidiaries that have control relations and have been incorporated into the Company's consolidated financial statements and parent company have been offset.

(2) Significant transactions with SINOMACH and its subsidiaries

Item	Amount in this period	Amount in last period
Sales of raw materials and components	5,668,949.24	9,697,049.39
Purchase of raw materials and components	9,195,416.77	57,660,755.99
Interest income	4,145,125.47	4,866,931.55
Pay clients' deposit interest	402,501.48	653,738.05
Commission income	68,386.79	94,713.02
	=====	=====

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

5. Related party transactions (Continued)

(3) Significant transactions between the Group and YTO Group and the subsidiaries

Item	Amount in this period	Amount in last period
Sales of raw materials and components	121,891,146.37	116,979,773.94
Purchase of raw materials and components	209,461,171.40	267,565,000.31
Payment and payable of power expense	73,809,691.75	93,919,797.29
Payment and payable of comprehensive services and transportation fees	75,211,263.43	81,982,597.99
Payment and payable of land rental expenses	5,693,999.43	5,872,109.50
Payment and payable of buildings rental expenses	2,761,221.43	3,863,846.53
Payment and payable of equipment rental expenses		2,108,300.63
Rental income of leasing buildings and equipment	428,442.96	2,678,473.41
Land lease income	336,644.70	1,967,895.86
Trademark use income	28,679.25	
Purchase of plant and equipment	1,898,536.42	1,953,824.75
Interest income	17,511,866.22	18,791,043.46
Pay clients' deposit interest	15,709,610.68	4,753,137.59
Commission income	292,989.42	50,709.01
Payment received of research and development expense	9,408,715.85	347,873.10
	9,408,715.85	347,873.10

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

5. Related party transactions (Continued)

(4) *Related party transactions between the Group and the joint ventures and associates (including the joint ventures and associates of SINOMACH and YTO Group Corporation)*

Item	Amount in this period	Amount in last period
Sales of raw materials and components	22,539,018.40	20,515,362.28
Rental income	6,627,532.31	7,460,724.38
Purchase raw materials and parts	93,622,503.48	133,514,473.57
Pay clients' deposit interest	836,862.77	981,383.66
Payment of research and development costs	9,396,415.11	43,973,301.89
Providing technology and testing services	34,104.21	228,543.25
Commission income	2,456.12	3,081.32
	<u><u><u>2,456.12</u></u></u>	<u><u><u>3,081.32</u></u></u>

(5) *Borrowing and lending between related parties*

Item	Amount in this period	Amount in last period
Loans granting (including Notes discounted)	832,100,000.00	903,197,512.19
Absorption of deposits and interbank deposits	1,027,372,843.25	772,555,332.56
	<u><u><u>1,027,372,843.25</u></u></u>	<u><u><u>772,555,332.56</u></u></u>

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

5. Related party transactions (Continued)

(6) Remuneration of key management personnel

Unit: RMB 10,000 Currency: RMB

Item	Amount incurred in this period	Amount incurred in last period
Fees	10.99	12.31
Salaries and other benefits	105.76	162.7
Retirement benefits scheme contribution	13.77	27.29
Total remuneration	130.52	203.20

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

5. Related party transactions (Continued)

(6) Remuneration of key management personnel (Continued)

Analysis of key management personnel remuneration (Unit: RMB 10 thousand):

Personnel and duties	Amount in this period			Total
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	
Executive directors				
Liu Jiguo		14.54	1.49	16.03
Non-executive directors				
Li, Hepeng	0.23			0.23
Xie, Donggang	0.23			0.23
Independent non-executive directors				
Wang Yuru	2.60			2.60
Xue Lipin	2.62			2.62
Yu Zengbiao	2.48			2.48
Yang, Minli	2.60			2.60
Supervisors				
Wang Hongbin		10.68	1.49	12.17
Yang Kun		11.13	1.49	12.62

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

5. Related party 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	
Key management personnel				
Wang, Kejun (<i>Deputy general manager</i>)		13.34	1.49	14.83
Liu, Jiguo (<i>Deputy general manager</i>)				
Su, Wensheng (<i>Deputy general manager</i>)		13.34	1.49	14.83
Other key management personnel				
Zhao Junfen (<i>Chief Financial Officer</i>)		2.37	0.23	2.60
Yu, Li'na (<i>Deputy general manager and secretary of the board of directors</i>)		13.36	1.49	14.85
Zhao Zheshui (<i>Former Executive Director and Chairman</i>)		4.90	1.10	6.00
Zhu Weijiang (<i>Former Executive Director and general manager</i>)		6.60	1.10	7.70
Li Kai (<i>Former non-executive director</i>)	0.23			0.23
Wu Yong (<i>Former Executive Director and Vice-Chairman</i>)		9.90	1.30	11.20
Yao, Weidong (<i>Chief financial officer</i>)		5.60	1.10	6.70
Total	10.99	105.76	13.77	130.52

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

5. Related party transactions (Continued)

(6) Remuneration of key management personnel (Continued)

(Continued)

Personnel and duties	Fees	Amount in last period		Total
		Salaries and other benefits	Retirement benefits scheme contributions	
Executive directors				
Zhao, Yanshui		14.7	2.02	16.72
Wang, Erlong		14.7	3.05	17.75
Wu, Yong		14.7	2.02	16.72
Non-executive directors				
Li, Hepeng	0.23			0.23
Xie, Donggang	0.23			0.23
Li, Kai	0.23			0.23
Yin Dongfang	0.48			0.48
Independent non-executive directors				
Xing, Min	2.27			2.27
Wu, Delong	2.27			2.27
Yu, Zengbiao	2.02			2.02
Yang, Minli	2.27			2.27
Supervisors				
Li, Ping'an		10.50	2.02	12.52
Wang, Jianjun		9.34	2.02	11.36
Zhao, Guozhong		10.56	2.02	12.58
Wang, Yong	1.49			1.49
Huang, Ping	1.72			1.72

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

5. Related party 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	
Key management personnel				
Wang, Kejun (Deputy general manager)		12.60	2.02	14.62
Liu, Jiguo (Deputy general manager)		12.60	2.02	14.62
Zhu, Weijiang (Deputy general manager)		12.60	2.02	14.62
Su, Wensheng (Deputy general manager)		12.60	2.02	14.62
Song, Yuping (Deputy general manager)		12.60	2.02	14.62
Other key management personnel				
Yao, Weidong (Chief financial officer)		12.60	2.02	14.62
Yu, Li'na (Deputy general manager and secretary of the board of directors)		12.60	2.02	14.62
Total	13.21	162.70	27.29	203.20

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments

(1) Notes receivable

Related parties	Ending balance	Beginning balance
Notes receivable between the Group and YTO Group and its subsidiaries	44,555,328.02	21,590,807.83
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd		3,500,000.00
YTO (Luoyang) Logistics Co., Ltd		10,000.00
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	3,801,275.49	4,383,807.83
Luoyang ZhongshouMachinery Equipment Co., Ltd.	21,884,052.53	13,697,000.00
China YTO Group Co., Ltd.	18,870,000.00	
Notes Receivable between the Group and Joint Venture or associates		1,080,000.00
ZF YTO (Luoyang) Bridge Co., Ltd.		1,080,000.00
Notes receivable between the Group and SINOMACH and its subsidiaries		100,000.00
YTO (Luoyang) Engineering Machinery Co., Ltd		100,000.00
Total	44,555,328.02	22,770,807.83

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(2) Accounts receivable

Unit: Dollar Currency: RMB

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
Accounts receivable between the Group and YTO Group and its subsidiaries	4,555,447.31	1,315,783.01	2,270,687.61	482,676.74
Beijing Lifting and Transportation Machinery Design Research Institute Co., Ltd.	209,012.00	26,640.99	465,702.00	4,657.02
Beiqiyuan Equipment Manufacturing (Beijing) Co., Ltd.	75,612.79	756.13		
SINOMACH-HI (Luoyang) Building Machinery Co., Ltd	975,999.05	769,162.24	975,999.05	415,069.65
SINOMACH-HI (Luoyang) Co., Ltd	2,967.59	59.35	76.56	0.77
The Fourth Design Institute Co., Ltd of the Ministry of Machinery Industry	135,800.00	67,900.00	135,800.00	20,370.00
Luoyang Bearing Research Institute Co., Ltd.	51,461.28	1,029.23		
China (Tianjin) Automotive Equipment Co., Ltd.	170,000.00	85,000.00	170,000.00	25,500.00
China SINOMACH Heavy Industry Corporation	24,180.00	12,090.00	24,180.00	12,090.00
Jiangsu Meida Mechanical and Electrical Technology Co., Ltd.	1,114,506.56	11,145.07	498,930.00	4,989.30
Zhonghengtian Automobile Group (Ya'an) Automobile Co., Ltd.	1,795,908.04	342,000.00		

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(2) Accounts receivable (Continued)

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
Accounts receivable between the Group and the shareholder	14,511,290.65	3,624,841.12	13,791,673.82	2,330,666.74
YTO Group Corporation	14,511,290.65	3,624,841.12	13,791,673.82	2,330,666.74
Accounts receivables between the Group and SINOMACH and its subsidiaries	61,011,332.00	7,006,722.53	40,613,805.16	2,495,929.57
Luoyang Fossett auto incorporate company			158,624.00	1,586.24
Luoyang ZhongshouMachinery Equipment Co., Ltd.	28,308,663.23	541,726.69	7,608,690.79	289,476.55
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd	124,466.49	18,669.97	124,466.49	1,244.66
YTO (Luoyang) Huide Tooling Co., Ltd	812,294.85	8,122.95	623,740.59	9,554.46
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	4,475,835.96	4,475,835.96	5,242,766.62	1,219,873.48
YTO (Luoyang) Logistics Co., Ltd			2,301.50	23.02
YTO (Luoyang) Tobacco Machinery Co., Ltd.	53.41	0.53	1,070,460.00	10,704.60
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	1,734,338.04	20,514.79	3,380,141.37	33,801.41
YTO (Luoyang) Special Purpose Vehicle Co., Ltd	874,763.21	873,168.01	874,763.21	714,386.65
YTO (Luoyang) Accessories Service Co., Ltd.	24,680,916.81	1,068,683.63	21,527,850.59	215,278.50

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(2) Accounts receivable (Continued)

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
Accounts receivable between the group and joint venture or associates	2,180,923.68	21,809.25	1,732,524.47	17,325.25
China YTO Kawi (Luoyang) Vehicle Co., Ltd.			57,568.50	575.69
ZF YTO (Luoyang) axle Co. Ltd.	2,102,786.72	21,027.88	1,674,955.97	16,749.56
YTO (Luoyang) Rico Automobile Co. Ltd.	78,136.96	781.37		
Total	82,258,993.64	11,969,155.91	58,408,691.06	5,326,598.30

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(3) Advance to suppliers

Related parties	Ending balance	Beginning balance
Advance to suppliers between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)	91,518.41	12,713.50
SINOMACH-HI Equipment Group Co., Ltd.	51,518.41	12,713.50
Beijing SINOMACH Lianchuang Advertising Co., Ltd.	40,000.00	
Advance to suppliers between the Group and the shareholder	694,246.00	6,870,228.44
YTO Group Corporation	694,246.00	6,870,228.44

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(3) Advance to suppliers (Continued)

Related parties	Ending balance	Beginning balance
Advance to suppliers between the Group and YTO Group and its subsidiaries	14,689,736.15	4,415,270.60
Luoyang Zhongshou Machinery & Equipment Co., Ltd	104,594.34	77,920.40
YTO (Luoyang) Huide Tooling Co., Ltd	24,354.00	245,776.00
Luoyang Fossett auto incorporate company	1,761,881.20	52,400.00
YTO (Luoyang) Zhongcheng Machinery Co., Lt	7,622,056.01	4,000,000.00
YTO (Luoyang) Dongchen Mold Technology Co., Ltd.	16,850.60	16,850.60
YTO (Luoyang) Accessories Service Co., Ltd.		22,323.60
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd.	5,140,000.00	
Luoyang Duoen Network Video Advertising Co., Ltd.	20,000.00	
	15,475,500.56	11,298,212.54
Total	15,475,500.56	11,298,212.54

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(4) Other receivables

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
Other receivables between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)	180,207.00	180,207.00	180,207.00	180,207.00
YTO (Luoyang) Engineering Machinery Co., Ltd	96,314.00	96,314.00	96,314.00	96,314.00
SINOMACH-HI (Luoyang) Construction Machinery Co., Ltd	83,893.00	83,893.00	83,893.00	83,893.00
Other receivables between the Group and the majority shareholder	1,579,297.85	1,244,143.85	1,883,374.14	1,119,589.73
YTO Group Corporation	1,579,297.85	1,244,143.85	1,883,374.14	1,119,589.73
Other receivables between the Group and YTO Group and its subsidiaries	3,667,115.84	73,294.88	3,648,260.00	36,482.60
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	3,648,116.00	72,962.32	3,648,116.00	36,481.16
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	144.00	144.00	144.00	1.44
Luoyang Zhongshou Machinery & Equipment Co., Ltd	18,855.84	188.56		
Other receivables between the group and other parties	15,488.70	7,744.35	484,646.57	4,846.47
ZF YTO (Luoyang) axle Co. Ltd.			484,646.57	4,846.47
YTO (Luoyang) Rico Automobile Co., Ltd.	15,488.70	7,744.35		
Total	5,442,109.39	1,505,390.08	6,196,487.71	1,341,125.80

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(5) Loans and advances

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
Deposit of Capital Discounted:				
SINOMACH-HI (Luoyang) Building Machinery Co., Ltd	77,443,059.79	6,616,076.49	76,120,767.33	1,903,019.18
YTO (Luoyang) Engineering Machinery Co., Ltd	9,988,427.45	249,710.69	9,726,603.70	243,165.09
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd			1,189,769.81	29,744.25
YTO Group Corporation	18,410,387.59	460,259.69	8,697,244.10	217,431.10
YTO (Luoyang) Huide Tooling Co., Ltd	1,372,788.68	34,319.72		
Loans:				
SINOMACH-HI (Luoyang) Co., Ltd	56,000,000.00	8,120,000.00	56,000,000.00	8,120,000.00
Luoyang Zhongshou Machinery & Equipment Co., Ltd			64,600,000.00	1,615,000.00
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd	215,200,000.00	5,380,000.00	313,500,000.00	7,837,500.00
YTO (Luoyang) Huide Tooling Co., Ltd	5,000,000.00	125,000.00	6,000,000.00	150,000.00
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd			7,050,000.00	1,092,750.00
YTO (Luoyang) Tobacco Machinery Co., Ltd.	2,000,000.00	50,000.00	5,000,000.00	125,000.00
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	6,000,000.00	150,000.00	10,000,000.00	250,000.00
YTO Group Corporation	440,000,000.00	11,000,000.00	420,000,000.00	10,500,000.00

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(6) Short-term borrowings

Related parties	Ending balance	Beginning balance
YTO Group Corporation	500,000,000.00	700,000,000.00

(7) Collecting deposits and granting loans

Company	Ending balance	Beginning balance
Luoyang Tractor Research Institute Co., Ltd.	105,489,309.70	92,904,299.77
Luoyang Xiyuan Vehicle and Power Inspection Co., Ltd.	60,280,362.46	56,218,614.97
YTO Group Corporation	717,180,766.55	895,643,904.20
Luoyang Zhongshou Machinery Equipment Co., Ltd.	17,742,917.96	20,403,282.34
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd	10,749.36	3,788,070.23
YTO (Luoyang) Special Purpose Vehicle Co., Ltd	183,244.67	146,811.89
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	15,043,297.38	16,692,103.92
YTO (Luoyang) Logistics Co., Ltd	15,626,545.00	10,613,182.01
Dongfanghong (Luoyang) Culture Communication Centre	2,600,000.00	3,477,547.17

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(8) Accounts payable

Related parties	Ending balance	Beginning balance
Accounts payable between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)	5,443,973.21	14,256,012.68
The Fourth Design Institute Co., Ltd of the Ministry of Machinery Industry	865,226.00	1,630,108.85
China Automobile Industrial Engineering Co., Ltd.	2,863,700.00	7,032,400.00
SINOMACH-HI Equipment Group Co., Ltd.	147,300.00	147,300.00
Changsha Gas-electric Auto Parts Co., Ltd	1,316.47	132,586.99
Fuyang Bearing Co., Ltd.	390,701.50	3,781,101.77
The Sixth Design Institute Co., Ltd of the Ministry of Machinery Industry	232,910.00	232,910.00
The Fifth Design Institute of the Ministry of Machinery Industry	161,600.04	161,600.04
China National Machine Tools Corporation	102,871.61	99,492.94
YTO (Luoyang) Engineering Machinery Co., Ltd		52,000.00
The Fourth Construction of China Machinery Industry Co., Ltd.	2,829.68	2,829.68
Beijing Zhongzhuo Cultural Media Co., Ltd.	133,300.00	28,800.00
Xinjiang Zhongshu Agricultural and Animal Husbandry Machinery Co., Ltd.	22,095.40	1,546.76
Luoyang Bearing Group	248,226.71	248,226.71

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(8) Accounts payable (Continued)

Related parties	Ending balance	Beginning balance
Luoyang zhouyan International Trade Co., Ltd.	7,485.02	
Guangzhou Optical Sky Materials Technology Co., Ltd.	204,409.99	161,996.26
Guangzhou Jisheng Lubrication Technology Co., Ltd.	60,000.79	543,112.68
Accounts payable between the Group and shareholder	3,698,935.74	6,285,980.14
YTO Group Corporation	3,698,935.74	6,285,980.14
Accounts payable between the Group and YTO Group and its subsidiaries	86,343,674.73	75,230,674.89
YTO (Luoyang) Logistics Co., Ltd	15,650,812.03	16,270,759.92
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	20,589,750.54	6,525,948.42
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	3,790,492.95	5,081,131.65
Luoyang Tianhui Energy Engineering Co., Ltd	2,290,179.17	2,325,471.33
YTO (Luoyang) Huide Tooling Co., Ltd	3,151,204.41	2,682,626.25
Luoyang Duoan Advertising Co., Ltd	19,600.00	252,019.00
Dongfanghong (Luoyang) Cultural Communication Center	20,590.00	10,064.00

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(8) Accounts payable (Continued)

Related parties	Ending balance	Beginning balance
YTO (Luoyang) Special Purpose Vehicle Co., Ltd		12,480.00
Luoyang Fossett auto incorporate company	22,250.00	90,100.00
YTO (Luoyang) Accessories Service Co., Ltd.	15,281,161.15	5,480,324.68
Luoyang Zhongshou Machinery Equipment Co., Ltd.	24,725,946.48	35,698,061.64
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd	801,688.00	801,688.00
Accounts payable between the group and other parties	341,249.14	6,385,350.62
ZF YTO (Luoyang) axle Co. Ltd.	268,468.23	5,351,915.31
YTO (Luoyang) Rico Automobile Co. Ltd.	44,364.39	1,017,248.86
Luoyang Oriental Printing Co., Ltd.	22,855.10	16,186.45
YTO (Luoyang) Standard Parts Co., Ltd.	5,561.42	
Total	95,827,832.82	102,158,018.33

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(9) Contractual liability

Related parties	Ending balance	Beginning balance
Advance from customers between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)	141,052.33	251,484.38
SINOMACH-HI (Luoyang) Co., Ltd	141,052.33	140,297.34
China Machinery Heavy Industry Group Changlin Co., Ltd.		71,400.00
YTO (Luoyang) Engineering Machinery Co., Ltd		39,787.04
Advance from customers between the Group and the shareholder	389,624.36	931,672.22
YTO Group Corporation	389,624.36	931,672.22
Advance from customers between the Group and YTO Group and its subsidiaries	1,586,247.84	638,285.80
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	1,541,345.84	638,227.80
Luoyang Zhongshou Machinery Equipment Co., Ltd.	44,844.00	
YTO (Luoyang) Standard Parts Co., Ltd.	58.00	58.00
Advance from customers between the group and other parties	9,814,950.11	6,266,489.90
China YTO Group Linhai Vehicle Co., Ltd.	65,829.00	65,829.00
ZF YTO (Luoyang) axle Co. Ltd.	9,749,118.49	6,200,658.28
China YTO Kawi (Luoyang) Vehicle Co., Ltd.	2.62	2.62
Total	11,931,874.64	8,087,932.30

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(10) Other payables

Related parties	Ending balance	Beginning balance
Other payables between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)	652,000.00	378,000.00
YTO (Luoyang) Engineering Machinery Co., Ltd	52,000.00	
Zhonggong International Logistics Co., Ltd.	100,000.00	100,000.00
Guangzhou Optical Sky Materials Technology Co., Ltd.	50,000.00	5,000.00
Guangzhou Jisheng Lubrication Technology Co., Ltd.	300,000.00	
Machinery Industry Sixth Design Research Institute Co., Ltd.		13,000.00
Shandong Huayuan Lai Motor Internal Combustion Engine Co., Ltd.		60,000.00
Fuyang Bearing Co., Ltd.	150,000.00	150,000.00
Safety Sliding Contact Wire Factory of the Fourth Design Research Institute of the Ministry of Machinery Industry		5,000.00

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(10) Other payables (Continued)

Related parties	Ending balance	Beginning balance
Other payables between the Group and the shareholder	89,374,600.24	52,937,734.51
YTO Group Corporation	89,374,600.24	52,937,734.51
Other payables between the Group and YTO Group and its subsidiaries	812,250.08	1,024,442.80
YTO (Luoyang) Logistics Co., Ltd	709,227.93	736,758.83
YTO (Luoyang) Huide Tooling Co., Ltd	3,000.00	3,000.00
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	54,672.15	63,418.97
Luoyang Duoen Advertising Co., Ltd	9,050.00	98,865.00
Luoyang Tianhui Energy Engineering Co., Ltd	36,300.00	33,800.00
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd		12,000.00
Dongfanghong (Luoyang) Cultural Communication Center		76,600.00
Other payables between the group and other parties	19,713.94	34,134.72
ZF YTO (Luoyang) axle Co. Ltd.	5,579.22	
Luoyang Oriental Printing Co., Ltd.	14,134.72	34,134.72
Total	90,858,564.26	54,374,312.03

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(11) Non-current liabilities due within one year

Related parties	Ending balance	Beginning balance
Non-current liabilities due within one year between the Group and the shareholder YTO Group Corporation	13,944,293.77	16,769,215.91
Non-current liabilities due within one year between the Group and YTO Group and its subsidiaries	198,198.18	726,820.89
YTO (Luoyang) Logistics Co., Ltd	198,198.18	726,820.89
Non-current liabilities due within one year between the group and other parties	16,737.67	33,475.34
ZF YTO (Luoyang) axle Co. Ltd.	16,737.67	33,475.34
Total	14,159,229.62	17,529,512.14

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(12) Lease liabilities

Related parties	Ending balance	Beginning balance
Lease liabilities between the Group and the shareholder	7,893,769.79	15,778,418.18
YTO Group Corporation	7,893,769.79	15,778,418.18
Total	7,893,769.79	15,778,418.18

XII. SHARE PAYMENT

The Group does not pay shares.

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

XIII. COMMITMENT AND CONTINGENCIES

1. Commitment

(1) *Foreign investment contracts and related financial expenditures that have not yet been fulfilled or not fully fulfilled*

N/A

(2) *Outsourcing contract with significant amount that was signed and performing or commencing to perform and its financial impacts*

N/A

(3) *Leased agreement that was signed and performing or commencing to perform and its financial impact*

a. As a financial lessor, the Group's future minimum rental receipts for agricultural machinery products are as follows:

Period	Amount in this period	Amount in last period
Within 1 year	14,919,280.00	8,705,090.00
1-2 years	55,034,680.00	14,734,350.00
2-3 years	3,400,000.00	1,882,000.00
After 3 years		
Total	73,353,960.00	25,321,440.00

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

XIII. COMMITMENT AND CONTINGENCIES (CONTINUED)

1. Commitment (Continued)

(3) *Leased agreement that was signed and performing or commencing to perform and its financial impact (Continued)*

b. On June 30, 2019, the future minimum rental charges receivable by the Group as the lessor for the irrevocable operating leases of the leasing items of housing, buildings and equipment during the following period was summarized as below:

Period	Amount in this period	Amount in last period
Within 1 year	18,732,280.65	6,985,101.61
1-2 years	14,235,639.38	4,424,933.28
2-3 years	9,993,128.16	3,653,897.07
After 3 years	16,272,126.06	6,823,312.85
Total	59,233,174.25	21,887,244.81

Note: On January 2019, the Compang and ZF YTO (Luoyang) axle Co. Ltd. signed a five-year lease contract, rent is RMB 6,588,624.54 per year contract agreement. In January 2017, the subsidiary YTO (Xinjiang) Dongfanghong Equipment Machinery Co., Ltd. signed an eight-year house lease contract with Xinjiang Gaoteng Yongye Automobile Sales Co., Ltd., and the contract stipulated that the annual house rent was RMB 632,017.65.

Except for the above commitments, as of June 30, 2019, the Group has no other major undertakings that should be disclosed.

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

XIII. COMMITMENT AND CONTINGENCIES (CONTINUED)

2. Important contingencies existed on the balance sheet date

(1) Significant contingent liabilities present at the balance sheet date

1) *Pending proceeding or arbitration of contingencies and their financial implications*

By the end of June 30, 2019, the Group has no pending proceedings or arbitrations or matters

2) *Contingencies resulted from external guarantees provided*

As at June 30, 2019, details of the guarantees provided by the Group to other parties are as followings:

Currency Unit: RMB 0'000

Entity guaranteed	Guarantee matters	Amount	Time period	Note
Dongfanghong Commercial Credit Business Customer	Buy farm machinery products	16,735.25	January 2019 to November 2019	
Buyer's Credit and Finance Leasing Business Customers	Buy farm machinery products	6,261.27	August 2017 to May 2021	

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

XIII. COMMITMENT AND CONTINGENCIES (CONTINUED)

2. Important contingencies existed on the balance sheet date (Continued)

(1) **Significant contingent liabilities present at the balance sheet date (Continued)**

2) *Contingencies resulted from external guarantees provided (Continued)*

Note In 2018, the Group and its subsidiary China YTO Group Finance Co., Ltd. (hereinafter referred to as "YTO Finance Company") signed the general agreement on credit business cooperation between the buyer of agricultural machinery tickets. The agreement stipulates that the distributors who sell agricultural machinery products of the Group or the authorized enterprises of the Group shall, when they are unable to pay all the money for the agricultural machinery products sold by the Group at one time, provide the buyer's credit service of the agricultural machinery tickets to the customers who purchase the designated products of the Group by the Group and its authorized enterprises after confirming the credit standing of the customers. That is, after a customer applies for an electronic bank acceptance bill issued by a dragging financial company, which is guaranteed by the group and accepted by a dragging financial company, the customer purchases agricultural machinery products from the group or its authorized enterprises by this ticket. In the process, the group bears joint and several liability guarantees for a dragging financial company. YTO Finance Company has approved a credit guarantee credit line of RMB800 million for the buyer of agricultural machinery tickets approved by the Group. Credit period from July 1, 2018 to May 31, 2019. After expiration, the two sides re-signed the above agreement in June 2019, and the validity period is from June 18, 2019 to May 31, 2020.

Note: In 2018, the Group's subsidiary Luoyang Changxing Agricultural Machinery Co., Ltd. (hereinafter referred to as Changxing Company) and China YTO Group Co., Ltd. (hereinafter referred to as Finance Company) signed a product finance business cooperation agreement. Changxing Company recommended to YTO Finance Company after examining the sub-information, basic information, business financing amount and guarantee of customers who purchased their designated products. The financial company will provide financial services for customers who purchased the designated products of first party. Changxing Company is jointly and severally responsible for guaranteeing such business within the credit limit. The credit limit approved by YTO Finance Company for the product finance business of Changxing Company is RMB280 million. The credit period is from July 1, 2018 to May 31, 2019. In the event that any of the parties' obligations under the agreement have not been fulfilled by the expiration of the term of the agreement, the agreement shall automatically extend until the date on which the rights and obligations are fulfilled.

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

XIII. COMMITMENT AND CONTINGENCIES (CONTINUED)

2. Important contingencies existed on the balance sheet date (Continued)

(1) **Significant contingent liabilities present at the balance sheet date (Continued)**

2) *Contingencies resulted from external guarantees provided (Continued)*

Note: In 2018, the subsidiary YTO (Xinjiang) Dongfanghong Equipment Machinery Co., Ltd. (hereinafter referred to as Xinjiang Company) and China YTO Group Co., Ltd. (hereinafter referred to as YTO Finance Company) signed a product finance business cooperation agreement. After examining and verifying the relevant information, basic information, business financing amount and guarantee of customers who buy their designated products, Xinjiang company recommends to YTO Finance Company, which provides financial services of product finance business to customers who buy their designated products. Xinjiang company is jointly and severally responsible for guaranteeing such business within the credit limit. The credit limit approved by YTO Finance Company for the product finance business of Changxing Company is RMB10 million. The credit period is from July 18, 2018 to May 31, 2019. If the term of the agreement expires and the obligations of either party under the agreement are not fulfilled, the term of validity of the agreement will automatically extend to the date on which the respective powers and obligations are fulfilled.

Note: In 2018, the subsidiary YTO Heilongjiang Agricultural Equipment Co., Ltd. (hereinafter referred to as Heilongjiang Company) and China YTO Group Co., Ltd. (hereinafter referred to as YTO Finance Company) signed a product finance business cooperation agreement. After examining and verifying the relevant information, basic information, business financing amount and guarantee of customers who buy their designated products, Heilongjiang company recommends to YTO Finance Company, which provides financial services of product finance business to customers who buy their designated products. Heilongjiang company is jointly and severally responsible for guaranteeing such business within the credit limit. The credit limit approved by YTO Finance Company for the product finance business of Heilongjiang Company is RMB10 million. The credit period is from July 1, 2018 to May 31, 2019. In the event that any of the parties' obligations under the agreement have not been fulfilled by the expiration of the term of the agreement, the agreement shall automatically extend until the date on which the rights and obligations are fulfilled.

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

XIII. COMMITMENT AND CONTINGENCIES (CONTINUED)

2. Important contingencies existed on the balance sheet date (Continued)

(2) Letter of guarantee and letter of credit

Opening bank	Beneficiary	Amount	Beginning date	Ending date
Beijing Tianning Temple Branch of China Everbright Bank Co., Ltd.	China Aviation International Complete Equipment Co., Ltd.	1,717,524.00	2018.11.26	2020.11.25
Beijing Tianning Temple Branch of China Everbright Bank Co., Ltd.	China Aviation Technology International Holding Co., Ltd.	33,278.77	2018.12.18	2020.12.17
Beijing Tianning Temple Branch of China Everbright Bank Co., Ltd.	China Aviation Technology International Holding Co., Ltd.	4,188.00	2018.12.24	2020.12.23
Bank of China Luoyang Chang'an Road Branch	Henan Provincial Commerce Department	200,000.00	2009/11/20	Depending on business
China Everbright Bank Co., Ltd. Luoyang Xiyuan Road Branch	HORIBA EUROPE GMBH	EUR585,270.00	2019.5.15	2019.11.30
Bank of China Luoyang Chang'an Road Branch	Ethiopian Sugar Corporation	USD 8,000.00	2019/2/13	2019/10/19
Bank of China Luoyang Chang'an Road Branch	ETHIOPIAN SUGAR CORPORATION	USD 18,000.00	2019/6/12	2019/12/15

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

XIV. SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

By the end of the approval of the financial statements date, the Group has no other significant subsequent events to disclose.

XV. OTHER SIGNIFICANT MATTERS

1. Segment information

1. *The basis for the determination of the segment report and the accounting policy*

the Group is based on internal organizational structure, management requirements, and internal reporting system as the basis for determining the operating segment. The business branch of the Group refers to a component that meets the following conditions at the same time:

- (1) This component can generate income and cost in daily activities.
- (2) The management can regularly evaluate the operating results of the component in order to determine the allocation of resources to it and evaluate its performance.
- (3) The accounting information, such as the financial situation, the operating results and the cash flow of the component, can be obtained.

the Group determines the segment report on the basis of the operating segments, and the operating segments, which meets the following conditions, is determined to be a segment report:

- (1) The operating segments accounts for 10% or more of the total income of the division.
- (2) The absolute profit of the segment profit of the segment accounts for 10% or more of the total amount of the total profits of all profit segments or the total amount of all deficit segment losses.

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

XV. OTHER SIGNIFICANT MATTERS (CONTINUED)

1. Segment information (Continued)

1. *The basis for the determination of the segment report and the accounting policy (Continued)*

Determined according to the above accounting policy report segment operating division of foreign trade total revenue accounted for the proportion of the total income of the merger does not reach 75%, increase the number of segment reporting, according to the following provisions will not report as Division operating segments into reportable range, until the proportion reached 75%:

- (1) The management department considers that the management division that disclosures the management branch information to the users of the accounting information is determined to be the reporting branch
- (2) Merge the business segment with one or more other business segments which have similar economic characteristics and meet the merger conditions of business segments as a reporting segment

Interdivisional transfer price is determined by market price, and the assets and related expenses shared by different branches are distributed among different segments according to the proportion of income.

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

XV. OTHER SIGNIFICANT MATTERS (CONTINUED)

1. Segment information (Continued)

2. *The factors for segments' classification and the types of products and services of a segment*

Each segment is a business unit that provides different products and services. Because various business needs different technology and market strategy, the Group independently manages the production and operation activities of each report branch, evaluates its operation result separately, decides to allocate resources to it, evaluates its performance.

the Group has four reporting divisions: Agricultural Machinery, Power Machinery, Finance, and Other Machinery. The Agricultural Machinery Division is responsible for the production and sale of agricultural tractors, harvesters, etc. The power machinery division is mainly responsible for producing and selling diesel engines. The financial branch mainly for the Group subsidiary China group finance limited company, the main business is to handle the member units between the entrusted loans and investment, internal transfer settlement, absorption of member units deposits and other business.

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

XV. OTHER SIGNIFICANT MATTERS (CONTINUED)

1. Segment information (Continued)

3. Reporting segment

Unit: Yuan Currency: RMB

Item	Agricultural machinery	Power machinery	Other machinery	Finance service	Elimination among segments	Total
1.Total operating revenue	3,075,213,336.14	741,696,640.31	3,648,176.98	76,282,642.33	470,867,528.08	3,425,973,267.68
Including: external transaction revenue	2,938,988,715.18	433,721,340.94	3,554,736.98	49,708,474.58		3,425,973,267.68
Revenue between segments	136,224,620.96	307,975,299.37	93,440.00	26,574,167.75	470,867,528.08	-
Loss on impairment of credit	-9,381,770.07	-6,931,294.81	4,867,348.85	-4,824,558.68	138,744.17	-16,409,018.88
Loss on impairment of assets	-32,394,554.82	-1,607,272.80	124,028.96		-49,634.24	-33,828,164.42
Depreciation and amortization fee	148,408,141.09	20,610,228.06	276,823.04	422,355.57		169,717,547.76
2.Total profit/(loss)	-62,729,388.13	44,256,250.39	5,514,501.97	30,501,359.53	-18,377,748.84	35,920,472.60
3.Income tax expenses	9,598,700.95	8,906,150.07	-	7,630,763.47	31,712.05	26,103,902.44
4.Net profit/(loss)	-72,328,089.08	35,350,100.32	5,514,501.97	22,870,596.06	-18,409,460.89	9,816,570.16
5.Total assets	11,150,447,380.85	2,734,146,211.58	7,863,837.97	3,833,549,496.89	4,710,747,684.77	13,015,259,242.52
6.Total liabilities	7,534,749,397.64	1,177,769,552.85	294,610,928.94	3,000,324,405.21	3,661,407,515.02	8,346,046,766.62
7.Other important non cash items	88,838,245.65	20,680,116.39	11,152,812.54	24,681.42	-	120,695,856.00
(1) Non-cash expenses other than depreciation and amortization	20,854,901.65	1,281,009.34	11,152,812.54			33,288,723.53
(2) Capital expenditure	67,983,344.00	19,399,107.05		24,681.42		87,407,132.47

The accounting policies of the segments of the Group are the same as those described in the Principal accounting policies and accounting estimates.

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

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

1. Accounts receivable

(1) Classified disclosure of accounts receivable

Unit: Yuan Currency: RMB

Item	Ending Balance					Beginning balance				
	Book balance		Provision for bad debt			Book balance		Provision for bad debt		
	Amount	Ratio	Amount	Accrual		Amount	Ratio	Amount	Accrual	
				Ratio	Book value				Ratio	Book value
	(%)		(%)		(%)		(%)			
Accounts receivable for anticipated credit losses on a portfolio basis	879,441,299.61	100.00	180,332,023.51	20.51	699,109,276.10	840,612,713.24	100.00	176,677,365.68	21.02	663,935,347.56
Including: Aging portfolio	873,331,641.61	99.31	174,559,311.77	19.99	698,772,329.84	839,938,820.72	99.92	176,340,419.42	20.99	663,598,401.30
Risk exposure portfolio such as collateral	6,109,658.00	0.69	5,772,711.74	94.49	336,946.26	673,892.52	0.08	336,946.26	50.00	336,946.26
Total	879,441,299.61	-	180,332,023.51	-	699,109,276.10	840,612,713.24	-	176,677,365.68	-	663,935,347.56

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

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

1. Accounts receivable (Continued)

(2) Accounts receivable for anticipated credit losses on a portfolio basis

① Combined accrual item: ageing combination

Unit: Yuan Currency: RMB

Aging	Ending balance		Accrual percentage (%)
	Accounts receivable	Bad debt allowance	
Within 1 year	702,356,192.77	8,498,998.96	1.21
1-2 years	9,830,272.05	4,915,136.02	50.00
2-3 years	7,643,865.93	7,643,865.93	100.00
Over 3 years	153,501,310.86	153,501,310.86	100.00
Total	873,331,641.61	174,559,311.77	-

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

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

1. Accounts receivable (Continued)

(2) Accounts receivable for anticipated credit losses on a portfolio basis (Continued)

② Combined accrual item: Risk exposure portfolio such as collateral

Unit: Yuan Currency: RMB

Name of portfolio	Accounts receivables	Provision for bad debt	Accrual Ratio (%)
Risk exposure portfolio such as collateral	6,109,658.00	5,772,711.74	94.49
Total	6,109,658.00	5,772,711.74	94.49

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

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

1. Accounts receivable (Continued)

(3) Age Disclosure of Accounts Receivable

Unit: Yuan Currency: RMB

Aging	Ending balance		Accrual percentage (%)
	Accounts receivable	Bad debt allowance	
Within 1 year	706,146,281.21	12,289,087.39	1.74
1-2 years	11,435,089.40	6,519,953.38	57.02
2-3 years	7,684,725.62	7,684,725.62	100.00
Over 3 years	154,175,203.38	153,838,257.12	99.78
Total	879,441,299.61	180,332,023.51	-

(4) Provision for bad debts charged, recovered or returned in the current period

Provision for bad debts amounted to RMB 3,654,657.83 in the current period.

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

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

1. Accounts receivable (Continued)

(5) Top Five Accounts Receivable on the Final Balance Collection by the Debtor

Company name	Ending balance	Proportion to the ending balance of accounts receivable (%)	Bad debt allowance
Luoyang Changxing Agricultural Machinery Co., Ltd.	461,544,772.89	52.48	4,615,447.73
YTO International Economic and Trade Co., Ltd.	21,665,917.24	2.46	216,659.17
YTO (Luoyang) Harvesting Machinery Co., Ltd.	76,446,864.82	8.69	76,446,864.82
YTO (Luoyang) Diesel Engine Co., Ltd.	38,748,957.37	4.41	690,065.96
Changtuo Agricultural Machinery Equipment Group Co., Ltd.	38,132,408.91	4.34	38,132,408.91
Total	<u><u>636,538,921.23</u></u>	<u><u>72.38</u></u>	<u><u>120,101,446.59</u></u>

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

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

2. Other receivables

(1) List of items

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Interest receivable		
Dividends receivable	75,294,698.36	75,294,698.36
Other receivables	18,863,349.76	9,733,081.83
Total	94,158,048.12	85,027,780.19

(2) Dividends receivable

Unit: Yuan Currency: RMB

Company name	Ending balance	Beginning balance
Brilliance China Machinery Holdings Ltd.	75,294,698.36	75,294,698.36
Total	75,294,698.36	75,294,698.36

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

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

2. Other receivables (Continued)

(3) Other receivables

Item	Ending balance				
	Book balance		Bad debt allowance		Book value
	Amount	Percentage (%)	Amount	Accrual percentage (%)	
Other receivables for anticipated credit losses on a portfolio basis	37,098,184.03	100.00	18,234,834.27	49.15	
Including: Aging portfolio	35,038,427.00	94.45	16,860,486.92	48.12	18,177,940.08
Low-risk portfolio	692,333.01	1.86	6,923.33	1.00	685,409.68
Risk exposure portfolio such as collateral	1,367,424.02	3.69	1,367,424.02	100.00	
Total	37,098,184.03	/	18,234,834.27	/	18,863,349.76

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

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

2. Other receivables (Continued)

(3) Other receivables (Continued)

(Continued)

Item	Book balance		Beginning balance		Book value
	Amount	Percentage (%)	Amount	Bad debt allowance	
				Accrual percentage (%)	
Other receivables for anticipated credit losses on a portfolio basis	35,458,808.38	100.00	25,725,726.55	72.55	9,733,081.83
Including: Aging portfolio	32,808,472.88	92.53	25,699,223.20	78.33	7,109,249.68
Low-risk portfolio	<u>2,650,335.50</u>	7.47	<u>26,503.36</u>	1.00	<u>2,623,832.15</u>
Total	<u><u>35,458,808.38</u></u>	-	<u><u>25,725,726.55</u></u>	-	<u><u>9,733,081.83</u></u>

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

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

2. Other receivables (Continued)

(3) Other receivables (Continued)

1) *Other receivables for anticipated credit losses on a portfolio basis*

a. Other receivables with expected credit risk by age combination

Aging	Ending balance		
	Book balance		Book value
	Amount	Percentage (%)	
Within 1 year (including 1 year)	18,415,583.70	52.56	419,326.39
1-2 years (including 2 years)	363,365.54	1.04	181,682.77
2-3 years (including 3 years)	1,224,266.18	3.49	1,224,266.18
Over 3 years	15,035,211.58	42.91	15,035,211.58
Total	35,038,427.00	100.00	16,860,486.92

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

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

2. Other receivables (Continued)

(3) Other receivables (Continued)

1) Other receivables for anticipated credit losses on a portfolio basis (Continued)

b. Other receivables for provision for bad debts using a low-risk portfolio

Portfolio name	Ending balance		
	Book balance		Book value
	Amount	Percentage (%)	
Low-risk portfolio	<u>692,333.01</u>	<u>1.00</u>	<u>6,923.33</u>
Total	<u><u>692,333.01</u></u>	<u><u>1.00</u></u>	<u><u>6,923.33</u></u>

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

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

2. Other receivables (Continued)

(3) Other receivables (Continued)

1) Other receivables for anticipated credit losses on a portfolio basis (Continued)

c. Risk exposure portfolio such as collateral

Portfolio name	Ending balance	Bad debt allowance	Percentage (%)
Risk exposure portfolio such as collateral	<u>1,367,424.02</u>	<u>1,367,424.02</u>	<u>100.00</u>
Total	<u><u>1,367,424.02</u></u>	<u><u>1,367,424.02</u></u>	<u><u>100.00</u></u>

2) Provision for bad debts for recovery or reversal

The provision for bad debts in current period was RMB-7,490,892.28, and there was no provision for bad debt for recovery or reversal.

3) No other receivables actually written off during the year

4) No other receivables that have been terminated due to the transfer of financial assets

5) There is no assets and liabilities formed by no transfer of other receivables and continued involvement

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

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

2. Other receivables (Continued)

(3) Other receivables (Continued)

6) Details of top five other receivables with the ending balance classified by the borrowers

Company name	Nature of payment	Ending balance	Aging	Percentage in the ending balance of other receivables (%)	Ending balance of bad debt allowance
Luoyang Chenhan Agricultural Equipment Technology Co., Ltd.	Equity Transfer Payment	13,637,808.03	Within one year	36.76	272,756.16
Jiangsu Qingjiang Tractor Co., Ltd	Others	3,315,484.00	Over 5 years	8.94	3,315,484.00
Luoyang Victory Metal Products Co., Ltd.	Others	1,367,280.02	1-2 years	3.69	1,367,280.02
Leading Group on Clearing up the Default of Project Payments and Peasant Workers' Wages in the Construction Field of Luoyang City	Others	1,227,474.74	2-3 years	3.52	1,305,120.00
Luoyang Jiangyang Metal Components Co., Ltd.	Others	1,060,000.00	Over 3 years	2.86	1,060,000.00
Total	-	20,608,046.79		55.56	7,077,838.92

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

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

3. Long-term equity investments

Unit: Yuan Currency: RMB

Nature of investments	Ending balance			Beginning balance		
	Book balance	impairment	Book value	Book balance	impairment	Book value
Subsidiaries	2,871,669,237.40	88,750,046.00	2,872,919,191.40	2,860,935,823.40	124,788,632.00	2,736,147,191.40
Joint venture or associates	131,892,084.59	7,004,515.65	124,887,568.94	137,153,321.05	7,004,515.65	130,148,805.40
Total	3,003,561,321.99	95,754,561.65	2,907,806,760.34	2,998,089,144.45	131,793,147.65	2,866,295,996.80

(1) Investments in subsidiaries

Unit: Yuan Currency: RMB

Name of the subsidiary	Beginning balance	Increase in this period	Decrease in this period	Ending balance	Provision for impairment	Provision for impairment ending balance
YTO France SAS	496,273,468.97	62,752,000.00		559,025,468.97		
Luoyang Changhong Trading Co., Ltd						
YTO (Luoyang) Shentong Construction Machinery Co., Ltd	46,500,046.00			46,500,046.00		46,500,046.00
YTO (Xinjiang) Machinery Co., Ltd	160,000,000.00			160,000,000.00		
YTO Heilongjiang Agricultural Machinery Co., Ltd	100,000,000.00			100,000,000.00		
Luoyang Changxing Agricultural Machinery Co., Ltd	3,000,000.00			3,000,000.00		3,000,000.00
Yangyang Co., Ltd. (Note)	76,000,000.00			76,000,000.00		

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

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

3. Long-term equity investments (Continued)

(1) Investments in subsidiaries (Continued)

Name of the subsidiary	Beginning balance	Increase in this period	Decrease in this period	Ending balance	Provision for impairment	Provision for impairment ending balance
YTO (Luoyang) Transportation Machinery Co., Ltd	52,018,586.00		52,018,586.00			
Brilliance China Machinery Holdings Ltd.	27,869,301.63			27,869,301.63		
YTO Group Finance Co., Ltd	485,040,302.00			485,040,302.00		
China-Africa Heavy Industry Investment Co., Ltd	55,022,000.00			55,022,000.00		
Luoyang Tractor Research Institute Co., Ltd.	281,414,966.36			281,414,966.36		
YTO (Luoyang) Diesel Engine Co., Ltd	392,257,881.14			392,257,881.14		
YTO (Luoyang) Flag Auto-body Co., Ltd	77,192,767.62			77,192,767.62		
YTO (Luoyang) Fuel Injection Co., Ltd	152,989,481.32			152,989,481.32		
YTO (Luoyang) Foundry Company Limited	200,391,996.60			200,391,996.60		
YTO International Economic and Trade Co., Ltd	75,668,335.13			75,668,335.13		
Changtuo Agricultural Machinery Equipment Group Co., Ltd	94,250,000.00			94,250,000.00		39,250,000.00
YTO Shunxing (Luoyang) Spare Parts Co., Ltd	33,670,762.32			33,670,762.32		
YTO Belarus Technology Co. Ltd.	51,375,928.31			51,375,928.31		
Total	<u>2,860,935,823.40</u>	<u>62,752,000.00</u>	<u>52,018,586.00</u>	<u>2,871,669,237.40</u>	<u></u>	<u>88,750,046.00</u>

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

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

3. Long-term equity investments (Continued)

(2) Investments in joint venture and associates

Unit: Yuan Currency: RMB

Invested company	Beginning balance	Additional investment	Reduce investment	Changes in this period						Ending balance	Provision for impairment ending balance
				Profit and loss on investments by rights and interests law	Adjusted other comprehensive income	Changes in other interests	Declaration of cash dividends or profits	Provision for impairment	others		
Associates											
YTO Sichuan Agricultural Equipment Co., Ltd.	759,316.82			-36,578.79						722,738.03	
ZF-YTO (Luoyang) axle Co. Ltd.	129,389,488.58			-5,224,657.67						124,164,830.91	
Luoyang Fossett auto Limited by Share Ltd	7,004,515.65									7,004,515.65	7,004,515.65
Total	<u>137,153,321.05</u>			<u>-5,261,236.46</u>						<u>131,892,084.59</u>	<u>7,004,515.65</u>

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

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

4. Operating revenue and operating costs

(1) Operating revenue and operating costs

Unit: Yuan Currency: RMB

Item	Amount incurred in this period		Amount incurred in last period	
	Income	Cost	Income	Cost
Main business	2,389,424,172.34	2,156,415,623.08	2,788,301,883.82	2,441,432,355.26
Other business	16,281,423.00	6,578,428.43	47,016,230.75	6,344,338.02
Total	2,405,705,595.34	2,162,994,051.51	2,835,318,114.57	2,447,776,693.28

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

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

5. Investment income

Unit: Yuan Currency: RMB

Item	Amount incurred in this period	Amount incurred in last period
Investment income from long-term equity investments by equity method	-5,261,236.46	-1,230,299.32
Long-term equity investment earnings calculated by cost method		
Investment income from disposal of long-term equity investments	-2,342,191.97	
Investment income from available-for-sale financial assets during the holding period		
Investment income from disposal of available-for-sale financial assets		
Investment income of trading financial assets during the holding period	13,200,000.00	11,000,000.00
Investment income from disposal of trading financial assets		
Total	5,596,571.57	9,769,700.68

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

XVII. SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

1. Schedule of gain or loss from extraordinary items in this period

Item	Amount in this period	Explanation
Gain or loss on disposal of non-current assets	-50,437.30	
Unauthorized or informal approval documents or one-off tax returns and exemptions on tax		
Government subsidy recognized in current profit or loss (except for government subsidies which related to company business that are fixed or quantified based on the national standard)	27,454,426.20	
Capital occupation fees charged to non-financial enterprises in current profit or loss		
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		
Gain or loss from transferring of non-monetary assets		
Gain or loss from investments under entrust by others or assets under management by others		
Provisions of impairment of assets due to force majeure such as nature disasters		
Gain or loss on debt restructuring	-420,000.00	
Gain or loss on corporation restructuring, such as expenditures on staff placement and integration costs		
Profit or loss in excess of the portion of the fair value generated from transactions of which the transactional price is obviously unfair		

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

XVII. SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Schedule of gain or loss from extraordinary items in this period (Continued)

Item	Amount in this period	Explanation
Current net profit and loss of the subsidiary under the common control from the beginning date to the consolidated date		
Gain or loss from non-related business operations or contingencies		
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	50,343,150.61	
Reversal of impairment of receivables on individually impairment test		
Gain or loss from entrusted loans to outside parties		
Gain or loss from changes in the fair value of investment properties using the fair value model as a subsequent measurement		
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		
Custody income earned from entrusted operation		
Other non-operating income and expenses except for mentioned above	6,155,853.65	
		Investment income from disposal of
Gain or loss from other extraordinary items	22,714,314.58	subsidiaries

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

XVII. SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Schedule of gain or loss from extraordinary items in this period (Continued)

Item	Amount in this period	Explanation
Income tax: Effects on income tax	-8,988,310.72	
Effects on non-controlling interests (after tax)	<u>-12,438,454.24</u>	
Total	<u><u>84,770,542.78</u></u>	

2. Return on equity and earnings per share

Profit in 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 common shareholders of the Group	0.4881	0.0199	0.0199
Net profit attributable to common shareholders of the Group after non-operating profit or loss	<u>-1.6215</u>	<u>-0.0661</u>	<u>-0.0661</u>

X DOCUMENTS AVAILABLE FOR INSPECTION

Documents available for inspection	2019 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 2019 Interim Report signed by the Directors and senior management of the Company

Chairman: Li Xiaoyu

The date of approval by the Board for submission: 29 August 2019