



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: 00038

2020 INTERIM REPORT



* For identification purposes only

IMPORTANT NOTICE

- I. The Board and Board of Supervisors of the Company, and its Directors, Supervisors and senior management confirm that there are no false information, misleading statements or material omissions contained in this Interim Report, and severally and jointly accept responsibility for the truthfulness, accuracy and completeness of the contents therein.
- II. All the directors attended the meeting of the Board for approving the Interim Report of the Company.
- III. The Interim Report was unaudited.
- IV. Mr. Li Xiaoyu (the person in charge of the Company), Mrs. 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 Reporting Period as considered by the Board

The Board did not propose to declare payment of any interim dividend for the six months ended 30 June 2020 (2019: 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

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
agricultural machinery	various machinery used in the crop farming and animal husbandry production, and the primary processing and treatment of agricultural and animal products
auditor, accountant	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 2020
Board	the board of Directors of the Company
Board of Supervisors	the board of Supervisors of the Company
CAMACO	China-Africa Machinery Corp. (中非重工投資有限公司), a controlled subsidiary of the Company
CBIRC	China Banking and Insurance Regulatory Commission
Changtuo Company	Changtuo Agricultural Machinery Equipment Group Company Limited (長拖農業機械裝備集團有限公司), a controlled subsidiary of the Company



I DEFINITIONS (CONTINUED)

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
the Company/Company	First Tractor Company Limited (第一拖拉機股份有限公司)
controlled subsidiary	a company held as to more than 50% shares or equity interest by the Company, or a company actually controlled by the Company through agreement and arrangement
crawler tractor	tractor with crawler as walking device
CSRC	China Securities Regulatory Commission
diesel engine	internal combustion engine that uses diesel as fuel
Director(s)	the director(s) of the Company
Group	the Company and its controlled subsidiaries
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
hi-powered wheeled tractor	wheeled tractor with horsepower of 100 (inclusive) or above
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)



I DEFINITIONS (CONTINUED)

mid-powered wheeled tractor	wheeled tractor with horsepower of 25 (inclusive) to 100
power machinery	products including diesel engine and fuel injection pump
Securities and Futures Ordinance/SFO	Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
Shanghai Stock Exchange	the Shanghai Stock Exchange
Sinomach	China National Machinery Industry Corporation (中國機械工業集團有限公司), the de facto controller of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
subsidiary	a subsidiary as defined under the Listing Rules of the Stock Exchange
Supervisor(s)	the supervisor(s) of the Company
Tractors Research Company	Luoyang Tractors Research Institute Company Limited (洛陽拖拉機研究所有限公司), a controlled subsidiary of the Company
YTO	YTO Group Corporation (中國一拖集團有限公司), the controlling shareholder of the Company
YTO Diesel Engine	YTO (Luoyang) Diesel Engine Company Limited (一拖(洛陽)柴油機有限公司), a controlled subsidiary of the Company
YTO Finance	China YTO Group Finance Company Limited (中國一拖集團財務有限責任公司), a controlled subsidiary of the Company



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 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
YTO France	YTO France SAS (一拖法國農業裝備有限公司), a wholly-owned subsidiary of the Company
YTO Fuel Injection Pump	YTO (Luoyang) Fuel Injection Pump Company Limited (一拖(洛陽)燃油噴射有限公司), a controlled subsidiary of the Company (changed its name to YTO (Luoyang) Hydraulic Transmission Corporation Limited (一拖(洛陽)液壓傳動有限公司))
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 International Trade	YTO International Economy and Trade Company Limited (一拖國際經濟貿易有限公司), a wholly-owned subsidiary of the Company
YTO Shentong	YTO (Luoyang) Shentong Construction Machinery Company Limited (一拖(洛陽)神通工程機械有限公司)
ZF YTO Drive Axle	ZF YTO (Luoyang) Drive Axle Company Limited (採埃孚一拖(洛陽)車橋有限公司), an equity participating company of the Company



II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

I. INFORMATION OF THE COMPANY

Chinese name of the Company	第一拖拉機股份有限公司
Abbreviation 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 as designated by the CSRC	www.sse.com.cn
Website for publication of the Interim Report as designated by the Hong Kong Stock Exchange	www.hkex.com.hk
Place for inspection of the Interim Report of the Company (A Shares)	Office of the Board of the Company
Place for inspection of the Interim Report of the Company (H Shares)	Golden China Consultants Limited, 15/F, Chuang's Tower, 30–32 Connaught Road Central, Central, Hong Kong
Search index of changes during the Reporting Period	For details, please refer to “H Share Announcement” published by the Company on the website of the Shanghai Stock Exchange on 1 July 2020 and “Change of Address of Principal Place of Business in Hong Kong” published by the Company on the website of the Stock Exchange on 30 June 2020

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	4,116,725,509.00	3,425,973,267.68	20.16
Operating revenue	4,074,490,101.51	3,376,284,242.98	20.68
Net profit attributable to the shareholders of the listed company	323,361,690.16	19,612,525.70	1,548.75
Net profit attributable to the shareholders of the listed company after deduction of non-recurring profit or loss	290,273,866.74	-65,158,017.08	N/A
Net cash flows from operating activities	452,641,885.46	438,522,196.92	3.22
	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	4,390,438,798.59	4,070,005,449.08	7.87
Total assets	11,954,679,592.66	11,629,022,385.51	2.80



II COMPANY PROFILE AND KEY FINANCIAL INDICATORS (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 (<i>Yuan/share</i>)	0.3280	0.0199	1,548.24
Diluted earnings per share (<i>Yuan/share</i>)	0.3280	0.0199	1,548.24
Basic earnings per share after deduction of non-recurring profit or loss items (<i>Yuan/share</i>)	0.2944	-0.0661	N/A
Weighted average return on net assets (%)	7.64	0.49	Increased by 7.15 percentage points
Weighted average return on net assets after deduction of non-recurring profit or loss items (%)	6.86	-1.62	Increased by 8.48 percentage points

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

During the Reporting Period, the Company actively responded to the impact of the COVID-19 pandemic and spared no efforts to accelerate the resumption of operation and production. Through taking measures of optimizing product mix, innovating marketing model and strengthening channel management, the Company seized the market opportunities during the spring ploughing period to effectively expand the sales volume of major products. From January to June of 2020, the sales volume of hi-powered and mid-powered tractors of the Company increased by 22.95% year-on-year, the sales volume of diesel engine products increased by 19.62% year-on-year, and the operating revenue of the Company achieved a year-on-year increase of 20.68%. The Company continued to improve product quality and strengthen control of costs and expenditure while improving product sales. Meanwhile, benefited from the optimization of the Company's personnel structure and the implementation of refined production, related costs and expenses also declined significantly year-on-year. In conclusion, the net profit attributable to shareholders of the Company in the first half of the year achieved a significantly increase year-on-year.



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	Amount	Notes (if applicable)
Profit or loss from disposal of non-current assets	920,722.93	
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)	16,787,436.56	
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)	21,458,143.84	
Non-operating income and expenses other than those stated above	779,138.87	
Other profit and loss items that meet the definition of non-recurring profit or loss Items	1,764,215.51	Affected by the winding-up and liquidation of YTO Shentong
Impact on minority shareholders equity interests	-4,866,543.13	
Effects on income tax	-3,755,291.16	
Total	<u>33,087,823.42</u>	



III OVERVIEW OF THE BUSINESS OF THE COMPANY

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

In adherence to the business development strategy of focusing on principal business and moderate diversification, the Company is committed to providing agricultural equipment with advanced technology and reliable quality for mechanization of the Chinese agricultural industry. The Company's principal businesses include R&D, manufacturing and sales of agricultural machinery, power machinery and their spare parts. In particular, the agricultural machinery business includes R&D, manufacturing and sales of the whole series of wheeled and crawler tractors 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 pumps and fuel injectors, and are mainly supporting agricultural machinery, such as tractors and harvesters. YTO Finance, a controlled subsidiary of the Company, is principally engaged in the business of funds settlement, financing and other financial services for the 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.

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

As at the end of the Reporting Period, the total assets of the Company amounted to RMB11,954.6796 million, of which assets outside the PRC was 20,509.35 (Unit: 0'000 Currency: RMB) accounting for 1.72% of the total assets.



III OVERVIEW OF THE BUSINESS OF THE COMPANY (CONTINUED)

III. 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 2019 Annual Report.



IV MANAGEMENT DISCUSSION AND ANALYSIS

I. DISCUSSION AND ANALYSIS ON THE COMPANY'S OPERATIONS

In the first half of 2020, the unexpected outbreak of the novel coronavirus pneumonia epidemic overlapped with the traditional peak season for the production and sales in the agricultural machinery industry had caused a direct impact on the overall operation of the agricultural machinery industry in China. However, benefiting from the prominent importance of food security in China and driven jointly by factors such as the the high enthusiasm for agriculture production in regions encouraged by the polices, the acceleration in land transfer and the expectation on the rising grain prices, the accumulated sales volume of hi-powered and mid-powered tractors sold in the domestic tractor industry in the first half of 2020 were 132.9 thousand units, representing a year-on-year increase of 14.63% according to the industry data of China Association of Agricultural Machinery Manufactures (中國農機工業協會).

The Company effectively coordinated all production and operation work during the outbreak of the epidemic and actively served agricultural production in spring. The growth of sales volume of hi-powered and mid-powered tractors, the Company's major products, was above the average level of the industry, achieving improvement in efficiency and operation. During the Reporting Period, total operating revenue of RMB4.117 billion was realized, representing a year-on-year increase of 20.16%, and the net profit attributable to the shareholders of the Company was RMB323 million, representing a year-on-year increase of 1,548.75%.



IV MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(I) Coordinating the epidemic prevention and control with the resumption of work and production to serve agricultural production in spring

The Company implemented the decisions and arrangements of the CPC Central Committee and the State Council on “focusing on spring farming and its preparation in the farming season to ensure the harvest of grain and agriculture for building a moderately prosperous society for the year” and coordinated the epidemic prevention and control with the resumption of work and production. On the premise that proper prevention and control of the epidemic for all employees are in place, the Company vigorously overcame difficulties such as obstructed industrial chains, impeded logistics and travelling restrictions in the resumption of work and production of industrial enterprises and comprehensively adopted measures such as assisting suppliers in the resumption of work and production, smoothing materials transportation channels and coordinating the internal production of components with bottlenecks in procurement to advance production. The Company swiftly achieved production at full capacity in March from the utilization of 30% capacity in February, winning precious time to prepare for spring farming.

Due to the impacts of the epidemic, the Company sped up its transformation in the mode of marketing services. Firstly, it enhanced the collaboration with distributors, adjusted business policies in a timely manner and strengthened the sales and supply capacity and flexibility in marketing work. Secondly, it carried out live webcast on new media platforms such as Kuaishou to conduct product explanations, service training, use and maintenance, user questions and answers, and to provide users with online explanations, online ordering and other services. Thirdly, on the premise that safety in the prevention of the epidemic is in place, the marketing teams of the Company went to the frontline of the market in groups and provided timely and considerate service guarantees to users in their spring farming and production. Through the above measures, the Company firmly shouldered the responsibilities as the main force in spring farming and production and displayed the role as a leading enterprise in the industry in the battle against the epidemic.



IV MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(II) EXPANDING EXTERNAL MARKETS AND ENHANCING INTERNAL MANAGEMENT TO PROMOTE THE CONTINUOUS IMPROVEMENT OF THE OPERATION OF THE COMPANY

Faced with the favorable market situation in which the overall demand in the tractor industry has stabilized, the Company insisted on taking the marketing as the guide and placed great emphasis on “promoting sales” as the top priority of all operational work. Firstly, optimizing the product portfolio to promote sales. The Company deeply explored market demands and promoted differentiated products based on the characteristics of operation in different regions, achieving excellent market results. The sales of L series of tractors with horsepower of 140-160 increased significantly. Secondly, enhancing the leading policies to promote sales. The Company fully authorized product marketing policies and all sales regions adopted differentiated strategies on market competition based on the characteristics of market demands and the sales strategies of competitive products, which promoted product sales. Thirdly, strengthening channel management to promote sales. The Company tapped into the potential of distributors' channels and achieved significant improvement in the effective rate and average contribution of channels for hi-powered and mid-powered products through innovation in channel management, which boosted the penetration in terminal markets. During the Reporting Period, the Company sold 32.3 thousand units of hi-powered and mid-powered tractors, with a growth rate of 22.95%, which was 8.32 percentage points higher than the level of the industry, and the market share increased by 1.64 percentage points. Meanwhile, the Company coordinated and promoted the improvement in the reliability of the National III product platform, the products conversion of the National IV products platform, etc. and made more efforts to expand the market for diesel engine products. During the Reporting Period, 56.9 thousand units of the Company's diesel engine products was sold, of which the supporting sales from the external market increased by 9% as compared with the corresponding period of last year.



IV MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Company implemented refined management and provided strong support to the continuous improvement of operating results. Firstly, it continuously improved the product structure and built quality and cost advantages, which increased the proportion of the sales of high value-added hi-powered wheeled tractor products and enhanced the market competitiveness and the profitability of major products. Meanwhile, it continued to promote the optimization of procurement costs and further reduced the comprehensive procurement cost of the Company. Secondly, it carried out lean production and target cost management and strengthened the lean quality and cost awareness at the production line, achieving significant year-on-year decrease in fees and the cost expense rate in the manufacturing process. The previous staff structural optimization achieved remarkable results and the labor cost of the Company decreased significantly. Thirdly, it strengthened fees management and control through various measures and conducted detailed and stringent control of fees and expenses. During the Reporting Period, the Company's comprehensive gross profit margin reached 20.60%, representing an increase of 5.93 percentage points as compared with the corresponding period of last year.

(III) Focusing on transformation and quality improvement to maintain long-term sustainable development of the Company

During the Reporting Period, the Company adhered to innovation-driven development and conducted technology innovation and product research and development. Power shift, National IV tractors, variable transmission and other key research and development programs were promoted steadily. With the implementation of special international plans, the Company has made positive progress in some key overseas markets and steadily promoted key international projects, and the Company extended the business development chain, enhanced the service capacity of the entire agricultural industry chain and promoted the implementation of complete sets of solutions.



IV MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Company has advanced various reform measures, improved the performance evaluation system, and continuously improved the evaluation and incentive systems for cadres and business teams; enhanced the market effect evaluation of technical achievements and strengthened the driving effect of performance incentive on improving the operation quality of the Company; further consolidated the construction of marketing teams and improved the efficiency of the market response and the ability to cope with market changes.

Based on the comprehensive analysis of the current and future market conditions in the following period, in the short term, the market sales in the tractor industry recovered slightly in 2019 after falling to a trough in 2018 and even showed the trend of steady recovery and growth this year. In the medium term, under the guidance of the policy of strengthening the position of agriculture foundation, the development pace of agricultural mechanization will be accelerated continuously. It is likely to embrace a round of increase in demands for tractors. Meanwhile, given that the overcapacity of tractors and other traditional agricultural machinery has not been reversed fundamentally, the product homogenization competition and market price war among enterprises is still serious, and it is still difficult to accurately analyze the impact of future off-road National IV emission standard upgrading on users' willingness to purchase machines and the increase in enterprise cost, so the Company is still subject to more difficulties to maintain profit growth in the fierce market competition.



IV MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As the most influential agricultural machinery manufacturing company in China, First Tractor will adhere to the principle of seeking progress while keeping performance stable, focusing on the development idea of “intelligent-driven, collaborative innovation and efficiency increased”, carrying forward the fighting spirit in preventing epidemic and guaranteeing spring farming in the first half of the year, actively turn crisis into opportunities to consolidate the leading advantage in the industry and maintain a good momentum of sustained and healthy development of the enterprise. In the second half of the year, the Company will focus on the following work: Firstly, it will continue to strengthen the building of the marketing capability, diversify and improve the product portfolio in the market, enhance the improvement and upgrading of existing products, improve the adaptability and competitiveness of products, and win the customers' trust and increase the market share through the high-quality products as well as the high-efficiency services. Secondly, it will continue to strengthen the internal operation management, strengthen the quality control and cost control, strengthen the reform of the labor system and improve the incentive distribution system, improve the profitability of the product price value chain, and constantly improve the quality of operation. Thirdly, the Company will deepen reform in key sectors, optimize the rational allocation of resources, and promote the disposal of inefficient and inefficacious assets and the optimization of business integration. Fourthly, it will speed up the construction of key projects and product R&D, to build a solid foundation for development. It will advance the pace of technical upgrading of power-shift tractors, CVT variable transmission control tractors, high-quality tractors and other products as planned, enhance the layout of intelligent agricultural machinery products, and serve the development of precision agriculture and smart agriculture. Fifthly, the Company will firmly establish the red line awareness and bottom line thinking, enhance the risk warning mechanism, strengthen the bottom line for major risk prevention, to prevent the impact of various risk events on the operation of the enterprise and realize a stable and orderly development of the Company.



IV MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

II. MAIN OPERATING SITUATION DURING THE REPORTING PERIOD

(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	4,074,490,101.51	3,376,284,242.98	20.68
Operating costs	3,257,678,123.70	2,906,028,393.82	12.10
Interest expenses	10,929,064.06	17,000,296.03	-35.71
Selling expenses	161,017,133.24	141,344,409.13	13.92
Administrative expenses	139,146,303.86	168,787,482.38	-17.56
Financial expenses	20,468,909.37	41,393,377.07	-50.55
Research and development expenses	155,253,323.10	156,530,035.79	-0.82
Investment income (Losses listed as "-")	347,706,638.26	38,659,947.90	799.40
Gain arising from changes in fair value (Losses listed as "-")	20,821,149.11	42,484,063.57	-50.99
Loss on impairment of assets (Losses listed as "-")	-75,014,691.87	-33,828,164.42	N/A
Loss of credit impairment (Losses listed as "-")	-328,278,476.45	-16,409,018.88	N/A
Asset disposal income (Losses listed as "-")	920,722.93	-50,437.30	N/A
Non-operating income	1,577,199.74	15,118,851.87	-89.57
Income tax expenses	12,601,713.30	26,103,902.44	-51.72
Net cash flow generated from operating activities	452,641,885.46	438,522,196.92	3.22
Net cash flow generated from investing activities	-184,193,067.76	-44,537,133.92	N/A
Net cash flow generated from financing activities	-593,000,244.29	-204,156,446.34	N/A



IV MANAGEMENT DISCUSSION AND ANALYSIS (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 products during the Reporting Period, and operating revenue and operating costs increased year-on-year, but the increase in overall operating costs is lower than the increase in operating revenue which is benefiting from the Company's continuous promotion of procurement cost control and enhancement of management of fixed costs.

Reasons for changes in interest expenses: mainly due to the decrease in the interests paid due to the decrease in deposits absorbed by YTO Finance and inter-bank time deposits as compared with the corresponding period of last year during the Reporting Period.

Reasons for changes in selling expenses: mainly due to the year-on-year increase in the selling and agent service fees accrued of the Company with the increase in the sales volume during the Reporting Period.

Reasons for changes in administrative expenses: mainly due to the strengthened cost management and control during the Reporting Period as well as the year-on-year decrease in the number of employees and labor costs, respectively.

Reasons for changes in financial expenses: mainly due to the decrease in the size of loans and the year-on-year decrease in interest expenses.

Reasons for changes in investment income: mainly due to the impacts of the investment income arising from the liquidation of YTO Shentong during the Reporting Period.

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



IV MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Reasons for changes in loss on impairment of assets: mainly due to the year-on-year increase in loss on impairment of assets as YTO Shentong was no longer included into the scope of consolidation due to its liquidation during the Reporting Period, the provision for impairment of the long-term equity investments made by the Company was presented in the consolidated financial statements.

Reasons for changes in loss of credit impairment: mainly due to the increase in loss of credit impairment as compared with the corresponding period of last year as YTO Shentong was no longer included into the scope of consolidation due to its liquidation during the Reporting Period, the provision for credit losses made by the Company was presented in the consolidated financial statements.

Reasons for changes in non-operating income: mainly due to the decrease 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 the deferred income tax expenses recognized during the Reporting Period.

Reasons for changes in net cash flow generated from operating activities: mainly due to the year-on-year increase in the cash received from selling goods driven by the increase in sales volumes of the Company during the Reporting Period.

Reasons for changes in net cash flow generated from investment activities: mainly due to the increase in the net amount paid for the Company's investment in wealth management products and structured deposit during the Reporting Period as compared with the corresponding period of last year.

Reasons for changes in net cash flow generated from financing activities: mainly due to the year-on-year increase in repayment of loans due by the Company during the Reporting Period.



IV MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(II) Analysis on assets and liabilities

1. Assets and liabilities situation

Unit: Yuan

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
Monetary Funds	1,023,163,108.94	8.56	1,745,076,747.84	13.41	-41.37	Partial repayment of loans
Lendings to banks and other financial institutions	40,000,000.00	0.33	97,000,000.00	0.75	-58.76	Year-on-year increase in the provision for impairment of lending to banks and other financial institutions made by YTO Finance
Derivative financial assets	0.00	0.00	1,003,692.75	0.01	-100.00	Foreign-currency borrowings with exchange-rate locking agreements were due for repayment
Notes receivable	286,023,603.77	2.39	451,188,470.20	3.47	-36.61	Decrease in bills settlement
Financial assets purchased with agreement to re-sale	1,030,963,325.02	8.62	0.00	0.00	N/A	Increase in financial assets purchased by YTO Finance under resale agreements



IV MANAGEMENT DISCUSSION AND ANALYSIS (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 as compared with balance as at the end of the corresponding period of last year (%)	Explanation
Other current assets	1,206,699,492.49	10.09	2,084,488,185.92	16.02	-42.11	Decrease in financial products
Construction in progress	131,707,349.87	1.10	227,234,098.13	1.75	-42.04	Transfer of construction in progress to fixed assets
Right-of-use assets	9,525,709.27	0.08	24,299,256.86	0.19	-60.80	Decrease in the right-of-use assets recognized by the Company as a lessee
Short-term loans	1,280,445,446.52	10.71	2,716,261,536.23	20.87	-52.86	Partial repayment of short-term borrowings
Derivative financial liabilities	0.00	0.00	1,725,546.87	0.01	N/A	Foreign-currency borrowings with exchange-rate locking agreements were due for repayment
Accounts payable	1,935,272,247.30	16.19	1,393,590,705.70	10.71	38.87	Increase in purchase and the accounts payable that have not been due
Taxes payables	34,254,125.03	0.29	15,150,952.65	0.12	126.09	Year-on-year increase in income tax payable as a result of increased profits of subsidiaries

IV MANAGEMENT DISCUSSION AND ANALYSIS (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 as compared with balance as at the end of the corresponding period of last year (%)	Explanation
Non-current liabilities due within one year	352,886,423.19	2.95	45,945,473.83	0.35	668.05	Year-on-year increase in long-term loans due within one year
Long-term loans	99,900,000.00	0.84	868,170,000.00	6.67	-88.49	Decrease in long-term loans due after more than one year
Lease liabilities	15,832.95	0.00	8,381,134.78	0.06	-99.81	Decrease in the lease liabilities due after one year recognized by the Company as a lessee
Estimated liabilities	2,684,542.65	0.02	3,981,625.85	0.03	-32.58	Settlement of certain liabilities
Retained earnings	852,813,369.07	7.13	487,588,777.44	3.75	74.90	Profit recognized in the period

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

As at the end of the Reporting Period, the Group's monetary funds with restrictions on ownership amounted to RMB229.2846 million, including guarantee letter margin of RMB2.2537 million, bank acceptance margin of RMB29.6451 million, letter of credit margin of RMB0.9125 million, forward settlements and sales on foreign exchange margin of RMB1.49 million, the central bank's legal statutory reserves of RMB194.9177 million and others of RMB0.0656 million.



IV MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As at the end of the Reporting Period, the Group's notes receivable with restrictions on ownership's rights was RMB13.9717 million, 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 ownership's rights amounted to a total of RMB100.0981 million, and the net value amounted to a total of RMB60.0417 million, which were buildings and land mortgaged to the bank for short-term loans to the Group during the Reporting Period.

3. Other Explanation

(1) Key financial indicators

Items	As at the end of the Reporting Period	As at the beginning of the Reporting Period	Year-on-year change
Gearing ratio (%)	57.96	58.86	Decreased by 0.90 percentage point
Current ratio	1.07	1.02	Increased by 0.05
Quick ratio	0.93	0.86	Increased by 0.07

(2) Bank loans

Bank loans of the Company are mainly in the currency units of RMB and Euro. As at the end of the Reporting Period, the principal amount of bank loans of the Company due within one year amounted to RMB1,613.0235 million, of which the principal amount of loans in foreign currency amounted to RMB83.0235 million (mainly consisting of loans denominated in Euro); the principal amount of bank loans due over one year amounted to RMB99.90 million; and the principal amount of bank loans with fixed interest rate amounted to RMB980.00 million.



IV MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(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.

(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.



IV MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(3) *Financial assets at fair value*

Unit: Yuan Currency: RMB

Items	Opening Balance	Ending Balance	Change during the Reporting Period	Amount affecting profit for the Reporting Period
Derivative financial assets	0.00	0.00	0.00	0.00
Derivative financial liabilities	0.00	0.00	0.00	0.00
Trading financial assets	<u>980,392,948.10</u>	<u>1,001,316,864.50</u>	<u>20,923,916.40</u>	<u>39,128,145.30</u>
Total	<u>980,392,948.10</u>	<u>1,001,316,864.50</u>	<u>20,923,916.40</u>	<u>39,128,145.30</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 key equity holding and participating companies

1. Information on key subsidiaries

Currency: RMB, unless otherwise specified

Name of company	Registered Capital (0'000)	Principal business	As at 30 June 2020		Realized during the Reporting Period	
			Total assets (0'000)	Net assets (0'000)	Operating income (0'000)	Net profit (0'000)
Tractors Research Company	44,500	Research and development of tractor products	71,177	63,977	6,915	-879
YTO International Trade	6,600	International sale of agricultural machinery	61,536	3,024	11,112	-459
Changxing Company	300	Sales of products, including agricultural machinery, spare parts and diesel engines	57,374	-31,272	297,969	148
YTO Finance	50,000	Provision of financial services	404,777	82,444	6,777	-132
YTO Diesel Engine	USD16 million	Manufacturing and sale of engines	243,579	147,375	93,096	6,335
YTO Foundry and Forging	24,883	Processing and sale of rough and semi-finished products and finished products of casting and forging products	31,685	25,954	11,723	72



IV MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. *Acquisitions and disposals of subsidiaries during the Reporting Period*

On 13 January 2020, Luoyang Intermediate People's Court of Henan Province accepted the liquidation application of YTO Shentong with effect from the same date. According to the relevant requirements under the PRC Accounting Standard, YTO Shentong ceased to be included in the consolidated statements of the Company subsequent to the liquidation proceedings.

3. *Subsidiaries contributing more than 10% to the net profit of the Company*

Unit: 0'000

Number	Name of company	Operating revenue for the Reporting Period	Operating profit for the Reporting Period	Net profit for the Reporting Period
1	YTO Diesel Engine	93,096	6,626	6,335

4. *Analysis on material subsidiaries with over 30% change in their operating business*

CAMACO: net profit decreased by RMB2.54 million year-on-year, mainly due to the year-on-year decrease in the export during the Reporting Period.

Changtuo Company: net profit decreased by RMB5.19 million year-on-year, mainly due to the year-on-year decrease in government subsidies received during the Reporting Period.

YTO Heilongjiang: net profit decreased by RMB11.02 million year-on-year, mainly due to the year-on-year increase in impairment loss on inventory.



IV MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Tractors Research Company: net profit decreased by RMB13.78 million year-on-year, mainly due to the impacts of the disposal of subsidiaries at the end of last year and the year-on-year decrease in revenue as a result of the decrease in the number of subsidiaries that included into the scope of consolidation during the Reporting Period.

YTO International Trade: net profit decreased by RMB6.03 million year-on-year, mainly due to the year-on-year increase in the provision for the loss of credit impairment as affected by the fluctuation of exchange rate during the Reporting Period.

YTO Flag: net profit improved with loss narrowing by RMB4.99 million year-on-year, mainly due to the optimization of the sales structure and the enhancement of the profitability as well as the year-on-year decrease in expenses and labor costs during the Reporting Period.

Changxing Company: net profit increased by RMB24.70 million year-on-year, mainly due to the year-on-year increase in the net profit as a result of the year-on-year increase in the sales revenue driven by the increase in sales volume during the Reporting Period.

YTO Finance: net profit decreased by RMB24.20 million year-on-year, mainly due to the year-on-year increase in the provision for credit impairment loss during the Reporting Period.

YTO Diesel Engine: net profit increased by RMB25.19 million year-on-year, mainly due to the year-on-year increase in the net profit as a result of the year-on-year increase in the sales revenue driven by the increase in sales volume during the Reporting Period.

YTO France: net profit improved with loss narrowing by RMB18.59 million year-on-year, mainly due to the higher amount of provision for asset impairment driven by the adjustment to the business in the corresponding period of last year.



IV MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

III. OTHER DISCLOSEABLE EVENTS

(I) Potential risks

1. *Market risk*

With the thorough implementation of the Rural Revitalization Strategy and a series of national policies supporting the agricultural machinery industry, the sales volume in the tractor industry demonstrated a promising trend featuring a stable growth this year. However, the current situation of overcapacity in the domestic agricultural machinery market has not been fundamentally changed. It is expected that the second and third-line tractor brands are bound to compete for the market share lost during the epidemic period, resulting more fierce competition in the traditional agricultural machinery market such as tractors. Furthermore, the continued epidemic will inevitably trigger the global economic recession while the trade friction and rivalries in various fields between the United States and China will be difficult to come to an end in a short period. China will face more severe international tensions evidenced by the escalation of trade frictions, increasing difficulties in exporting products and the obstruction of the internationalization process.

First Tractor will give full play to its technological research and development and core manufacturing advantages, continuously strengthen its marketing capability, enrich and improve its market product portfolio, improve its product adaptability and competitiveness, and increase its market share by providing high-quality products and efficient services to win customers' trust. At the same time, it will steadily promote the progress of the international plans to achieve effective breakthroughs in key markets.

2. *Risk relating to rising prices of raw materials*

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 risk of fluctuating raw material prices by adopting measures such as optimizing procurement process, shortening the intermediate purchase links and centralizing procurement.



IV MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3. Risk relating to technology upgrade

China accelerates to promote the conversion and upgrading of off-road diesel engine emission standards as environmental policies are evolving, which requires a higher standard for the product techniques, manufacturing skills and overall upgrade of the supplying chain of the agriculture machinery manufacturing enterprises. The Company will prepare for the conversion of National IV and the R&D of National V diesel engines in terms of R&D, manufacturing and marketing, and maintain the leading advantage on technology.

4. Operational risk

Given that the overcapacity of tractors and other traditional agricultural machinery has not been reversed fundamentally, it still has difficulties to achieve the sustainable profit growth due to the fierce market competition faced by enterprises resulting from increasing competition of product homogenization and market price war. Given that certain subsidiaries of the Company are still at a loss position which is difficult to be turnaround in a short time, the Company will actively explore and optimize the feasible ways to the allocation of resources and promote the disposal of inefficient and invalid assets as well as the business integration optimization, which may have certain influence on the performance of the Company for the current period.

The Company will continue to advance the product quality improvement, cost control and various management improvement, constantly improve product cost performance to strive for market share expansion, and at the same time, it will continue to optimize resource allocation, facilitate the disposal of inefficient and inefficacious assets as well as business integration and optimization to improve operational efficiency.



V SIGNIFICANT EVENTS

I. CORPORATE GOVERNANCE OF THE COMPANY DURING THE REPORTING PERIOD

(I) Overview 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 Annual General Meeting	15 June 2020	"Announcement of First Tractor Company Limited on Resolutions of 2019 Annual General Meeting" published on the website of the Shanghai Stock Exchange and "Poll Voting Results of the Annual General Meeting Held on 15 June 2020" published on the website of the Stock Exchange	16 June 2020

Explanation on General Meetings

During the Reporting Period, all of the resolutions presented at the 2019 Annual General Meeting of the Company were approved.

(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.

V SIGNIFICANT EVENTS (CONTINUED)

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 2020 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 2020.

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

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 and Supervisors 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' and Supervisors' 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)

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 2019 annual general meeting, the Company continued to appoint Da Hua Certified Public Accountants (Special General Partnership) as the auditor for financial audit and internal control of the Company for the year 2020, 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 dishonesty of non-performance 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:

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2020	Actual transaction amount from January to June 2020	Percentage 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 (taxinclusive) 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%.	95,000	24,932	8.86
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 (taxinclusive) 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%.	37,000	13,806	3.42

V SIGNIFICANT EVENTS (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 2020	Actual transaction amount from January to June 2020	Percentage in the amount of same type of transactions (%)
3	Composite Services Agreement	YTO	Controlling shareholder	Provision of transportation and 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 (taxinclusive) 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%.	20,000	8,649	97.90
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 (taxinclusive) 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%.	22,000	8,241	95.80
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	499	100.00
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	156	100.00
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)	280,000	148,525	44.44

V SIGNIFICANT EVENTS (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 2020	Actual transaction amount from January to June 2020	Percentage in the amount of same type of transactions (%)
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.	130,000	95,324	42.31
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.	37,600	4,617	3.73
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 rediscounting rate), the rate charged in applicable industry for the same type and same period of bills discounting services; and (3) if none of the above is applicable, determined after arm's length negotiation between YTO Finance and YTO after considering the fair rate offered by the third party on the comparable transactions in the same industry, and their financial positions and terms and size of the transactions as the main factors.	30,000	208	10.69

V SIGNIFICANT EVENTS (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 2020	Actual transaction amount from January to June 2020	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	30,000	33.80
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	600	272	33.85
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	81	26.63
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	20	100.00

V SIGNIFICANT EVENTS (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 2020	Actual transaction amount from January to June 2020	Percentage in the amount of same type of transactions (%)
15	Technological and Calibration and Testing Services Agreement	YTO	Controlling shareholder	Provision of technological and calibration and 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	2,000	123	17.51
16	Commissioned R&D Agreement	Sinomach Academy of Science and Technology Co., Ltd* (國機集團科學技術研究院有限公司)	Wholly-owned subsidiary of the ultimate controlling shareholder	The Company accepts the entrustment of Sinomach Academy of Science and Technology Co., Ltd* and carries out research and development of key technologies which are applied to universal harvesters, high-end machinery, corn harvesters and silage maize harvesters	(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	4,000	456	100
17	Product Inspection and Testing as well as Research and Development Services Agreement	Luoyang Xiyuan Vehicle and Power Institute Co., Ltd.* (洛陽西苑車輛與動力檢驗有限公司) ("Xiyuan Company")	Controlled subsidiary of a controlling shareholder	Provision of products-related technological testing services, patent services, standardized technological support services, and research and development services on non-standard equipment such as inspection and testing equipment for products of First Tractor and its subsidiaries.	(1) the price of the non-connected transactions between Xiyuan Company and the independent third parties; (2) the price of the reasonable cost of the service provided by Xiyuan 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	2,600	966	100.00



V SIGNIFICANT EVENTS (CONTINUED)

Unit: 0'000 Currency: RMB

Connected transactions under Chapter 14A of the Listing Rules of the Stock Exchange:						Estimated cap for transaction amount in 2020	Actual transaction amount from January to June 2020	Percentage in the amount of same type of transactions (%)
No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction			
18	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 markup percentage (i.e. price = cost x (1+ markup percentage)), where the mark-up percentage is not more than 18%.	12,500	1,752	100.00
Connected transactions under the Listing Rules of the Shanghai Stock Exchange:								
19	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 RMB6,630,000 was determined by both parties under market principles and negotiation	663	663	59.93
20	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	108	0	0
21	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	9,000	1,131	0.40
22	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.	26,000	8,354	2.07



V SIGNIFICANT EVENTS (CONTINUED)

2. Matters not disclosed in the provisional announcements

Unit: 0'000 Currency: RMB

Connected counter party	Connected relationship	Type of the connected transaction	Content of the connected transaction	Pricing principle of the connected transaction	Estimated cap for connected transaction amount in 2020	Actual amount of transaction from January to June 2020	As a Percentage in the amount of same type of transactions (%)
YTO	Controlling shareholder	Provision of the right to use the patent and trademark, etc	YTO and its subsidiaries are permitted by the Company to use the Dongfanghong trademark	It is charged in the range of 2%-5% of the external product revenue of the trademark products.	260	0	0
Total				/	/		
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)

(II) CONNECTED TRANSACTIONS OF ASSETS OR EQUITY ACQUISITION OR DISPOSAL

1. Matters not disclosed in the provisional announcements

Unit: 0'000 Currency: RMB

Connected party	Connected relationship	Type of the connected transaction	Content of the connected transaction	Pricing principle of the connected transaction	Book value of transferred assets	Appraisal Value of the transferred assets	Transfer price	Payment method of connected transaction	Proceeds from the transfer of the transferred assets	Impact of the transaction on the operating results and financial position of the Company	Reasons
											for huge differences between the transaction price and book value or appraisal value and market fair value
YTO	Controlling shareholder	Equity transfer	Transfer of the 29.5% equity interests held by the Company in Luoyang Fossett Environmental Protection Technology Co. Ltd.* (洛陽福賽特環保科技有限公司)	On the basis of the appraisal results of Assets Appraisal Report issued by Zoomlion asset appraisal group Co., Ltd. on the benchmark date of 31 December 2019	0	47.63	47.63	In cash	/	The transaction will not have material impact on the operating position and financial results of the Company	

Explanation on connected transactions in respect of asset acquisition and disposal

- The 29.5% equity interests held by the Company in Luoyang Fossett Environmental Protection Technology Co. Ltd.* (洛陽福賽特環保科技有限公司) has been made impairment provision, the book value of which is 0.
- 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. As of the end of the Reporting Period, the equity transaction was still in progress.



V SIGNIFICANT EVENTS (CONTINUED)

(III) 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 RMB21,000,000 to Changtuo Company

For details, please refer to the "Announcement on Provision of Entrusted Loan and Connected Transaction" published by the Company on the Shanghai Stock Exchange on 28 March 2020, and the announcement published by the Company on the website of the Stock Exchange on 27 March 2020.

VIII. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF

(I) Custody

Unit: Yuan Currency: RMB

Name of principal	Name of trustee	Assets in custody	Amounts of assets in custody	Commencement date of custody	End date of custody	Custody income	Recognition basis for custody income	Impact of custody income on the Company	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)

(II) 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		Amount of the guarantee	Date of guarantee (Date of agreement)	Commencement 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 guarantee	Connected relationship
	Company	Beneficiary			date of guarantee	End date of guarantee							
First tractor company limited	Company headquarters	Business dealer of Dianpiactong	107,596,582.00	15 January 2020			Guarantee with joint liability	No	No	0	Yes	No	

Total amount of guarantees provided during the Reporting Period (excluding guarantees provided for subsidiaries) 583,678,030.00

Total outstanding amount of guarantees as at the end of the Reporting Period (A) (excluding guarantees provided for subsidiaries) 107,596,582.00

Guarantees provided by the Company for subsidiaries

Total amount of the guarantees provided for subsidiaries during the Reporting Period 0

Total outstanding amount of the guarantees provided for subsidiaries as at the end of the Reporting Period (B) 209,610,000.00

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

Total amount of guarantees (A+B) 317,206,582.00

Total amount of guarantees as a percentage to the net assets of the Company (%) 6.27

Of which:

Amount of guarantees provided for shareholders, de facto controller and its associates (C) 0

Amount of guarantees of indebtedness directly or indirectly provided for liability of parties with a gearing ratio exceeding 70% (D) 317,206,582.00

The portion of total amount of guarantee in excess of 50% of the net assets (E) 0

Total amount of the above three categories of guarantees (C+D+E) 317,206,582.00

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

(I) Precise Poverty Alleviation Planning

As the designated supporting unit of Zhifang Village, Tantou Town, Luanchuan County, the Company adhered to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Company will continue to follow the unified requirements and deployment of Municipal Party Committee to give full play to its own advantages and implement targeted poverty alleviation support responsibilities by constantly focusing on deepening poverty alleviation of “one change and three promotions”, with a view to achieve “two coordinations” from poverty alleviation and rural revitalization, to the people in or not in poverty, and to complete the progress of building a moderately well-off society in all aspects.

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

The Company adhered to promoting poverty alleviation and economic and social development of Zhifang Village in a high-quality manner, formulated precise poverty alleviation planning based on the actual situation of Zhifang Village to carry out work in multiple forms and through multiple channels, so as to ensure effective assistance. Firstly, amid the COVID-19 pandemic, the First Secretary to the village, the person in charge of assistance, the assistance team has strengthened their contact with the 21 poverty-stricken households (74 persons) in Zhifang Village in a timely manner, ensured that each household has a stable source of income through measures such as providing employment information, developing public welfare posts, and promoting agricultural products. None of them returned poverty due to the COVID-19 pandemic. Secondly, the Company has actively promoted poverty alleviation through consumption, helping poverty-stricken households sell sweet potato vermicelli, Kudzu powder and other agricultural products with an amount of more than RMB3,000, and purchased agricultural and sideline products such as sweet potato vermicelli, Luanchuan bean curd, corn grits, etc. of Zhifang Village, with an amount of over RMB800,000, found employment for 20 labors from poverty-stricken households; Thirdly, the Company has deepened the work of poverty alleviation through agricultural machinery donation, and ensure regular maintenance and best use of the machinery donated. More than 220 acres of wheat were harvested and more than 300 acres of



V SIGNIFICANT EVENTS (CONTINUED)

wheat straw were bundled by the employment of the machinery which the Company donated; Fourthly, the Company went door-to-door and visited the poverty-stricken households, and the person in charge of assistance regularly paid visit and provided assistance and heart to heart, hand in hand, helped with the implementation of the policies. The Company has donated daily necessities and school supplies, etc. for poverty-stricken households in an aggregate amount of more than RMB10,000.

(III) Achievements in precise poverty alleviation

Unit: 0'000 Currency: RMB

Index	Number and implementation information
I. General information	
Including: 1. Capital	80
2. Funds converted from materials	1
3. Number of registered and recorded people in poverty went out of poverty with support (Person)	7
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



V SIGNIFICANT EVENTS (CONTINUED)

Unit: 0'000 Currency: RMB

Index	Number and implementation information
1.2 Number of industrial poverty alleviation projects	1
1.3 Amount invested in industrial poverty alleviation projects	80
1.4 Number of registered and recorded people in poverty went out of poverty with support (Person)	7
2. Poverty alleviation through employment transfer	
3. Poverty alleviation through relocation	
4. Poverty alleviation through education	
Including: 4.1 Amount of input in subsidising poverty-stricken students	0.5
4.2 Number of poverty-stricken students subsidized (person)	23
4.3 Amount of input made in improving education resources in poverty-stricken regions	/

(IV) Follow-Up Precise Poverty Alleviation Planning

The Company carried out various works according to the requirements of the national poverty alleviation survey, adhered to the principle of “adequate food and clothes supply, compulsory education, basic medical service, safe housing and safe drinking water guaranteed”, ensured adequate supplies of public services such as education, health care, housing, safe drinking water etc., the additive effects of poverty alleviation policies in industry, employment and finance increased significantly, and public satisfaction continued to improve. The Company has successfully passed acceptance inspection for national poverty alleviation survey.



V SIGNIFICANT EVENTS (CONTINUED)

X. ENVIRONMENT INFORMATION

(I) Explanation on environmental protection of enterprises and their 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	43	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 in the pollutant emission areas of YTO Foundry and Forging	Monthly average concentration of particulate matter: 7.23mg/m ³ , total emission amount of particulate matter: 15.95 tons	Nil	Exhaust gas emission implemented standards: 1. Melting exhaust gas emission was based on the 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)) (DB41/1066—2020): 10mg/m ³ ; 2. Moulding and cleaning exhaust gas emission was based on particulate matter concentration limit as stipulated in the Notice on the Issuance of the Special Plan for Industrial Pollution Treatment in Luoyang in 2019: 10mg/m ³	Nil



V SIGNIFICANT EVENTS (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 Prevention and Control of Water Pollution, 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, Law of the People's Republic of China on Prevention and Control of Soil Pollution and Law of the People's Republic of China on Prevention and Control of Solid Waste 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 atmospheric pollutants by continuously implementing standard upgrade and transformation for the casting system pollution control, engine testing exhaust gas treatment, machine testing exhaust gas treatment, coating organic waste gas treatment, welding fume treatment, etc. The Company has two reclaimed water treatment stations and six sub-unit wastewater pretreatment systems. The Company has 102 sets of waste gas dust removal facilities and 23 sets of waste gas purification facilities. 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 implemented the Law of the PRC on Environment Impact Assessment, prepared environmental impact assessment reports, and obtained the EIA approval from the government, and implemented various environmental pollution prevention and control measures in strict accordance with the requirements of the EIA report and approval. Environmental protection completion acceptance has been organized upon the completion of the Company's construction projects, and has been published on the national environmental protection websites. In the first half of 2020, the Company has completed the EIA approval for four construction projects, one environmental protection self-acceptance for the completion of construction projects. The independent legal entity of the Company has declared for pollutant discharge permit, and currently the government is reviewing the information submitted.



V SIGNIFICANT EVENTS (CONTINUED)

4. Contingency plan for emergency environmental incidents

The Company has prepared a contingency plan for emergency environmental incidents and filed with the environmental protection department. The Company's environment contingency plan clearly stipulated the emergency management organization and its responsibilities, established an emergency response team equipped with appropriate emergency facilities and equipment. Emergency drills for special programs were conducted by the Company 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 protection 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, industrial exhaust gas and noise emissions of the Company according to the frequency and items determined by the self-testing scheme and issue test reports. In the first half of 2020, all test results of pollutant emission met the standards required.



V SIGNIFICANT EVENTS (CONTINUED)

6. *Other environmental information that should be disclosed*

(II) **Explanation on the environmental protection information of companies other than the companies that are major pollution discharge units**

The Company implemented national pollutant discharge permit system, exerted strict control over total emission of pollutants and standardized the discharge, followed safety compliance in disposal of hazardous waste, and promoted sustainable green development. In the first half of 2020, the Company has no environmental pollution incident.

XI. OTHER MATTERS

(I) **Contingent Liabilities**

Save for the contingent events in external guarantees, as at 30 June 2020, the Company had no other material contingent events.

(II) **Staff, Remuneration Policy and Training of the Company**

As at 30 June 2020, the Company had 7,374 employees. During the Reporting Period, the basic salary system of the Company is a post-based salary system, under which employees' income is 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 planned multi-tier and cross-system trainings for the staff, in order to improve the abilities and qualities of staff at various levels and functions, according to the need of their posts and the development of the Company, and organized technical, management, operational and other trainings in a timely manner.



VI CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

(I) Changes in Shares

1. *Changes in shares*

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

2. ***Disclosure of Other Information Deemed Necessary by the Company or Required by the Securities Regulatory Body***

The Company convened the 17th meeting of the eighth session of the Board and the 19th meeting of the eighth session of the Board on 23 April 2020 and 7 July 2020, respectively, at which proposals related to the non-public issuance of shares of the Company were considered and approved. The shares will be issued to a specific target through non-public issuance, which will be implemented during the validity period of the approval from the CSRC.

The target subscriber of the non-public issuance shall be YTO Group Corporation. The shares are domestically-listed and RMB-denominated ordinary shares (A Shares) with a par value of RMB1.00 per share at an issue price of RMB5.08 per share, totaling 137,795,275 shares. The final issue size shall be subject to the approval of the issuance by the CSRC.

As of the date of this report, the non-public issuance of A Shares has been considered and approved at the 2020 first extraordinary general meeting of and the 2020 first A Share class meeting/H Share class meeting of the Company.



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

II. SHAREHOLDERS

(I) Total number of shareholders:

Total number of ordinary shareholders as at the end of the Reporting Period (<i>shareholder</i>)	30,638 shareholders including 30,276 holders of A Shares and 362 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) 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)	Increase/decrease during the Reporting Period	Shareholdings of the top ten shareholders		Number of shares held subject to selling restrictions	Pledged or frozen		Nature of shareholder
		Total number of shares held as at the end of the Reporting Period	Percentage (%)		Status of shares	Number	
YTO Group Corporation	0	410,690,578	41.66	0	Nil	0	State-owned legal person
HKSCC NOMINEES LIMITED (Note 1)	60,000	387,807,319	39.34	0	Unknown	/	Overseas legal person
China Construction Bank Corporation-Bank of Communications Schroder Economic New Power Hybrid Securities Investment Fund(中國建設銀行股份有限公司—交銀施羅德經濟新動力混合型證券投資基金)	20,221,919	20,221,919	2.05	0	Unknown	/	Other
China Merchants Bank Co., Ltd.- Bank of Communications Schroder Innovation Pilot Hybrid Securities Investment Fund(招商銀行股份有限公司—交銀施羅德創新領航混合型證券投資基金)	11,157,951	11,157,951	1.13	0	Unknown	/	Other

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

Unit: Share

Name of shareholder (full name)	Increase/decrease during the Reporting Period	Shareholdings of the top ten shareholders			Pledged or frozen		
		Total number of shares held as at the end of the Reporting Period	Percentage (%)	Number of shares held subject to selling restrictions	Status of shares	Number	Nature of shareholder
China Construction Bank Corporation Henan Province Branch	0	9,444,950	0.96	0	Unknown	/	Other
China Construction Bank Corporation- Bank of Communications Schroder Growth 30 Hybrid Securities Investment Fund(中國建設銀行股份有限公司—交銀施羅德成長30混合型證券投資基金)	6,910,810	6,910,810	0.70	0	Unknown	/	Other
Hong Kong Securities Clearing Company Limited (Note 2)	-202,946	6,225,007	0.63	0	Unknown	/	Overseas legal person
Industrial and Commercial Bank of China Limited-Hua' an Anxin Consumption Service Hybrid Securities Investment Fund(中國工商銀行股份有限公司—華安安信消費服務混合型證券投資基金)	4,172,900	4,172,900	0.42	0	Unknown	/	Other



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

Unit: Share

Name of shareholder (full name)	Increase/decrease during the Reporting Period	Shareholdings of the top ten shareholders			Pledged or frozen		
		Total number of shares held as at the end of the Reporting Period	Percentage (%)	Number of shares held subject to selling restrictions	Status of shares	Number	Nature of shareholder
Bank of Communications Co., Ltd.-Hua' an Anshun Flexible Allocation of Hybrid Securities Investment Fund(交通銀行股份有限公司—華安安順靈活配置混合型證券投資基金)	2,984,018	2,984,018	0.30	0	Unknown	/	Other
Industrial and Commercial Bank of China Limited-Bank of Communications Schroder Preferred Hybrid Securities Investment Fund(中國工商銀行股份有限公司—交銀施羅德趨勢優先混合型證券投資基金)	2,851,500	2,851,500	0.29	0	Unknown	/	Other

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

Unit: Share

Shareholdings of the top ten shareholders without selling restrictions

Name of shareholder	Number of non-restricted circulating shares held	Class and number of shares	
		Class	Number
YTO Group Corporation	410,690,578	Ordinary shares denominated in RMB	410,690,578
HKSCC NOMINEES LIMITED (Note 1)	387,807,319	Overseas listed foreign shares	387,807,319
China Construction Bank Corporation-Bank of Communications Schroder Economic New Power Hybrid Securities Investment Fund(中國建設銀行股份有限公司—交銀施羅德經濟新動力混合型證券投資基金)	20,221,919	Ordinary shares denominated in RMB	20,221,919
China Merchants Bank Co., Ltd.- Bank of Communications Schroder Innovation Pilot Hybrid Securities Investment Fund(招商銀行股份有限公司—交銀施羅德創新領航混合型證券投資基金)	11,157,951	Ordinary shares denominated in RMB	11,157,951
China Construction Bank Corporation Henan Province Branch	9,444,950	Ordinary shares denominated in RMB	9,444,950
China Construction Bank Corporation- Bank of Communications Schroder Growth 30 Hybrid Securities Investment Fund(中國建設銀行股份有限公司—交銀施羅德成長30混合型證券投資基金)	6,910,810	Ordinary shares denominated in RMB	6,910,810
Hong Kong Securities Clearing Company Limited (Note 2)	6,225,007	Ordinary shares denominated in RMB	6,225,007
Industrial and Commercial Bank of China Limited-Hua'an Anxin Consumption Service Hybrid Securities Investment Fund(中國工商銀行股份有限公司—華安安信消費服務混合型證券投資基金)	4,172,900	Ordinary shares denominated in RMB	4,172,900



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

Unit: Share

Shareholdings of the top ten shareholders without selling restrictions

Name of shareholder	Number of non-restricted circulating shares held	Class and number of shares	
		Class	Number
Bank of Communications Co., Ltd.-Hua' an Anshun Flexible Allocation of Hybrid Securities Investment Fund(交通銀行股份有限公司—華安安順靈活配置混合型證券投資基金)	2,984,018	Ordinary shares denominated in RMB	2,984,018
Industrial and Commercial Bank of China Limited-Bank of Communications Schroder Preferred Hybrid Securities Investment Fund(中國工商銀行股份有限公司—交銀施羅德趨勢優先混合型證券投資基金)	2,851,500	Ordinary shares denominated in RMB	2,851,500
Explanation on connected relationship or acting in concert among the aforesaid shareholders	Among the top ten shareholders and top ten shareholders without selling restrictions, YTO, the controlling shareholder of the Company, has no connected relationship with, nor is it a party acting in concert as defined in the Administrative Measures on Acquisitions by Listed Companies with, any other shareholders. The Company is not aware of any connected relationship among other shareholders, nor aware of any parties acting in concert among them as defined in the Administrative Measures on Acquisitions by Listed Companies.		
Explanation on preference shareholders with voting rights restored and number of shares held thereby	N/A		

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

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



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

As at 30 June 2020, 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 the relevant issued class of share capital ¹ (%)	Percentage of the total issued share capital (%)	Type of share
YTO	Beneficial owner	Beneficial interest	<u>410,690,578 (L)</u>	<u>/</u>	<u>410,690,578 (L)</u>	<u>69.15 (L)</u>	<u>41.66 (L)</u>	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.

Note 3: Pursuant to the subscription agreement entered into between the Company and YTO on 23 April 2020 in respect of the issuance and subscription of 137,795,275 A Shares, YTO agreed to subscribe for 137,795,275 A Shares to be issued by the Company with nominal value of RMB1.00 per share at an issue price of RMB5.08 per share by way of non-public issuance. Therefore, YTO Group Corporation held long position of 137,795,275 A Shares.

IV. PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

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



VII PREFERENCE SHARES

The Company had no preference shares during the Reporting Period.



VIII DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Name	Position	Change
Yu Zengbiao	Former Chairman	Resigned

On 28 May 2020, the term of office of Mr. Yu Zengbiao expired and he ceased to be an independent Director and resigned from the positions in relevant special committees of the Board of the Company. (For details, please refer to the Announcement on Expiry of Term of Office and Resignation of Independent Directors of First Tractor Company Limited published by the Company on the website of the Shanghai Stock Exchange on 29 May 2020 and the Announcement on the (1) Expiry of Term of Office of Independent Non-executive Director, Member of Audit Committee and Chairman of Remuneration Committee and (2) Appointment of Member of Audit Committee, Member of Remuneration Committee and Chairman of Remuneration Committee and (3) Change in Composition of Independent Board Committee published by the Company on the website of the Stock Exchange on 28 May 2020).

II. OTHER EXPLANATION

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

As at 30 June 2020, 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.



IX CORPORATE BONDS

The Company had no corporate bonds during the Reporting Period.



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

Consolidated Balance Sheet

June 30th, 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Items	Note VI	June 30th, 2020	Dec 31st, 2019
Current assets			
Monetary Funds	Note 1	1,023,163,108.94	1,401,027,992.74
Financial institutions	Note 2	40,000,000.00	70,000,000.00
Trading financial assets	Note 3	1,001,316,864.50	980,392,948.10
Derivative financial assets			
Notes receivable	Note 4	286,023,603.77	352,201,737.77
Accounts receivable	Note 5	981,876,286.92	406,586,834.70
Receivables Financing			
Advances to suppliers	Note 6	91,762,905.37	175,282,225.34
Other receivables	Note 7	46,945,055.47	38,657,541.73
Including: Interest receivable			
Dividend receivable			
Buying back the sale of financial assets	Note 8	1,030,963,325.02	671,668,502.78
Inventories	Note 9	928,467,083.31	1,001,785,770.20
Contract assets			
Assets classified as held for sale			
Non-current assets due within one year	Note 10	274,617,202.93	250,465,409.57
Other current assets	Note 11	1,206,699,492.49	1,067,152,153.18
Total current assets		<u>6,911,834,928.72</u>	<u>6,415,221,116.11</u>



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

Consolidated Balance Sheet (Continued)

June 30th, 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Items	Note VI	June 30th, 2020	Dec 31st, 2019
Non-current assets			
Loans and advances to customers	Note 12	934,893,616.44	959,950,968.59
Debt investment			
Other debt investment			
Long-term receivables	Note 13	193,823,187.41	220,198,228.05
Long-term equity investments	Note 14	120,440,746.88	119,753,172.07
Investment in other equity instruments	Note 15	3,871,238.40	3,871,238.40
Other non-current financial assets			
Investment properties			
Fixed assets	Note 16	2,704,645,729.01	2,814,817,617.87
Construction in progress	Note 17	131,707,349.87	128,990,466.09
Productive biological assets			
Oil and gas assets			
Right-to-use assets	Note 18	9,525,709.27	18,945,867.20
Intangible assets	Note 19	777,125,563.39	791,670,317.62
Research and development expenses	Note 20		
Goodwill	Note 21		
Long-term unamortized expenses	Note 22	44,431,344.48	44,118,542.74
Deferred income tax assets	Note 23	122,380,178.79	111,484,850.77
Total non-current assets		<u>5,042,844,663.94</u>	<u>5,213,801,269.40</u>
Total assets		<u>11,954,679,592.66</u>	<u>11,629,022,385.51</u>

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

Consolidated Balance Sheet (Continued)

June 30th, 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Items	Note VI	June 30th, 2020	Dec 31st, 2019
Current liabilities:			
Short-term loans	Note 24	1,280,445,446.52	1,419,528,065.30
From deposits in central bank			
Loans from other banks			
Trading financial liabilities			
Derivative financial liabilities			
Notes payable	Note 26	843,935,411.02	1,004,008,951.30
Accounts payable	Note 27	1,935,272,247.30	1,252,450,248.58
Advance from customers			
Contract liabilities	Note 28	163,822,472.18	177,743,289.89
Absorption of deposits and interbank deposits	Note 25	1,130,277,134.19	1,137,277,294.54
Employee salary payable	Note 29	109,984,308.76	104,615,621.71
Taxes payables	Note 30	34,254,125.03	34,716,241.84
Other payables	Note 31	285,922,647.04	302,747,490.57
Including: Interest payable		7,391,281.50	3,927,593.99
Dividends payable		8,439,607.83	8,439,607.83
Non-current liabilities due within one year	Note 32	352,886,423.19	649,035,505.95
Other current liabilities	Note 33	315,006,896.99	225,466,269.20
Total current liabilities		<u>6,451,807,112.22</u>	<u>6,307,588,978.88</u>



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

Consolidated Balance Sheet (Continued)

June 30th, 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Items	Note VI	June 30th, 2020	Dec 31st, 2019
Non-current liabilities			
Long-term loans	Note 34	99,900,000.00	139,077,500.00
Bonds payable			
Including: Preference shares			
Perpetual bond			
Lease liabilities	Note 35	15,832.95	64,384.18
Long-term payables	Note 36	9,106,458.69	8,933,931.06
Long-term employee salary payable	Note 37	69,724,555.53	88,010,022.26
Estimated Liabilities	Note 38	2,684,542.65	2,652,542.65
Deferred income	Note 39	150,664,117.67	155,715,222.06
Deferred tax liabilities	Note 23	144,922,523.22	143,114,014.97
Other non-current liabilities			
Total non-current liabilities		477,018,030.71	537,567,617.18
Total liabilities		6,928,825,142.93	6,845,156,596.06

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

Consolidated Balance Sheet (Continued)

June 30th, 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Items	Note VI	June 30th, 2020	Dec 31st, 2019
Shareholder's equity			
Share capital	Note 40	985,850,000.00	985,850,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserves	Note 41	2,099,466,626.33	2,099,466,626.33
Less: Treasury shares			
Other comprehensive income	Note 42	-17,659,625.80	-14,198,180.13
Special reserves	Note 43	2,763,105.33	2,230,000.31
Surplus reserves	Note 44	442,101,172.16	442,101,172.16
General risk reserves	Note 45	25,104,151.50	25,104,151.50
Retained earnings	Note 46	852,813,369.07	529,451,678.91
Total equity attributable to shareholders of the parent company		4,390,438,798.59	4,070,005,449.08
Minority interests		635,415,651.14	713,860,340.37
Total shareholder's equity		5,025,854,449.73	4,783,865,789.45
Total liabilities and shareholder's equity		11,954,679,592.66	11,629,022,385.51

Legal Representative:

Li Xiaoyu

Chief Financial Officer:

Zhao Junfen

Accounting Manager:

Yao Weidong



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

Balance Sheet of the Parent Company

June 30th, 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Items	Note XVI	June 30th, 2020	Dec 31st, 2019
Current assets			
Monetary Funds		1,375,073,751.77	1,321,190,129.45
Trading financial assets		212,375,354.75	211,963,600.00
Derivative financial assets			
Notes receivable		249,585,776.73	218,795,628.22
Accounts receivable	Note 1	614,267,586.19	428,483,102.61
Receivables Financing			
Notes receivable & Accounts receivable			
Advances to suppliers		66,974,062.03	128,124,688.23
Other receivables	Note 2	92,442,698.95	90,663,933.90
Including: Interest receivable			
Dividends receivable		76,808,376.96	76,808,376.96
Inventories		516,301,888.14	573,890,837.00
Contract assets			
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets		1,420,663,428.97	1,229,070,606.89
Total current assets		4,547,684,547.53	4,202,182,526.30



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

Balance Sheet of the Parent Company (Continued)

June 30th, 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Items	Note XVI	June 30th, 2020	Dec 31st, 2019
Non-current assets			
Financial assets available- for-sale			
Held-to-maturity investments			
Debt investment Other debt investment			
Long-term receivables			
Long-term equity investments	Note 3	2,742,816,462.79	2,742,403,117.96
Investment in other equity instruments			
Other non-current financial assets			
Investment properties			
Fixed assets		1,567,964,352.13	1,634,385,337.52
Construction in progress		76,903,839.21	71,775,619.42
Productive biological assets			
Oil and gas assets			
Right-to-use assets		7,534,651.81	15,069,303.62
Intangible assets		518,513,754.48	527,070,096.40
Research and development expenses			
Goodwill			
Long-term unamortized expenses		31,586,222.14	33,354,477.35
Deferred income tax assets		44,864,159.04	53,458,554.88
Other non-current assets			
		4,990,183,441.60	5,077,516,507.15
Total non-current assets			
		9,537,867,989.13	9,279,699,033.45
Total assets			



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

Balance Sheet of the Parent Company (Continued)

June 30th, 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Items	Note VI	June 30th, 2020	Dec 31st, 2019
Current liabilities:			
Short-term loans		1,947,793,085.83	2,138,456,858.32
Trading financial liabilities			
Derivative financial liabilities			
Notes payable		645,812,144.39	750,363,293.22
Accounts payable		1,388,405,679.41	866,248,907.42
Notes payable & Accounts payable			
Advance from customers			
Contract liabilities		182,381,899.53	150,185,828.53
Employee salary payable		59,216,998.54	58,036,817.89
Taxes payables		5,540,767.71	4,736,582.82
Other payables		149,494,767.78	157,666,148.70
Including: Interest payable			
Dividend payable			
Liabilities classified as held for sale			
Non-current liabilities due within one year		271,450,684.35	606,289,789.74
Other current liabilities		25,983,313.66	29,412,611.49
Total current liabilities		<u>4,676,079,341.20</u>	<u>4,761,396,838.13</u>



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

Balance Sheet of the Parent Company (Continued)

June 30th, 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Items	Note VI	June 30th, 2020	Dec 31st, 2019
Non-current liabilities			
Long-term loans		339,900,000.00	340,000,000.00
Bonds payable			
Including: Preference shares			
Perpetual bond			
Lease liabilities			
Long-term payables			
Long-term employee salary payable		45,627,182.16	57,921,865.55
Estimated Liabilities		2,652,542.65	2,652,542.65
Deferred income		105,828,045.79	107,161,788.92
Deferred tax liabilities		15,356,303.21	15,294,540.00
Other non-current liabilities			
		<hr/>	<hr/>
Total non-current liabilities		509,364,073.81	523,030,737.12
		<hr/> <hr/>	<hr/> <hr/>
Total liabilities		5,185,443,415.01	5,284,427,575.25
		<hr/> <hr/>	<hr/> <hr/>



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

Balance Sheet of the Parent Company (Continued)

June 30th, 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Items	Note VI	June 30th, 2020	Dec 31st, 2019
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		994,173,639.84	637,020,523.92
Total shareholder's equity		4,352,424,574.12	3,995,271,458.20
Total liabilities and shareholder's equity		9,537,867,989.13	9,279,699,033.45

Legal Representative:

Li Xiaoyu

Chief Financial Officer:

Zhao Junfen

Accounting Manager:

Yao Weidong

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

Consolidated Income Statement

January 1 to June 30, 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note VI	Amount in current period	Amount in last period
1. Total operating revenue		4,116,725,509.00	3,425,973,267.68
Including: Operating revenue	Note 47	4,074,490,101.51	3,376,284,242.98
Interest income	Note 48	40,024,451.98	47,885,722.12
Earned insurance premiums			
Fees and commission income	Note 49	2,210,955.51	1,803,302.58
2. Total cost of operation		3,766,196,746.53	3,454,099,465.80
Including: Cost of operation	Note 47	3,257,678,123.70	2,906,028,393.82
Interest expenses	Note 48	10,929,064.06	17,000,296.03
Fees and commission expense	Note 49	228,456.80	235,533.76
Taxes and surcharges	Note 50	21,475,432.40	22,779,937.82
Selling expenses	Note 51	161,017,133.24	141,344,409.13
Administrative expenses	Note 52	139,146,303.86	168,787,482.38
R & D expenses	Note 53	155,253,323.10	156,530,035.79
Financial expenses	Note 54	20,468,909.37	41,393,377.07
Including: Interest expenses		46,590,431.12	83,118,600.84
Interest income		11,295,005.51	38,782,268.47
Add: Other income	Note 57	16,643,436.56	18,582,933.40
Investment income (Losses listed as "-")	Note 59	347,706,638.26	38,659,947.90



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

Consolidated Income Statement (Continued)

January 1 to June 30, 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note VI	Amount in current period	Amount in last period
Including: Income from investments in associates and joint ventures		345,334.11	-5,217,213.36
Gains on derecognition of financial asset measured at amortised cost (Loss listed with "-")			
Net exposure hedging gains (Loss listed with "-")			
Gain arising from the changes in fair value (Loss listed with "-")	Note 60	20,821,149.11	42,484,063.57
Loss on impairment of assets (Losses listed as "-")	Note 55	-75,014,691.87	-33,828,164.42
Loss on impairment on credit (Losses listed as "-")	Note 56	-328,278,476.45	-16,409,018.88
Asset disposal income	Note 61	920,722.93	-50,437.30
3. Operating profit		333,327,541.01	21,313,126.15
Add: Non-operating income	Note 62	1,577,199.74	15,118,851.87
Less: Non-operating expenses	Note 63	654,060.87	511,505.42
4. Total profit		334,250,679.88	35,920,472.60
Less: Income tax expenses	Note 64	12,601,713.30	26,103,902.44



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

Consolidated Income Statement (Continued)

January 1 to June 30, 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note VI	Amount in current period	Amount in last period
5. Net profit		321,648,966.58	9,816,570.16
(1) classification according to the continuity of operation			
Continuous operating net profit		321,648,966.58	9,816,570.16
Termination of net profit			
(2) classification of ownership according to ownership			
Net profit attributable to shareholders of the parent company		323,361,690.16	19,612,525.70
Minority interest		-1,712,723.58	-9,795,955.54
6. Net other comprehensive income after tax		-1,840,169.96	2,898,768.21
Net other comprehensive income after tax attributable to owners of the parent company		-3,461,445.67	2,973,074.04
(1) Other comprehensive income that cannot be reclassified to profit and loss in subsequent periods		0.00	0.00
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			



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

Consolidated Income Statement (Continued)

January 1 to June 30, 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note VI	Amount in current period	Amount in last period
3. Changes in Fair Value of Investment in Other Equity Instruments			
4. Fair Value Change of Enterprise's Credit Risk			
(2) Other comprehensive income that will be subsequently reclassified to profit and loss		-3,461,445.67	2,973,074.04
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. Amount of financial assets reclassified into other comprehensive returns			
4. Credit impairment reserve for other creditor's rights investment			
5. Cash Flow Hedging Reserve			
6. The Balance of Conversion of Foreign Currency Financial Statements		-3,461,445.67	2,973,074.04
7. Others			

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

Item	<i>Note VI</i>	Amount in current period	Amount in last period
Net other comprehensive income after tax attributable to minority interests		1,621,275.71	-74,305.83
7. Total comprehensive income		319,808,796.62	12,715,338.37
(1) Total comprehensive income attributable to shareholders of the parent company		319,900,244.49	22,585,599.74
(2) Total comprehensive income attributable to minority interests		-91,447.87	-9,870,261.37
8. Earnings per share:			
(1) Basic earnings per share		0.3280	0.0199
(2) Diluted earnings per share		0.3280	0.0199
		<u><u>0.3280</u></u>	<u><u>0.0199</u></u>

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



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

Income Statement of the Parent Company

January 1 to June 30, 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note XVI	Amount in current period	Amount in last period
1. Operating revenue	Note 4	3,064,405,616.29	2,405,705,595.34
Less: Cost of operation	Note 4	2,591,570,564.47	2,162,994,051.51
Taxes and surcharges		10,284,093.98	9,334,620.82
Selling expenses		8,765,443.78	6,484,668.54
Administrative expenses		69,360,026.93	69,590,660.52
R & D expenses		94,850,003.87	86,171,567.83
Financial expenses		26,422,092.98	37,832,790.07
Including: Interest expenses		59,159,022.37	93,458,751.17
Interest income		28,521,590.24	50,714,449.24
Add: Other income		9,524,543.13	6,333,275.38
Investment income (Losses listed as "-")	Note 5	99,613,344.83	5,596,571.57
Including: income from investments in associates and joint ventures		413,344.83	-5,261,236.46
Termination of Recognized Income of Financial Assets Measured at Amortized Cost(Losses listed as "-")			
Net exposure hedging gains (Loss listed with "-")			
Changes in fair value(Loss listed with "-")		411,754.75	5,870,951.23
Loss on impairment of assets (Losses listed as "-")		-1,796,402.19	-1,754,022.64
Loss on impairment on credit (Losses listed as "-")		-6,188,277.95	5,136,234.45
Asset disposal income		529,287.05	23,052.83

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

Income Statement of the Parent Company (Continued)

January 1 to June 30, 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note XVI	Amount in current period	Amount in last period
2. Operating profit (Losses listed as "-")		365,247,639.90	54,503,298.87
Add: Non-operating income		957,674.83	1,569,321.17
Less: Non-operating expenses		396,039.76	4,000.13
3. Total profit (Total losses listed as "-")		365,809,274.97	56,068,619.91
Less: Income tax expenses		8,656,159.05	4,663,108.46
4. Net profit (Net losses listed as "-")		357,153,115.92	51,405,511.45
Continuous operating net profit (Net losses listed as "-")		357,153,115.92	51,405,511.45
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			



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

Income Statement of the Parent Company (Continued)

January 1 to June 30, 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note XVI	Amount in current period	Amount in last period
(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. Amount of financial assets reclassified into other comprehensive returns			
4. Credit impairment reserve for other creditor's rights investment			
5. Cash Flow Hedging Reserve			
6. The Balance of Conversion of Foreign Currency Financial Statements			
7. Others			



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

Income Statement of the Parent Company (Continued)

January 1 to June 30, 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note XVI	Amount in current period	Amount in last period
6. Total comprehensive income		357,153,115.92	51,405,511.45
7. Earnings per share:			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Legal Representative:

Li Xiaoyu

Chief Financial Officer:

Zhao Junfen

Accounting Manager:

Yao Weidong



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

Consolidated Cash Flow Statement

January 1 to June 30, 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note VI	Amount in current period	Amount in last period
1. Cash Flow from Operating Activities :			
Cash from sale and render service		3,648,709,783.48	2,900,150,439.95
Net increase of customer's deposit and deposit taking of interbank		-13,661,139.86	-18,216,095.79
Net increase borrowings from central bank			
Net increase borrowing funds to other financing institution			100,000,000.00
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			
Interest, handling charges and commissions received		46,275,543.03	70,516,352.72
Net increase in funds deposit			
Net increase of repurchasing business funds		-360,400,000.00	150,000,000.00
Refund of tax and levies		20,317,295.47	28,762,629.10
Cash relating to other operating activities	Note 65	49,881,835.30	116,416,910.13
Sub-total of cash inflows from operating activities		3,391,123,317.42	3,347,630,236.11

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

Consolidated Cash Flow Statement (Continued)

January 1 to June 30, 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note VI	Amount in current period	Amount in last period
Cash payments for goods purchased and services received		2,345,963,545.44	2,248,095,861.46
Net increase in loans and payments on behalf		-28,929,555.92	-113,049,124.22
Net increase in deposits with centre bank and interbank		-15,394,419.76	-35,965,201.45
Payments of claims for original insurance contracts			
Interests, handling charges and commissions paid		4,496,541.35	17,655,245.40
Commissions on insurance policies paid			
Cash payments to and on behalf of employees		419,121,320.69	551,315,635.07
Payments of all types of taxes		78,711,640.58	63,461,723.65
Other cash payments relating to operating activities	Note 65	134,512,359.58	177,593,899.28
Sub-total of cash outflows from operating activities		2,938,481,431.96	2,909,108,039.19
Net cash flows from operating activities		452,641,885.46	438,522,196.92



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

Consolidated Cash Flow Statement (Continued)

January 1 to June 30, 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note VI	Amount in current period	Amount in last period
2. Cash flows from investing activities:			
Cash received from disposals and withdraw on investment			420,657,700.80
Cash received from returns on investments		28,732,858.86	49,785,104.53
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		5,331,136.72	2,275,226.18
Net cash received from disposals of subsidiaries and other business units			
Other cash received relating to investing activities			
Sub-total of cash inflows from investing activities		34,063,995.58	472,718,031.51
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		44,021,156.10	63,375,645.76
Cash payments to acquire investments		174,000,000.00	453,871,238.40
Net cash payments for acquisitions of subsidiaries and other business units			
Other cash payments relating to investing activities	Note 65	235,907.24	8,281.27
Sub-total of cash outflows from investing activities		218,257,063.34	517,255,165.43
Net cash flows from investing activities		-184,193,067.76	-44,537,133.92

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

Consolidated Cash Flow Statement (Continued)

January 1 to June 30, 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note VI	Amount in current period	Amount in last period
3. Cash flows from financing activities:			
Cash received from investors in making investment in the enterprise Including: cash received from issuing shares of minority shareholders		563,048,752.36	500,000,000.00
Cash received from the loans		11,919.11	_____
Other cash received relating to financing activities	Note 65	_____	_____
Sub-total of cash outflows from financing activities		563,060,671.47	500,000,000.00
Cash repayments of amounts borrowed		1,030,100,000.00	629,000,000.00
Cash payments for distribution of dividends or profits, or cash payments for interest expenses Including: subsidiary companies pay cash to minority shareholders for interest expenses and distribution of dividends or profit		119,752,897.50	75,156,446.34
Other cash payments relating to financing activities	Note 65	6,208,018.26	_____
Sub-total of cash outflows from financing activities		1,156,060,915.76	704,156,446.34
Net cash flows from financing activities		<u>-593,000,244.29</u>	<u>-204,156,446.34</u>



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

Consolidated Cash Flow Statement (Continued)

January 1 to June 30, 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note VI	Amount in current period	Amount in last period
4. Effect of foreign exchange rate changes on cash and cash equivalents		-1,690,502.93	2,970,642.98
5. Net increase in cash and cash equivalents		-326,241,929.52	192,799,259.64
Plus: Cash and cash equivalents at beginning of period		1,120,120,449.63	1,279,587,830.24
6. Cash and cash equivalents at end of period		<u>793,878,520.11</u>	<u>1,472,387,089.88</u>

Legal Representative:
Li Xiaoyu

Chief Financial Officer:
Zhao Junfen

Accounting Manager:
Yao Weidong

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

Cash Flow Statement of the Parent Company

January 1 to June 30, 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note XVI	Amount in current period	Amount in last period
1. Cash Flow from Operating Activities :			
Cash from sale and render service		3,137,419,470.11	2,524,426,710.83
Refund of tax and levies		16,582,790.90	7,453,891.30
Cash relating to other business activities		17,732,982.76	95,664,341.53
		<hr/>	<hr/>
Sub-total of cash inflows from operating activities		3,171,735,243.77	2,627,544,943.66
		<hr/>	<hr/>
Cash payments for goods purchased and services received		2,069,044,796.68	2,127,036,580.89
Cash paid to and on behalf of employees		244,745,121.18	259,491,026.57
Payments of all types of taxes		10,216,695.36	9,422,299.05
Cash paid relating to other operating activities		56,114,996.94	88,050,870.97
		<hr/>	<hr/>
Sub-total of cash outflows from operating activities		2,380,121,610.16	2,484,000,777.48
		<hr/>	<hr/>
Net cash flows from operating activities		791,613,633.61	143,544,166.18
		<hr/> <hr/>	<hr/> <hr/>



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

Cash Flow Statement of the Parent Company (Continued)

January 1 to June 30, 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note XVI	Amount in current period	Amount in last period
2. Cash flows from investing activities			
Cash received from returns on investments		180,000,000.00	434,300,000.00
Cash received from investments income		115,020,374.30	45,967,718.28
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		5,560,021.78	1,321,771.80
Net cash received from disposal of subsidiaries and other business units			
Cash received relating to other investing activities			
Sub-total of cash inflows from investing activities		300,580,396.08	481,589,490.08
Cash paid to acquire fixed assets, intangible assets and other long-term assets		25,304,945.50	24,888,397.65
Cash paid for investments		404,000,000.00	671,752,000.00
Net cash paid to acquire subsidiaries and other business units			
Cash paid relating to other investing activities			
Sub-total of cash outflows from investing activities		429,304,945.50	696,640,397.65
Net cash flows from investing activities		-128,724,549.42	-215,050,907.57

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

Cash Flow Statement of the Parent Company (Continued)

January 1 to June 30, 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note XVI	Amount in current period	Amount in last period
3. Cash flows from financing activities			
Cash received from investment absorption			
Cash received from the loans		1,300,000,000.00	1,240,000,000.00
Cash received relating to other financing activities		11,919.11	
Sub-total of cash inflows from financing activities		<u>1,300,011,919.11</u>	<u>1,240,000,000.00</u>
Cash repayments of amounts borrowed		1,820,100,000.00	1,413,000,000.00
Cash paid for dividends, profits appropriation or payments of interest		58,975,942.44	88,863,051.17
Cash paid relating to other financing activities		<u>4,471,063.37</u>	<u>171,000.00</u>
Sub-total of cash outflows from financing activities		<u>1,883,547,005.81</u>	<u>1,502,034,051.17</u>
Net cash flows from financing activities		<u><u>-583,535,086.70</u></u>	<u><u>-262,034,051.17</u></u>



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

Cash Flow Statement of the Parent Company (Continued)

January 1 to June 30, 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note XVI	Amount in current period	Amount in last period
4. Effect of changes in foreign exchange rate on cash and cash equivalents		-158.87	-640.14
5. Net increase in cash and cash equivalents		79,353,838.62	-333,541,432.70
Add: Cash and cash equivalents at the beginning of the year		1,094,673,290.86	1,280,174,973.16
6. Cash and cash equivalents at the end of the year		<u>1,174,027,129.48</u>	<u>946,633,540.46</u>

Legal Representative:
Li Xiaoyu

Chief Financial Officer:
Zhao Junfen

Accounting Manager:
Yao Weidong

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

Consolidated Statement of Changes in Shareholders' Equity (Continued)

January 1 to June 30, 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Amount in this period										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	Subtotal		Minority equity
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-	-78,400,000.00	-78,400,000.00
1. Appropriation of surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
2. Extraction of general risk reserves	-	-	-	-	-	-	-	-	-	-	-	-
3. Profit distributed to owners (or stockholders)	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Transfers within the owners' equity	-	-	-	-	-	-	-	-	-	-	-78,400,000.00	-78,400,000.00
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	-	-	-	-	-	-	-	-	-	-	-	-

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

Consolidated Statement of Changes in Shareholders' Equity (Continued)

January 1 to June 30, 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Amount in this period											
	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	Subtotal	Minority equity	Total owners' equity
5. Other comprehensive income carried forward to retained earnings	-	-	-	-	-	533,105.02	-	-	-	533,105.02	46,758.63	-579,863.65
6. Others	-	-	-	-	-	4,848,881.49	-	-	-	4,848,881.49	246,639.06	5,096,520.55
(VI) Special reserves	-	-	-	-	-	4,316,776.47	-	-	-	4,316,776.47	199,880.43	4,516,656.90
1. Extraction of special reserves	-	-	-	-	-	-	-	-	-	-	-	-
2. Use of special reserves	-	-	-	-	-	-	-	-	-	-	-	-
(VII) Others	-	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at the end of current year	985,851,000.00	-	2,059,466,626.33	-	-17,655,625.80	2,763,165.33	442,101,172.16	25,104,151.50	862,813,365.07	4,390,438,796.59	655,415,651.14	5,025,854,449.73

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

Consolidated Statement of Changes in Shareholders' Equity (Continued)

January 1 to June 30, 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Amount in last period											
	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	Subtotal	Minority equity	Total owners' equity
I. Closing balance of prior year	985,850,000.00	-	2,098,639,657.89	-	-16,863,576.18	3,274,006.51	442,101,172.16	-	493,080,403.24	4,007,081,663.62	646,994,106.74	4,656,075,770.36
Add: accounting policy changes	-	-	-	-	-	-	-	-	-	-	-	-
Prior errors correction	-	-	-	-	-	-	-	-	-	-	-	-
Enterprise merger under the same control	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance at the beginning of current year	985,850,000.00	-	2,098,639,657.89	-	-16,863,576.18	3,274,006.51	442,101,172.16	-	493,080,403.24	4,007,081,663.62	646,994,106.74	4,656,075,770.36
III. Increases/decreases in current year	-	-	-167,746.00	-	2,973,074.04	-287,271.15	-	25,104,151.50	-5,491,626.80	22,389,126.59	-8,252,421.05	13,136,705.54
(I) Total comprehensive income	-	-	-	-	2,973,074.04	-	-	25,104,151.50	-5,491,626.80	19,612,525.70	-8,870,261.37	12,715,338.37
(II) Capital contributed by owners and capital decreases	-	-	-167,746.00	-	2,973,074.04	-	-	-	-	-	638,273.67	470,527.67
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	-	-	-167,746.00	-	-	-	-	-	-	-167,746.00	638,273.67	470,527.67

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

Consolidated Statement of Changes in Shareholders' Equity (Continued)

January 1 to June 30, 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Amount in last period											
	Paid-in capital (or stock)	Other equity instrument	Capital reserve	Less: treasury stock	The owner's equity attributable to parent company				Subtotal	Minority equity	Total owners' equity	
					Other comprehensive income	Special reserves	Surplus reserve	General risk reserves				Retained earnings
(III) Profit distribution	-	-	-	-	-	-	-	-	25,104,151.50	-	-	-
1. Appropriation of surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
2. Extraction of general risk reserves	-	-	-	-	-	-	-	-	25,104,151.50	-	-	-
3. Profit distributed to owners (or stockholders)	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Transfers within the owner's 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	-	-	-	-	-	-	-	-	-	-	-	-

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

Consolidated Statement of Changes in Shareholders' Equity (Continued)

January to June, 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Amount in last period							Total owners' equity				
	Paid-in capital (or stock)	Other equity instrument	Capital reserve	Treasury stock	Less: comprehensive income	Other income	The owner's equity attributable to parent company					
5. Other comprehensive income carried forward to retained earnings												
6. Others												
(VI) Special reserves												
1. Extraction of special reserves												
2. Use of special reserves												
(VII) Others												
IV. Balance at the end of current year	865,850,000.00	-	2,089,471,911.89	-	-13,890,502.14	3,245,279.36	442,101,172.16	25,104,151.50	467,586,777.44	4,029,470,790.21	639,741,655.69	4,669,212,415.90

Legal Representative:

Li Xiaoyu

Chief Financial Officer:

Zhao Junfen

Accounting Manager:

Yao Weidong



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

Statement of Changes in Shareholders' Equity of the Parent Company (Continued)
January 1 to June 30, 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Amount in this period							Total owners' equity	
	Paid-in capital (or stock)	Other equity instrument	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserve		Retained earnings
(V) 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	-	-	-	-	-	-	-	-	
5. Other comprehensive income carried forward to retained earnings	-	-	-	-	-	-	-	-	
6. Others	-	-	-	-	-	-	-	-	
(VI) Special reserves	-	-	-	-	-	-	-	-	
1. Extraction of special reserves	-	-	-	-	-	2,918,746.06	-	-	
2. Use of special reserves	-	-	-	-	-	2,918,746.06	-	-	
(VII) Others	-	-	-	-	-	-	-	-	
IV. Balance at the end of current year	985,850,000.00	-	2,004,793,045.95	-	-	-	367,607,888.33	994,173,639.84	4,324,424,574.12

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

Statement of Changes in Shareholders' Equity of the Parent Company (Continued)
January 1 to June 30, 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Amount in last period							Total owners' equity	
	Paid-in capital (or stock)	Other equity instrument	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserve		Retained earnings
I. Closing balance of prior year	985,850,000.00	-	2,004,739,045.95	-	-	-	367,607,888.33	830,125,343.43	4,188,376,277.71
Add: accounting policy changes	-	-	-	-	-	-	-	-	-
Prior errors' correction	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
II. Balance at the beginning of current year	985,850,000.00	-	2,004,739,045.95	-	-	-	367,607,888.33	830,125,343.43	4,188,376,277.71
III. Increases/decreases in current year									
(I) Total comprehensive income	-	-	-	-	-	-	-	51,405,511.45	51,405,511.45
(II) Capital contributed by owners and capital decreases	-	-	-	-	-	-	-	51,405,511.45	51,405,511.45
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	-	-	-	-	-	-	-	-	-

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

Statement of Changes in Shareholders' Equity of the Parent Company (Continued)
January 1 to June 30, 2020

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Amount in last period						Total owners' equity
	Paid-in capital (or stock)	Other equity instrument	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserves	
(W) 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. Other comprehensive income carried forward to retained earnings	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-
(W) Special reserves	-	-	-	-	-	-	-
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
(W) Others	-	-	-	-	-	-	-
IV. Balance at the end of current year	985,850,000.00	-	2,004,793,045.95	-	-	367,607,888.33	861,530,654.88
							4,239,781,769.16

Legal Representative:
Li Xiaoyu

Chief Financial Officer:
Zhao Junfen

Accounting Manager:
Yao Weidong



X FINANCIAL STATEMENTS 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 RMB636,346,000 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: RMB1) under approval and the issuance resulted in the increase registered and paid-up share capital of the Company to RMB785,000,000. 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 HKD3.95/share, which increased the registered and paid-up share capital of the Company to RMB845,900,000. 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 RMB5.40/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 RMB995,900,000.



X FINANCIAL STATEMENTS 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)

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.

After issuing bonus share, selling new shares, increasing share capital, issuing new paper, and share repurchase, by June 30, 2020, the total capital stock of company is 985,850,000 shares and registered capital is RMB985,850,000. 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 27, 2020 by the board of directors of the Group.



X FINANCIAL STATEMENTS 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 15 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



X FINANCIAL STATEMENTS 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 (%)
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
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 (Note) 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 subsidiaries which is rank 2.



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

II. SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- 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
YTO (Luoyang) Shentong Engineering Machinery Co., Ltd.	Bankruptcy and liquidation

Detailed information on the subject of change in the scope of merger can be found in (Note) VII. Changes in the scope of consolidation.

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 IV. Principal accounting policies and accounting estimates.



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

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

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.

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, the Group 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:

- (1) 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.
- (2) 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 the Group 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.



X FINANCIAL STATEMENTS 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)

- (3) 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.
- (4) 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.
- (5) 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.



X FINANCIAL STATEMENTS 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)

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.

- (6) 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.



X FINANCIAL STATEMENTS 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 Group 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

(1) *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.



X FINANCIAL STATEMENTS 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)

(1) *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: (Continued)*

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.

(2) *Enterprise merger under common control*

The assets and liabilities acquired by the Group 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.



X FINANCIAL STATEMENTS 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)

(2) Enterprise merger under common control (Continued)

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.

(3) 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:



X FINANCIAL STATEMENTS 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)

(3) *Enterprise merger not under common control (Continued)*

- 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.

The difference between the fair value and the book value when the assets, liabilities incurred or incurred on the purchase date is included in the profits and losses of the current period.

When the cost of the merger is larger than the fair value share of the recognizable net assets obtained by the purchaser, the difference between these two is confirmed as the goodwill. When cost of the merger is less than the fair value of the recognizable net assets obtained by the purchase, the difference shall be counted into the profit and loss of the current period after the review.



X FINANCIAL STATEMENTS 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)

(3) *Enterprise merger not under common control (Continued)*

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.



X FINANCIAL STATEMENTS 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)

(4) *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

(1) *Scope of the merger*

The consolidation scope of the Group includes all subsidiaries controlled.

(2) *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.



X FINANCIAL STATEMENTS 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)

(2) 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 the Group consolidated financial statements and the subsidiaries are different for the same transactions, 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 imbalance 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.



X FINANCIAL STATEMENTS 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.

10. Translation for financial statements of foreign exchange

(1) Transactions involving foreign currencies

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Translation for financial statements of foreign exchange (Continued)

(1) Transactions involving foreign currencies (Continued)

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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Translation for financial statements of foreign exchange (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 an associate, 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 includes financial assets, financial liabilities, and equity instrument.

(1) Category of financial instruments

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

(1) *Category of financial instruments (Continued)*

- 1) Financial assets measured at amortized cost.
- 2) Financial assets measured at fair value and its changes are accounted in other comprehensive income.
- 3) Financial assets measured at fair value and its changes are accounted in loss and profit in the current period.

Financial assets are measured at fair value at the time of initial recognition, but accounts receivable or notes receivable result from the sale of goods or the provision of services which do not have significant financing factor or do not take into account the financing factor for no more than one year, the initial measurement shall be made at the transaction price.

For financial assets measured at fair value are accounted in loss and profit in the current period, the relevant transaction costs are directly accounted in loss and profit, and the relevant transaction costs of other types of financial assets are accounted in the initially recognized amount.

The subsequent measurement of financial assets depends on their classification. If and only if the company changes the business model of managing financial assets, all the affected related financial assets will be reclassified.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

(1) Category of financial instruments (Continued)

1) Financial assets classified as measured at amortized cost

The contract terms of financial assets 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, and the business mode of managing the financial assets is to collect the contract cash flow, then the Company classifies the financial assets into financial assets measured at amortized cost. The Company classified financial assets as financial assets classified as measured at amortized cost include monetary capital, notes receivable, accounts receivable, other receivables, long-term receivables, debt investment and so on.

The Group adopts the effective interest rate method to recognize the interest income of such financial assets, and subsequent measurement based on the amortized cost. The gains or losses from impairment or derecognition or modification are accounted in the current profit and loss. Except for the following situations, the Company calculates and determines the interest income based on the book balance of financial assets multiplied by the actual interest rate:

- a) For the purchased or original financial assets with credit impairment, the company shall calculate and determine the interest income based on the amortized cost of the financial assets and the actual interest rate adjusted by credit as the initial recognition.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

(1) *Category of financial instruments (Continued)*

1) *Financial assets classified as measured at amortized cost (Continued)*

b) For the financial assets that have no credit impairment when purchased or initially but have credit impairment in the subsequent period, the Company will calculate and determine the interest income based on the amortized cost and actual interest rate of the financial assets in the subsequent period. If the financial instrument no longer has credit impairment due to the improvement of its credit risk in the subsequent period, the Company will calculate and determine the interest income by multiplying the actual interest rate by the book balance of the financial asset.

2) *Financial assets classified as those measured at fair value with changes and its changes are accounted in other comprehensive income*

The contract terms of financial assets 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, and the business mode of managing the financial assets is to receive the contract cash flow and sell the financial assets, then the company classifies the financial assets as financial assets classified as those measured at fair value with changes and its changes are accounted in other comprehensive income.

The Group adopts the effective interest rate method to recognize the interest income of such financial assets. Except that interest income, impairment loss and exchange difference are accounted in loss and profit in current period, other changes in fair value are accounted in other comprehensive income. When the financial asset is derecognized, the accumulated gains or losses previously accounted in other comprehensive income are transferred out and accounted in the current profit and loss.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

(1) *Category of financial instruments (Continued)*

2) *Financial assets classified as those measured at fair value with changes and its changes are accounted in other comprehensive income (Continued)*

Notes receivable and accounts receivable measured at fair value with changes accounted in other comprehensive income are presented as receivables financing, and other financial assets are presented as other debt investment. In which, other debt investment due within one year from the balance sheet date is presented as non-current assets due within one year, and other debt investment originally due within one year is presented as other current assets.

3) *Financial assets designated at fair value and its changes are accounted in other comprehensive income*

At initial recognition, the Group can irrevocably designate non tradable equity instrument investment as a financial asset designated at fair value and its changes are accounted in other comprehensive income.

Changes in the fair value of this kind of financial assets are accounted in other comprehensive income, and no provision for impairment is required. When the financial asset is derecognized, the accumulated gains or losses previously accounted in other comprehensive income are transferred out and are accounted in retained earnings. During the period when the company holds the equity instrument investment, when the Company's right to receive dividends has been established, the economic benefits related to dividends are likely to flow into the Company, and the amount of dividends can be reliably measured, the dividend income shall be recognized and accounted in loss and profit in current period. The Company's investment in such financial assets are presented in other equity instruments.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

(1) Category of financial instruments (Continued)

- 4) *Financial assets classified as measured at fair value and its changes are accounted in loss and profit in current period*

An equity instrument investment that meets one of the following conditions is a financial asset measured at fair value and its changes are accounted in loss and profit in current period: I. The purpose of acquiring the financial assets is mainly to sell them in short term. II. At the time of initial recognition, it is part of the identifiable financial asset portfolio under centralized management, and there is objective evidence that there is a short-term profit model in short term. III. Derivative instruments (excluding derivatives that meet the definition of financial guarantee contract and are designated as effective hedging instruments).

Financial assets that do not meet the conditions of being classified as financial assets measured at amortized cost or fair value and its changes are accounted in other comprehensive income, or are not designated as financial assets measured at fair value and its changes are accounted in other comprehensive income are classified as financial assets measured at fair value and its changes are accounted in loss and profit in current period.

The Group adopts fair value for subsequent measurement of such financial assets, and the gains or losses from changes in fair value and dividends and interest income related to such financial assets are accounted in profit and loss in current period.

The Group presents such financial assets in trading financial assets and other non-current financial assets as their liquidity.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

(1) *Category of financial instruments (Continued)*

- 5) *Financial assets designated to be measured at fair value and its changes are accounted in loss an profit in current period*

At initial recognition, in order to eliminate or significantly reduce accounting mismatch, the company can irrevocably designate financial assets as financial assets designated to be measured at fair value and its changes are accounted in loss an profit in current period.

If the mixed contract includes one or more embedded derivatives and its main contract does not belong to the above financial assets, the Company can designate it as a financial assets designated to be measured at fair value and its changes are accounted in loss an profit in current period. Except for:

- a) Embedded derivatives will not significantly change the cash flow of mixed contracts.
- b) When determining whether a similar mixed contract needs to be split for the first time, it is almost unnecessary to analyze whether the embedded derivatives it contains should not be split. If the prepayment right of the embedded loan allows the holder to prepay the loan in an amount close to the amortized cost, the prepayment right does not need to be split.

The Group adopts fair value for subsequent measurement of such financial assets, and the gains or losses from changes in fair value and dividends and interest income related to such financial assets are accounted in loss an profit in current period.

The Group presents such financial assets in trading financial assets and other non-current financial assets based on their liquidity.



X FINANCIAL STATEMENTS 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) Classification and measurement of financial liabilities

The Group classifies the financial instrument or its components as financial liabilities or equity instruments at the initial recognition based on the contract terms of the issued financial instruments and the economic substance reflected, rather than in legal form only, in combination with the definition of financial liabilities and equity instruments. Financial liabilities are classified as financial liabilities measured at fair value and its changes are accounted in loss an profit in current period, other financial liabilities, and derivatives designated as effective hedging instruments.

Financial liabilities are measured at fair value at initial recognition. For financial liabilities measured at fair value and its changes are accounted in loss an profit in current periods, relevant transaction costs are directly accounted in current profit and loss. For other types of financial liabilities, relevant transaction costs are accounted in the initially recognized amount.

Subsequent measurement of financial liabilities depends on their classification:

- 1) *Financial liabilities measured at fair value and its changes are accounted in loss and profit in current period*

Such financial liabilities include trading financial liabilities (including derivatives belonging to financial liabilities) and financial liabilities designated to be measured at fair value at the time of initial recognition and its changes are accounted in loss and profit in current period.



X FINANCIAL STATEMENTS 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) Classification and measurement of financial liabilities (Continued)

- 1) *Financial liabilities measured at fair value and its changes are accounted in loss and profit in current period (Continued)*

If one of the following conditions is met, it belongs to trading financial liabilities: I. The purpose of undertaking related financial liabilities is mainly to sell or repurchase in the short term. II. It is part of the identifiable financial instrument portfolio under centralized management, and there is objective evidence that the enterprise adopts the short-term profit mode in short term. III. It is a derivative instrument, except for the derivative instrument designated as an effective hedging instrument and the derivative instrument conforming to the financial guarantee contract. Trading financial liabilities (including derivatives belonging to financial liabilities) are subsequently measured at fair value. Except for those related to hedge accounting, all changes in fair value are accounted in loss and profit in current period.

At initial recognition, in order to provide more relevant accounting information, the Company irrevocably designates financial liabilities that meet one of the following conditions as financial liabilities measured at fair value and its changes are accounted in loss and profit in current period:

- a) Can eliminate or significantly reduce accounting mismatches.
- b) According to the enterprise risk management or investment strategy stated in the formal written document, manage and evaluate the financial liabilities portfolio or financial assets and financial liabilities portfolio on the basis of fair value, and report to the key management personnel within the enterprise on this basis.



X FINANCIAL STATEMENTS 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) *Classification and measurement of financial liabilities (Continued)*

- 1) *Financial liabilities measured at fair value and its changes are accounted in loss and profit in current period (Continued)*

The Group adopts fair value for subsequent measurement of such financial liabilities. Except for the changes in fair value caused by changes in the Company's own credit risk, other changes in fair value are accounted in loss and profit in current period. Unless changes in fair value caused by changes in the Company's own credit risk are accounted in other comprehensive income, which will cause or expand accounting mismatch in profit and loss, the Company will account all changes in fair value (including the impact amount of changes in its own credit risk) in loss and profit in current period.

2) *Other financial liabilities*

In addition to the following items, the Group classifies financial liabilities as financial liabilities measured at amortized cost. For such financial liabilities, the effective interest method is adopted, and subsequent measurement is carried out based on amortized cost. Gains or losses arising from derecognition or amortization are accounted in loss and profit in current period:

- a) Financial liabilities measured at fair value and its changes are accounted in loss and profit in current period.
- b) Financial liabilities formed by transfer of financial assets that do not meet the conditions for derecognition or continue to be involved in the transferred financial assets.



X FINANCIAL STATEMENTS 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) Classification and measurement of financial liabilities (Continued)

2) Other financial liabilities (Continued)

- c) Financial guarantee contracts that do not belong to the first two categories of this article, and loan commitments that do not belong to the first category of this article, and loans at lower than market interest rates.

Financial guarantee contract refers to a contract that requires the issuer to pay a specific amount to the contract holder who has suffered losses when a specific debtor fails to pay its debts in accordance with the terms of the original or modified debt instrument when contract due. Financial guarantee contracts that are not designated as financial liabilities measured at fair value and its changes are accounted in loss and profit in current period shall be measured after initial recognition based on the higher of the amount of loss reserves and the balance of initially recognized amount after deducting the accumulated amortization within the guarantee period.

(3) The confirmation of termination of financial instruments

- (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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

(3) *The confirmation of termination of financial instruments (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 or a substantial change is made to the contractual terms of the original financial liability (or part thereof), the original financial liabilities will be terminated and new financial liabilities will be confirmed, the difference between the carrying amount and the consideration paid (including the transferred non-cash assets or liabilities assumed) is accounted in profit or loss in 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.

(4) *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:



X FINANCIAL STATEMENTS 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) *Recognition and measurement of financial assets transfer (Continued)*

- 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.

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:



X FINANCIAL STATEMENTS 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) *Recognition and measurement of financial assets transfer (Continued)*

(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.)

(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.



X FINANCIAL STATEMENTS 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) *Recognition and measurement of financial assets transfer (Continued)*

- 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.

(5) *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, unless the financial asset has a restricted period for the asset itself. For the financial assets limited to sale for the asset itself, the compensation amount required by the market participants for bearing the risk that the financial assets cannot be sold on the open market within the specified period shall be deducted from the quotation of the active market. 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.



X FINANCIAL STATEMENTS 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 method of determining the fair value of financial assets and financial liabilities (Continued)*

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.

(6) *Preparation for impairment of financial instruments (excluding accounts receivable)*

- (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. Of which, for the financial assets purchased or generated by the Group with credit impairment, they shall be discounted according to the actual interest rate adjusted by credit of the financial assets.
- (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:



X FINANCIAL STATEMENTS 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) *Preparation for impairment of financial instruments (excluding accounts receivable) (Continued)*

- 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.

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.



X FINANCIAL STATEMENTS 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) Preparation for impairment of financial instruments (excluding accounts receivable) (Continued)

- (c) For purchased or generated 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, 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 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.



X FINANCIAL STATEMENTS 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) *Preparation for impairment of financial instruments (excluding accounts receivable) (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.



X FINANCIAL STATEMENTS 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) *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*

Provision for bad debts of the Group's notes receivable shall be made based on the expected credit loss during the whole duration.

(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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Accounts receivables (Continued)

(2) Accounts receivable (Continued)

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	Accounts receivable are accrued at the expected loss rate.
Including: Domestic business customers	Portfolio of estimated loss rate based on aging credit risk
International business customers	After deducting the amount guaranteed by China Export & Credit Insurance Corporation, portfolio of the expected loss rate based on the aging credit risk characteristics
Receivables with mortgage, pledge, guarantee, etc	The balance after deducting the recoverable value of the collateral from the original value as a risk exposure to predict credit losses



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

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.

Portfolio by credit risk characteristics	Expected loss reserve rate (%)
Combination method Including: Aging portfolio Non-operating low risk portfolio	Expected loss rate
Accounts receivable with mortgage, pledge, guarantee, etc	The balance after deducting the recoverable value of the collateral from the original value is taken as the estimated credit loss of risk exposure



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Inventories

(1) *Classification of inventories*

Inventories are products that the 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.



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

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.



X FINANCIAL STATEMENTS 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.

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:

- 1) In accordance with the practice of selling such assets or disposal teams in similar transactions, they can be sold immediately in the current circumstances.
- 2) 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.



X FINANCIAL STATEMENTS 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)

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

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.

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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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.

Overdue age	Expected loss reserve rate
Not overdue receivables	Expected credit loss of risk exposure is the balance of contract amount less unrealized financing income
Overdue receivables	Expected loss rate

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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Long-term equity investment (Continued)

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

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

For shareholding which obtained by different transactions by steps and become business combination finally, if it belongs to package transaction, the accounting method for which each transaction applies will treat as one transaction which obtains control. If it does not belong to package transaction, according to proportion of fair value of net assets of 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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Long-term equity investment (Continued)

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

For the equity investment to the investee entity not under the common control obtained by steps through multiple transactions, and forming enterprise combination ultimately, if it belongs to package transaction, the accounting method for which each transaction applies will treat as one transaction which obtains control. If it does not belong to package transaction, Initial investment cost will be the sum of the carrying value of the equity investment which it originally holds, and initial investment cost will change to cost method. For shareholding which it holds before the date of acquisition which uses equity method, other related comprehensive income which use equity method for accounting shall not be adjusted, such investment shall use the same accounting basis as the invested company when it directly 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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Long-term equity investment (Continued)

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.

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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Long-term equity investment (Continued)

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.

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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Long-term equity investment (Continued)

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

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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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:

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

(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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Fixed assets (Continued)

(2) *Initial measurement of fixed assets (Continued)*

- 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.

(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.



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

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)

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.

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



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

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.

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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

20. Construction in progress (Continued)

(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.

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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Borrowing cost (Continued)

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

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.

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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Borrowing cost (Continued)

(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.

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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. Right-of-use assets

The Group initially measures the right-of-use assets at cost, which includes:

- (1) Initial measurement amount of lease liabilities
- (2) For the lease payment paid on or before the lease term, if there is a lease incentive, the relevant amount of the enjoyed lease incentive shall be deducted.
- (3) Initial direct expenses incurred by the Group.
- (4) The Group's estimated costs (excluding costs incurred for the production of inventories) for the purpose of dismantling and removing the leased assets, restoring the site where the leased assets are located or restoring the leased assets to the status agreed in the lease terms.

After the start date of the lease term, the Company adopts the cost mode to carry out subsequent measurement on the right-of-use assets.

If the ownership of the leased asset can be reasonably determined at the end of the lease term, the company shall accrue depreciation within the remaining service life of the leased asset. If it is impossible to reasonably determine that the ownership of the leased asset can be obtained at the end of the lease term, the company shall accrue depreciation within the lease term or the remaining service life of the leased asset, whichever is shorter. For the right-of-use assets with provision for impairment, depreciation shall be made in the future according to the book value after deducting the provision for impairment with reference to the above principles.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. 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.

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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Intangible assets and development expenditure (Continued)

(1) *Initial measurement of intangible assets (Continued)*

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.

(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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Intangible assets and development expenditure (Continued)

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

a. *Intangible assets with limited service life (Continued)*

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.

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 an unlimited period of time. The service life of it is uncertain because it cannot be foreseen for the period of economic benefits for the group.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Intangible assets and development expenditure (Continued)

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

b. Intangible assets with uncertain service life (Continued)

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.

(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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Intangible assets and development expenditure (Continued)

(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.
- 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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Intangible assets and development expenditure (Continued)

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

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.

24. 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.

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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. Impairment on long-term assets (Continued)

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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25. 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	

26. 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 accounted in related cost of assets and loss and profit in current period which based on different beneficiaries.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. 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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. 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 confirms the liabilities of employee benefits payable generated from the termination benefits and be accounted in loss and profit in current period in current period at the earlier date between the date 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 when the Group confirms the cost or expense relative to the payment of termination benefits of restructuring into the current profit or loss.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Employee benefits (Continued)

(3) Termination benefits (Continued)

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Employee benefits (Continued)

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

27. 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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. Expected liabilities (Continued)

(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.

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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. 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;
- III. The contract has clear payment terms related to the goods transferred or services provided;
- IV. 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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Revenue (Continued)

(1) *Recognition and measurement of revenue (Continued)*

(b) *Principle of confirmation of performance obligations*

On the contract start date, the contract is evaluated, each individual obligation included in the contract is identified, and is confirmed whether each individual 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.
- 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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Revenue (Continued)

(1) *Recognition and measurement of revenue (Continued)*

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

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.

(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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Revenue (Continued)

(1) *Recognition and measurement of revenue (Continued)*

(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.

(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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Revenue (Continued)

(1) Recognition and measurement of revenue (Continued)

(e) Confirmation of revenue (Continued)

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.

(f) Sales with warranty

For sales with warranty, if the warranty provides services in addition to assuring customers that the goods or services sold meet the established standards, the warranty constitutes a single performance obligation. Otherwise, the Group shall carry out accounting treatment for warranty responsibility in accordance with the Accounting Standards for Business Enterprises No.13 – Contingencies.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Revenue (Continued)

(1) *Recognition and measurement of revenue (Continued)*

(g) *Principal liable party/agent*

The Group determines whether it is the principal liable party or the agent in the transaction, according to whether the Group has control over the goods or services before transferring the goods or services to customers. If the Group controls the goods or services before transferring to customers, the Group is the principal liable party. The revenue is recognized as the total amount of money received or receivable. Otherwise, the Group acts as the agent. The revenue is recognized as the amount of commission or service charge that the Group would be entitled to receive. The amount is set at the net consideration received or receivable after deducting the amount payable to other parties, or at the pre-determined amount or pre-determined proportion of the commission.

(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 revenue.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. 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)*

II. Foreign trade revenue

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

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.

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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. 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)*

IV. Other

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

29. 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.

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 VII. 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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. Government subsidy (Continued)

(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.

(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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. Government subsidy (Continued)

(3) Accounting treatment method (Continued)

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

30. 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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(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.
- 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).



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

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

- 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.

31. 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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. 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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Lease (Continued)

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

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.

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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Lease (Continued)

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

2) Right-to-use assets (Continued)

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).

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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Lease (Continued)

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

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.
- 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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Lease (Continued)

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

3) Lease liabilities (Continued)

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.

(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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Lease (Continued)

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

- 1) *Classification of Leases (Continued)*
- 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.

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 ends 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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Lease (Continued)

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

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.

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:



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Lease (Continued)

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

3) *Accounting for financial lease (Continued)*

- 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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. 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 based on fair value.

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 revenue.

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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Lease (Continued)

(5) Sale-leaseback (Continued)

2) *The Company as buyer and lessor. (Continued)*

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.

32. 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.
- (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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. 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 deprecation shall be recognised in for this fixed asset in following periods.

34. 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 not less than 1.5%, 3%, 30%, 60% and 100% respectively.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

35. 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.

36. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

No accounting policies were changed during the reporting period.

(2) Changes in Accounting Estimates

No accounting estimates were changed during the reporting period.



X FINANCIAL STATEMENTS 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.	13%
	Provide agricultural machinery sales, tap water, heating, gas, etc.	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%
YTO (Luoyang) Flag Auto-body Co., Ltd.	15%
Other subsidiaries	25%
Foreign subsidiaries	Local tax rate



X FINANCIAL STATEMENTS 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, YTO Cote d'Ivoire Agricultural Machinery Assembly Co., Ltd and YTO Belarus Technology Co. Ltd. were registered overseas, these companies pay VAT in accordance with local applicable tax rates.



X FINANCIAL STATEMENTS 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, YTO Cote d'Ivoire Agricultural Machinery Assembly Co., Ltd., and YTO Belarus Technology Co. Ltd. were registered overseas, these companies pay income tax in accordance with local applicable tax rates.

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

The following disclosed financial statement data, except as specified, "The beginning or beginning of the year" means January 1, 2020, "the end of the year or the end of the period" means June 30, 2020, "the current year or the current period" means January 1, 2020 to June 30, 2020, "the last year or the last period" means January 1, 2019 to June 30, 2019. The unit of currency is RMB.



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. Monetary funds

Unit: Yuan Currency: RMB

Item	Ending Balance	Beginning Balance
Cash on hand	716,689.50	994,815.11
Bank deposit	974,849,620.78	1,316,601,649.43
Other monetary funds	47,596,798.66	83,431,528.20
Total	1,023,163,108.94	1,401,027,992.74
Including: total amount deposited abroad	72,967,642.65	68,764,756.64

The details of the restricted monetary funds are as follows: :

Item	Ending Balance	Beginning Balance
Bank acceptance deposit	29,645,110.51	34,913,294.82
Other deposit	4,721,819.20	35,682,169.41
Deposit reserve requirement for central banks	194,917,659.12	210,312,078.88
Total	229,284,588.83	280,907,543.11



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Lendings to banks and other financial institutions

Item	Ending Balance	Beginning Balance
Non-bank financial institutions	100,000,000.00	100,000,000.00
Interest receivable from lending funds		
Less: impairment provision	60,000,000.00	30,000,000.00
Total	40,000,000.00	70,000,000.00

Note: On March 27, 2019, China YTO Group Finance Co., Ltd., a subsidiary of the Group, lent RMB100 million to Tianjin Property Group Finance Co., Ltd. through the national interbank lending center, with a lending period of 7 days and an annual interest rate of 4.8%. It failed to pay when due on April 3, 2019. On July 31, 2020, Tianjin Superior People's Court issued (2020) Jinposhen No. 12 civil ruling, accepting Changshu Meili Machinery Manufacturing Co., Ltd. to apply for bankruptcy reorganization of Tianjin Property Group Finance Co., Ltd. According to the classification of financial assets, the Group classifies it into doubtful loan debt and allocates RMB60 million impairment provision.



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (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	5,500,743.48	8,470,548.10
Including:		
Debt instrument investment		
Equity instrument investment	5,500,743.48	8,470,548.10
Subtotal of designated as financial assets measured at fair value and recorded in current profits and losses	995,816,121.02	971,922,400.00
Including:		
Debt instrument investment		
Equity instrument investment	995,816,121.02	971,922,400.00
Trust products		
Total	<u>1,001,316,864.50</u>	<u>980,392,948.10</u>



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Notes receivable

(1) Classification of notes receivable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Bank acceptance notes	282,777,775.77	343,649,774.77
Commercial acceptance notes	3,245,828.00	8,551,963.00
Total	286,023,603.77	352,201,737.77

(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	13,971,651.66
Commercial acceptance notes	_____
Total	<u>13,971,651.66</u>

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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Accounts receivables

(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	1,412,508,467.22	100.00	430,632,180.30	30.49	981,876,286.92	895,175,926.34	100.00	488,589,091.64	54.58	406,586,834.70
Including:										
Aging portfolio	1,293,435,444.45	91.57	398,547,853.81	30.81	894,887,590.64	786,100,468.44	87.82	450,127,545.78	57.26	335,972,942.66
Risk exposure portfolio such as collateral	119,073,022.77	8.43	32,084,326.49	26.95	86,988,696.28	109,075,437.90	12.18	38,461,545.86	35.26	70,613,892.04
Total	1,412,508,467.22	100.00	430,632,180.30	30.49	981,876,286.92	895,175,926.34	100.00	488,589,091.64	54.58	406,586,834.70



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Accounts receivables (Continued)

(2) *Accounts receivable for anticipated credit loss on a portfolio basis aging analysis*

1) *Aging portfolio*

Unit: Yuan Currency: RMB

Aging	Ending Balance		
	Book Balance	Provision for bad debt	Accrual Ratio (%)
Within 1 year	869,105,549.04	13,520,676.09	1.56
1 to 2 yeas	29,493,002.60	9,902,355.38	33.58
2 to 3 yeas	11,521,473.43	5,762,972.37	50.02
Over 3 years	383,315,419.38	369,361,849.97	96.36
Total	1,293,435,444.45	398,547,853.81	30.81

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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Accounts receivables (Continued)

(2) Accounts receivable for anticipated credit loss on a portfolio basis aging analysis (Continued)

2) Risk exposure portfolio such as collateral

Unit: Yuan Currency: RMB

Name of portfolio	Book value	Provision for bad debt	Accrual Ratio (%)
Risk exposure portfolio such as collateral	119,073,022.77	32,084,326.49	26.95
Total	119,073,022.77	32,084,326.49	26.95

(3) Age Disclosure of Accounts Receivable

Unit: Yuan Currency: RMB

Aging	Ending Balance		Accrual Ratio (%)
	Book Balance	Bad debt provision	
Within 1 year	872,919,240.42	13,595,052.78	1.56
1 to 2 years	32,669,142.70	10,626,269.13	32.53
2 to 3 years	17,612,935.26	11,854,434.20	67.31
Over 3 years	489,307,148.84	394,556,424.19	80.64
Total	1,412,508,467.22	430,632,180.30	30.49



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Accounts receivables (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	488,589,091.64	39,219,336.42			97,176,247.76	430,632,180.30
Including: Aging portfolio	450,127,545.78	38,210,331.99			89,790,023.96	398,547,853.81
Risk exposure portfolio such as collateral	<u>38,461,545.86</u>	<u>1,009,004.43</u>			<u>7,386,223.80</u>	<u>32,084,326.49</u>
Total	<u>488,589,091.64</u>	<u>39,219,336.42</u>	<u></u>	<u></u>	<u>97,176,247.76</u>	<u>430,632,180.30</u>

(5) *This period does not have the receivable account that writes off actually.*

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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Accounts receivables (Continued)

(6) Top 5 significant accounts receivable that write off of is as follows:

Company	Amount	Percentage to total Ending balance (%)	Bad debt provision
Liaoning Dongsheng Machinery Equipment Co., Ltd.	81,470,181.00	5.77	81,470,181.00
Urumqi Shifeng Agricultural Machinery Equipment Co., Ltd.	62,183,376.45	4.40	62,183,376.45
YTO (Luoyang) material equipment Co., Ltd.	48,036,715.70	3.40	623,433.78
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	27,533,497.99	1.95	27,533,497.99
Jiangsu World Group Agricultural Machinery Co, Ltd.	27,049,252.07	1.91	326,620.12
Total	<u>246,273,023.21</u>	<u>17.43</u>	<u>172,137,109.34</u>



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. 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	86,396,615.71	88.07		167,076,785.35	91.82	
1-2 years	7,065,072.07	7.20	4,429,562.92	9,425,789.96	5.18	4,474,398.77
2-3 years	1,487,609.62	1.52	183,880.85	590,421.23	0.32	188,675.00
Over 3 years	3,150,544.79	3.21	1,723,493.05	4,864,690.77	2.68	2,012,388.20
Total	98,099,842.19	100.00	6,336,936.82	181,957,687.31	100.00	6,675,461.97

Explanation for the untimely settlement of significant amounts of prepayments over 1 year:

No prepayments over one year and with a significant amount.

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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Advances to suppliers (Continued)

(2) Details of top five advances to suppliers with the ending balance classified by the payees

Company name	Ending balance	Percentage in the ending balance of advances to suppliers (%)	Aging	Reason
Zhengzhou Lerong rubber products Co., Ltd	12,723,625.00	12.97	Within 1year	In progress
Zhengzhou Baosteel steel processing and Distribution Co., Ltd	7,404,691.40	7.55	Within 1year	In progress
Yangzhou Xintao metal materials Co., Ltd	6,997,431.00	7.13	Within 1year	In progress
Shanxi Jianbang Group Co., Ltd	6,086,272.96	6.20	Within 1year	In progress
Luoyang Yituo Zhongcheng accessories manufacturing Co., Ltd	4,500,000.00	4.59	Within 1year	In progress
Total	<u>37,712,020.36</u>	<u>38.44</u>		



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables

List of item

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Other receivables	<u>46,945,055.47</u>	<u>38,657,541.73</u>
Total	<u>46,945,055.47</u>	<u>38,657,541.73</u>

Other receivables

(1) Disclosure of other receivables

Item	Book balance		Ending Balance		book value
	Amount	Ratio (%)	Amount	Accrual Ratio (%)	
Accounts receivable for anticipated credit losses on a portfolio basis	149,443,112.35	100.00	102,498,056.88	68.59	46,945,055.47
Including: Aging portfolio	134,228,915.77	89.82	100,067,646.91	74.55	34,161,268.86
Low-risk portfolio	8,577,946.58	5.74	85,779.47	1.00	8,492,167.11
Risk exposure portfolio such as collateral	<u>6,636,250.00</u>	<u>4.44</u>	<u>2,344,630.50</u>	<u>35.33</u>	<u>4,291,619.50</u>
Total	<u>149,443,112.35</u>	<u>100.00</u>	<u>102,498,056.88</u>	<u>68.59</u>	<u>46,945,055.47</u>



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables (Continued)

(1) Disclosure of other receivables (Continued)

Item	Book balance		Beginning balance		book value
	Amount	Ratio (%)	Amount	Accrual Ratio (%)	
Accounts receivable for anticipated credit losses on a portfolio basis	59,423,043.50	100.00	20,765,501.77	34.95	38,657,541.73
Including: Aging portfolio	47,528,407.86	79.98	18,368,287.41	38.65	29,160,120.45
Low-risk portfolio	5,258,385.64	8.85	52,583.86	1.00	5,205,801.78
Risk exposure portfolio					
such as collateral	<u>6,636,250.00</u>	<u>11.17</u>	<u>2,344,630.50</u>	<u>35.33</u>	<u>4,291,619.50</u>
Total	<u><u>59,423,043.50</u></u>	<u><u>100.00</u></u>	<u><u>20,765,501.77</u></u>	<u><u>34.95</u></u>	<u><u>38,657,541.73</u></u>



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables (Continued)

(2) Accounts receivable for anticipated credit losses on a portfolio basis

1) Aging portfolio

Aging	Ending balance		Accrual Ratio (%)
	Book balance	Bad debt provision	
Within 1 year	33,899,414.19	2,286,043.27	6.74
1-2 years	5,095,795.91	2,547,897.97	50.00
2-3 years	1,057,023.95	1,057,023.95	100.00
Over 3 years	94,176,681.72	94,176,681.72	100.00
Total	134,228,915.77	100,067,646.91	74.55



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables (Continued)

(2) Accounts receivable for anticipated credit losses on a portfolio basis (Continued)

2) Low-risk portfolio

Aging	Ending balance		Accrual percentage (%)
	Book balance	Bad debt provision	
Within 1 year	5,044,720.89	50,447.21	1.00
1-2 years	222,442.36	2,224.42	1.00
2-3 years	295,367.89	2,953.68	1.00
Over 3 years	3,015,415.44	30,154.16	1.00
Total	8,577,946.58	85,779.47	1.00



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables (Continued)

(2) Accounts receivable for anticipated credit losses on a portfolio basis (Continued)

3) Risk exposure portfolio such as collateral

Name of portfolio	Ending balance	Bad debt provision	Accrual percentage (%)
Risk exposure portfolio such as collateral	6,636,250.00	2,344,630.50	35.33
Total	6,636,250.00	2,344,630.50	35.33

(3) Aging disclosure of other receivables

Unit: Yuan Currency: RMB

Aging	Ending balance	Beginning balance
Within 1 year	38,944,135.08	32,201,260.62
1-2 years	5,318,238.27	1,474,690.41
2-3 years	1,352,391.84	2,915,637.90
Over 3 years	103,828,347.16	22,831,454.57
Total	149,443,112.35	59,423,043.50

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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables (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
		Provision	recovered or returned	Write off Other changes	
Accounts receivable for anticipated credit losses on a portfolio basis	20,765,501.77	84,034,474.35		-2,301,919.24	102,498,056.88
Including: Aging portfolio	18,366,919.63	84,001,662.79		-2,300,935.51	100,067,646.91
Low-risk portfolio	53,951.64	32,811.56		-983.73	85,779.47
Risk exposure portfolio such as collateral	<u>2,344,630.50</u>				<u>2,344,630.50</u>
Total	<u>20,765,501.77</u>	<u>84,034,474.35</u>		<u>-2,301,919.24</u>	<u>102,498,056.88</u>



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables (Continued)

(5) Provision for bad debts of other receivables

Unit: Yuan Currency: RMB

Bad debts	Stage one	Stage two	Stage three	Total
	Expected credit loss in the next 12 months	Expected credit loss over the whole duration (No credit impairment)	Expected credit loss over the whole duration (Credit impairment occurred)	
Beginning balance	18,420,871.27	2,344,630.50		20,765,501.77
Beginning balance in current period				
-Shift to stage two				
-Shift to stage three				
-Return to stage two				
-Return to stage one				
Provision in current period	84,034,474.35			84,034,474.35
Return in current period				
Transfer in current period				
Write off in current period				
Other changes	-2,301,919.24			-2,301,919.24
Ending balance	<u>100,153,426.38</u>	<u>2,344,630.50</u>		<u>102,498,056.88</u>

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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables (Continued)

(6) 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
YTO (Luoyang) Shentong Construction Machinery Co., Ltd	Payment between units of work	82,240,000.00	4-5 year	55.03%	82,240,000.00
State Tax Bureau of Jianxi District, Luoyang City, Henan Province	Refundable export tax refund	7,415,994.08	Within 1 year	4.96%	326,028.15
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	Payment between units of work	6,764,664.16	Within 1 year	4.53%	712,332.40
Shanghai Pengpu machine factory Co., Ltd	Payment between companies	6,490,000.00	Over 5 years	4.34%	2,292,959.42
Jiangsu Qingjiang Tractor Co., Ltd.	Payment between units of work	3,315,484.00	Over 5 years	2.22%	3,315,484.00
Total		106,226,142.22		71.08%	88,886,803.97



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables (Continued)

(7) Classification of other receivables by nature

Unit: Yuan Currency: RMB

Nature of payment	Ending book value	Beginning book value
Receivables and payments between companies	26,759,898.66	27,430,611.89
Deposits and petty cash	8,427,561.04	5,250,356.67
Collection and payment of social insurance withheld	1,025,307.89	870,804.13
Tax refund for export receivables	7,249,576.77	3,301,973.49
Others	3,482,711.11	1,803,795.55
Total	46,945,055.47	38,657,541.73



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Buying back the sale of financial assets

(1) Classification according to the nature of the counterparty

Item	Ending balance	Beginning balance
Domestic interbank institutes	1,030,963,325.02	671,668,502.78
Domestic other financial institutes		
Total	<u>1,030,963,325.02</u>	<u>671,668,502.78</u>

(2) Classification according to the asset type

Item	Ending balance	Beginning balance
Bonds	1,030,963,325.02	671,668,502.78
Total	<u>1,030,963,325.02</u>	<u>671,668,502.78</u>

(3) Classification according to the remaining days to the maturity

Item	Ending balance	Beginning balance
Due within one month	730,934,554.88	671,668,502.78
Due within three months	298,728,606.30	
Due within six months	1,300,163.84	
Total	<u>1,030,963,325.02</u>	<u>671,668,502.78</u>



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. 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	447,819,350.94	107,525,713.50	340,293,637.44	519,435,269.82	151,720,953.21	367,714,316.61
Work in progress	293,374,643.14	21,710,091.62	271,664,551.52	272,085,649.16	19,201,662.99	252,883,986.17
Finished goods	302,505,070.72	30,127,452.66	272,377,618.06	362,138,132.53	22,892,326.12	339,245,806.41
Goods shipped in transit	45,601,575.89	1,470,299.60	44,131,276.29	42,633,758.98	692,097.97	41,941,661.01
Total	1,089,300,640.69	160,833,557.38	928,467,083.31	1,196,292,810.49	194,507,040.29	1,001,785,770.20



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Inventories (Continued)

(2) Impairment provision for inventories

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period		Decrease in this period			Ending balance
		Provision for impairment	Others	Reversed	Write off	Other transfer out	
Raw materials	151,720,953.21	12,042,411.52			55,459,553.53	778,097.70	107,525,713.50
Work in progress	19,201,662.99	3,691,362.33				1,182,933.70	21,710,091.62
Finished goods	22,892,326.12	12,003,231.51			2,223,085.38	2,545,019.59	30,127,452.66
Goods shipped in transit	<u>692,097.97</u>	<u>778,201.63</u>					<u>1,470,299.60</u>
Total	<u>194,507,040.29</u>	<u>28,515,206.99</u>			<u>57,682,638.91</u>	<u>4,506,050.99</u>	<u>160,833,557.38</u>



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. 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	278,912,618.69	270,402,669.98
The original value of financial lease within one year	42,564,905.12	21,384,152.28
unconfirmed financing gains	-23,410,761.56	-22,990,688.80
Provision for impairment	-23,449,559.32	-18,330,723.89
Total	<u>274,617,202.93</u>	<u>250,465,409.57</u>

11. Other current assets

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Deferred expenses	51,300.00	145,506.98
Structured deposit	974,000,000.00	800,000,000.00
Prepaid enterprise income tax	44,139,540.89	41,896,146.48
Financial products	171,000,000.00	
Value-added tax left for deduction	197,334,998.74	234,738,569.66
Input Tax to be Certified	1,087,462.70	284,946.87
Advance payment of other tax	2,446,031.58	104,754.05
Interest receivable		400,833.33
Other	46,243.67	1,987,480.90
Subtotal	1,390,105,577.58	1,079,558,238.27
Provision for impairment	-183,406,085.09	-12,406,085.09
Total	<u>1,206,699,492.49</u>	<u>1,067,152,153.18</u>



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Loans and advances to customers

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

Item	Ending balance	Beginning balance
Subtotal of individual loans and advances	69,719,229.00	40,030,040.00
Others	69,719,229.00	40,030,040.00
Subtotal of corporate loans and advances	895,681,747.64	950,935,400.06
Loans	893,097,950.00	949,275,150.00
Discounting	2,583,797.64	1,660,250.06
Total loans and advances	965,400,976.64	990,965,440.06
Less: Impairment provision of loans	30,507,360.20	31,014,471.47
Including: Provision made on individual basis		
Provision made on portfolio basis	30,507,360.20	31,014,471.47
Total carrying value of loans and advances	934,893,616.44	959,950,968.59



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Loans and advances to customers (Continued)

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

Distribution of industry	Ending balance	Percentage (%)	Beginning balance	Percentage (%)
Machinery manufacturing	895,681,747.64	92.78	950,935,400.06	95.96
Individuals	69,719,229.00	7.22	40,030,040.00	4.04
Interests on loans				
Total loans and advances	965,400,976.64	100.00	990,965,440.06	100.00
Less: Impairment provision of loans	30,507,360.20	3.16	31,014,471.47	3.13
Including: Provision made on individual basis				
Provision made on portfolio basis	30,507,360.20	3.16	31,014,471.47	3.13
Total carrying value of loans and advances	934,893,616.44		959,950,968.59	-

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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Loans and advances to customers (Continued)

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

Geographic distribution	Ending balance	Percentage (%)	Beginning balance	Percentage (%)
Northeast China	31,094,489.00	3.23	24,164,100.00	2.44
Central China	901,988,797.64	93.43	942,876,240.06	95.15
Northwest China	32,317,690.00	3.34	23,925,100.00	2.41
Total loans and advances	965,400,976.64	100.00	990,965,440.06	100.00
Less: Impairment provision of loans	30,507,360.20	3.16	31,014,471.47	3.13
Including: Provision made on individual basis				
Provision made on portfolio basis	30,507,360.20	3.16	31,014,471.47	3.13
Total carrying value of loans and advances	934,893,616.44		959,950,968.59	



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Loans and advances to customers (Continued)

(4) Distribution details by type of credit guarantee modes

Item	Ending balance	Beginning balance
Credit loans	790,000,000.00	840,000,000.00
Guaranteed loans	106,617,179.00	130,670,190.00
Loans secured by collateral	68,783,797.64	20,295,250.06
Including: mortgage loans	66,200,000.00	18,635,000.00
Pledged loans	2,583,797.64	1,660,250.06
Total loans and advances	965,400,976.64	990,965,440.06
Less: Impairment provision of loans	30,507,360.20	31,014,471.47
Including: Provision made on individual basis		
Provision made on portfolio basis	30,507,360.20	31,014,471.47
Total carrying value of loans and advances	<u>934,893,616.44</u>	<u>959,950,968.59</u>

(5) Provision for losses on loans

Item	Amount in this period		Amount in last period	
	Individual	Portfolio	Individual	Portfolio
Beginning balance		31,014,471.47		34,111,662.94
Current year provision		-507,111.27		-3,097,191.47
Ending balance		<u>30,507,360.20</u>		<u>31,014,471.47</u>

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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. 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	64,331,731.49	2,146,606.56	62,185,124.93	67,865,500.00	2,036,745.00	65,828,755.00	
Including: Unconfirmed Financing Income	3,972,746.55	0.00	3,972,746.55	3,804,070.54		3,804,070.54	
Selling goods by instalments	430,105,033.15	23,849,767.74	406,255,265.41	424,262,734.97	19,427,852.35	404,834,882.62	
Including: Unconfirmed Financing Income	57,894,889.54	0.00	57,894,889.54	56,875,720.33		56,875,720.33	
Financial leases due within one year and selling goods by instalments	-298,066,762.25	-23,449,559.32	-274,617,202.93	-268,796,133.46	-18,330,723.89	-250,465,409.57	
Total	196,370,002.39	2,546,814.98	193,823,187.41	223,332,101.51	3,133,873.46	220,198,228.05	/



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Long-term equity investments

Unit: Yuan Currency: RMB

Invested company	Beginning balance	Additional investment	Investment reduced	Changes of increase/decrease in the period				Provision for impairment	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				
I. Investments in associates											
ZF-YTO (Luoyang) Drive Axle Co., Ltd	118,785,505.12			431,816.41					342,240.70	119,559,582.23	
YTO Chuandong Sichuan Agricultural Equipment Co., Ltd	686,564.47			-34,488.58						652,075.89	
Luoyang Fossett Environmental Protection Technology Co., Ltd	7,004,515.65									7,004,515.65	7,004,515.65
Luoyang I&C Technology Consulting Co., Ltd	281,102.48			-51,993.72						229,108.76	
Total	126,757,687.72			345,334.11					342,240.70	127,445,282.53	7,004,515.65



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Other equity instrument investment

(1) Category of other equity instruments

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Luoyang intelligent agricultural equipment Research Institute Co., Ltd	3,871,238.40	3,871,238.40
Total	3,871,238.40	3,871,238.40

Other explanation of fixed assets:

The Group's subsidiaries have a shareholding ratio of 3% in Luoyang intelligent agricultural equipment Research Institute Co., Ltd.



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Other equity instrument investment (Continued)

(2) Investment in non-tradable equity instruments

Unit: Yuan Currency: RMB

Item	Dividend income recognized in the current period	Accumulated profits	Accumulated loss	Amount transferred from other comprehensive income to retained earnings	Reasons designated to be measured at fair value and its changes are accounted in other comprehensive income	Reasons for transfer of other comprehensive income into retained earnings
Luoyang intelligent agricultural equipment Research Institute Co., Ltd	_____	_____	_____	_____	Non-trading equity instruments	_____
Total	=====	=====	=====	=====	=====	=====

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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Fixed assets

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Fixed assets	2,702,848,135.20	2,814,817,617.87
Fixed assets liquidation	1,797,593.81	
Total	2,704,645,729.01	2,814,817,617.87

(1) Detail 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	8,073,411.50	2,215,971,131.09	4,294,798,256.01	53,642,404.45	117,048,473.51	5,757,226.71	6,695,290,903.27
2. Increase amount in this period	150,301.50	6,894,859.43	30,038,632.10	567,055.52	4,563,749.90	1,074,788.05	43,289,386.50
Purchase	-		5,529,290.21	518,141.60	735,937.88	-	6,783,369.69
Transferred from construction in progress	-	8,260,257.53	23,916,123.91	-	142,253.97	39,800.00	32,358,435.41
Converted difference in Foreign Currency Statements	150,301.50	191,388.45	917,940.02	-43,175.61	1,284.29	66,660.25	1,284,398.90
Reclassification	-	-1,556,786.55	-324,722.04	92,089.53	3,684,273.76	968,327.80	2,863,182.50
Others	-						
3. Decrease amount in this period	-	9,561,288.59	34,873,253.62	3,668,090.86	1,205,551.04	-	49,308,184.11
Disposal of scrapped	-	303,597.60	31,122,538.50	1,744,301.44	825,072.89	-	33,995,510.43
Disposal of subsidiaries	-	9,257,690.99	3,750,715.12	1,923,789.42	380,478.15	-	15,312,673.68
4. Ending balance	8,223,713.00	2,213,304,701.93	4,289,963,634.49	50,541,369.11	120,406,672.37	6,832,014.76	6,689,272,105.66



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Fixed assets (Continued)

(1) Detail of fixed assets (Continued)

Item	Land	Buildings	Machinery	Transportation equipment	Electronic and office equipment	Other equipment	Total
II. Accumulated depreciation							
1. Beginning balance	-	988,196,766.54	2,713,441,321.38	35,488,414.54	84,234,585.80	4,178,065.56	3,825,539,153.82
2. Increase amount in this period	-	31,458,767.92	109,103,471.73	1,509,122.98	4,823,884.06	-484,355.72	146,410,890.97
Provision	-	31,413,001.84	108,420,280.56	1,542,977.56	3,966,500.66	239,862.92	145,582,623.54
Converted difference in Foreign Currency Statements	-	100,253.38	613,296.38	-24,007.26	263.38	51,598.87	741,404.75
Reclassification	-	-54,487.30	69,894.79	-9,847.32	857,120.02	-775,817.51	86,862.68
3. Decrease amount in this period	-	4,679,439.47	30,544,709.21	2,264,967.90	1,134,492.17	-	38,623,608.75
Disposal or scrap	-	284,135.83	28,354,817.32	837,935.79	783,486.68	-	30,260,375.62
Disposal of subsidiaries	-	4,395,303.64	2,189,891.89	1,427,032.11	351,005.49	-	8,363,233.13
4. Ending balance	-	1,014,976,094.99	2,792,000,083.90	34,732,569.62	87,923,977.69	3,693,709.84	3,933,326,436.04
III. Impairment provision							
1. Beginning balance	4,345,418.00	10,640,224.36	37,339,098.04	2,149,970.62	266,287.45	193,133.11	54,934,131.58
2. Increase amount in this period	80,898.00	1,186.44	310,114.32	-	29,091.13	-76,087.15	345,202.74
Provision	-	-	-	-	-	-	-
Converted difference in Foreign Currency Statements	80,898.00	1,684.55	258,693.78	-	787.21	2,139.20	345,202.74
Others	-	-498.11	50,420.54	-	28,303.92	-78,226.35	-
3. Decrease amount in this period	-	-	1,268,688.96	913,110.94	-	-	2,181,799.90
Disposal or scrap	-	-	-	837,923.44	-	-	837,923.44
Disposal of subsidiaries	-	-	1,268,688.96	75,187.50	-	-	1,343,876.46
4. Ending balance	4,426,316.00	10,641,410.80	36,380,523.40	1,236,859.68	295,378.58	117,045.96	53,097,534.42
IV. Book value							
1. Ending balance of book value	3,797,397.00	1,187,687,196.14	1,461,583,027.19	14,571,939.81	32,187,316.10	3,021,258.96	2,702,848,135.20
2. Beginning balance of book	3,727,993.50	1,217,134,140.19	1,544,017,836.59	16,004,019.29	32,547,600.26	1,386,028.04	2,814,817,617.87



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Fixed assets (Continued)

(2) Fixed assets leased out by operating lease

Unit: Yuan Currency: RMB

Item	Book value
Houses and buildings	120,558,819.89
Machine and equipment	15,468,514.01
Total	136,027,333.90

(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	65,398,672.15	The project is still in the stage of completion audit, so no real estate certificate has been obtained
Main Factory house and office building of subsidiary Fulaige Zhengzhou Branch	13,172,387.85	In April 2012, the land certificate was obtained. At that time, Zhengzhou Economic Development Zone Management Committee and Haima company had schedule requirements for the construction project, so they had to complete the project construction task according to schedule, and required to start construction first and then go through relevant procedures. At present, we are applying for the construction project planning license. Only after the construction project planning license is handled can we go through the bidding filing, construction license, fire fighting filing, quality inspection, completion acceptance and other related procedures, and finally we can get the real estate license.



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Fixed assets (Continued)

(3) *Fixed assets with the property right certificate unprocessed yet (Continued)*

<u>Item</u>	<u>Book value</u>	<u>Reason for property right certificate not yet processed</u>
New cooling channel workshop of branch casting and forging plant	1,742,243.41	The construction project investment is inconsistent with the main body of the construction land. According to the current relevant regulations, it is a historical problem that the real estate certificate cannot be handled
Branch heat treatment plant	6,881,703.83	The property right certificate is in the process of processing
Cab workshop of branch body factory	83,479,053.01	The property right certificate is in the process of processing
User training service workshop	3,077,418.64	The property right certificate is in the process of processing
Large workshop	<u>54,446,863.78</u>	The property right certificate is in the process of processing
Total	<u><u>228,198,342.67</u></u>	

Other explanation of fixed assets:

The increase of depreciation in this period is RMB145,529,887.51. 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 RMB2,035,942,462.35. Refer to the statement in the Note 67 for detailed information about the ending balance of pledge on fixed assets.



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Fixed assets (Continued)

(4) Disposal of fixed assets

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
disposal of fixed assets	1,797,593.81	
Total	1,797,593.81	

17. Construction in progress

List of item

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Construction in progress	131,707,349.87	128,990,466.09
Total	131,707,349.87	128,990,466.09



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (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
Agricultural high-power diesel engine project	1,688,232.54	1,675,213.67	13,018.87	1,688,232.54	1,675,213.67	13,018.87
New large parts workshop in No.3 assembly plant				4,316,930.94	-	4,316,930.94
New model application project of new wheeled tractor intelligent manufacturing	348,675.49	-	348,675.49	348,675.49	-	348,675.49
User Service Training Workshop	126,074.94	-	126,074.94	3,926,314.31	-	3,926,314.31
Technical measures project in 2019 (process quality improvement project)	2,964,601.76	-	2,964,601.76	889,380.53	-	889,380.53
Small and Medium Sized Molding Line Transformation	29,770,863.50	-	29,770,863.50	25,973,773.40	-	25,973,773.40
Pollution source upgrading and reconstruction project	6,234,806.55	-	6,234,806.55	3,920,960.98	-	3,920,960.98

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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Construction in progress (Continued)

(1) Details of construction in progress (Continued)

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Heat treatment capacity improvement project – new automatic multi-purpose furnace production line	7,961,853.60	-	7,961,853.60	7,837,500.80	-	7,837,500.80
Waste gas treatment device of painting line	6,110,428.17	-	6,110,428.17	6,110,428.17	-	6,110,428.17
Electrophoretic 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 – reserved land	2,206,437.39	2,206,437.39	-	2,206,437.39	2,206,437.39	-
Tractor test environment chamber and supporting comprehensive verification platform	5,095,496.39	-	5,095,496.39	3,783,185.85	-	3,783,185.85
Test equipment of national emission standard for medium and small power engines	12,568,518.46	-	12,568,518.46	12,472,943.24	-	12,472,943.24
Dormitory and canteen of Zhengzhou Branch	-	-	-	1,647,123.03	-	1,647,123.03
Diesel engine company parts matching and product verification base construction project	5,440,337.59	-	5,440,337.59	4,045,666.24	-	4,045,666.24
New axis cover line	3,666,445.78	-	3,666,445.78	3,666,445.78	-	3,666,445.78
Pouring machine project	-	-	-	6,070,408.17	-	6,070,408.17
Robot Renovation Project of Core Making Center	3,230,769.23	-	3,230,769.23	3,230,769.23	-	3,230,769.23
Others	79,049,153.41	34,447,935.87	44,601,217.54	71,346,255.82	34,183,546.76	37,162,709.06
Total	171,033,807.76	39,326,457.89	131,707,349.87	168,052,534.87	39,062,068.78	128,990,466.09



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Construction in progress (Continued)

(2) Details of significant changes of construction in progress

Unit: Yuan Currency: RMB

Project name	Budget	Beginning balance	Increase in this period	Transferred to fixed assets in this period	Decrease in this period	Ending balance
Small and medium-sized parts molding line reconstruction project	56,149,700.00	25,973,773.40	5,267,779.76	1,470,689.66		29,770,863.50
Test equipment of national emission standard for medium and small power engines	15,000,000.00	12,472,943.24	95,575.22	-		12,568,518.46
Heat treatment capacity improvement project – new automatic multi-purpose furnace production line	10,000,000.00	7,837,500.80	124,352.80	-		7,961,853.60
Pollution source upgrading and reconstruction project	23,000,000.00	3,920,960.98	2,313,845.57	-		6,234,806.55
Waste gas treatment device of painting line	14,000,000.00	6,110,428.17	-	-		6,110,428.17
Diesel engine company parts matching and product verification base construction project	9,850,000.00	4,045,656.24	1,394,681.35	-		5,440,337.59
Tractor test environment chamber and supporting comprehensive verification platform	13,900,000.00	3,783,185.85	1,312,310.54	-		5,095,496.39
Electrophoretic line	2,800,000.00	4,571,112.96	-	-		4,571,112.96
New shaft cover line	7,000,000.00	3,666,445.78	-	-		3,666,445.78
Robot transformation project	4,500,000.00	3,230,769.23	-	-		3,230,769.23
Total	156,199,700.00	75,612,776.65	10,508,545.24	1,470,689.66	0.00	84,650,632.23

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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Construction in progress (Continued)

(2) Details of significant changes of construction in progress (Continued)

Project name	Percentage of project investment to the budgeted amount (%)	Rate of progress (%)	Accumulated capitalization of interest	Including : capitalization of interest in this period	Rate of interest capitalization in this period (%)	Source of funds
Small and medium-sized parts molding line reconstruction project	56.00%	70.00%				Raise independently
Test equipment of national emission standard for medium and small power engines	83.00%	80.00%				Raise independently
Heat treatment capacity improvement project - new automatic multi-purpose furnace production line	82.00%	60.00%				Raise independently
Pollution source upgrading and reconstruction project	46.00%	50.00%				Raise independently
Waste gas treatment device of painting line	52.00%	80.00%				Raise independently
Diesel engine company parts matching and product verification base construction project	55.23%	66.00%				Raise independently
Tractor test environment chamber and supporting comprehensive verification platform	27.00%	30.00%				Raise independently
Electrophoretic line	127.65%	93.00%				Raise independently
New shaft cover line	52.38%	82.00%				Raise independently
Robot transformation project	84.00%	90.00%				Raise independently
Total						



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Right-to-Use Asset

Unit: Yuan Currency: RMB

Item	Houses and buildings	Venue rental	Machinery equipment	Others	Total
I. Original book balance					
1. Beginning balance	14,369,325.94	13,645,403.83	1,332,223.44	54,658.48	29,401,611.69
2. Increase amount in this period		142,484.47	61,735.50		204,219.97
3. Decrease amount in this period			77,454.54		77,454.54
4. Ending balance	14,369,325.94	13,787,888.30	1,316,504.40	54,658.48	29,528,377.12
II. Accumulated depreciation					
1. Beginning balance	6,512,068.19	3,528,167.93	388,179.13	27,329.24	10,455,744.49
2. Increase amount in this period	3,928,628.89	5,152,789.17	451,840.68	13,664.62	9,546,923.36
3. Decrease amount in this period					
4. Ending balance	10,440,697.08	8,680,957.10	840,019.81	40,993.86	20,002,667.85
III Impairment provision					
1. Beginning balance					
2. Increase amount in this period					
3. Decrease amount in this period					
4. Ending balance					
VI. Book value					
1. Ending balance of book value	3,928,628.86	5,106,931.20	476,484.59	13,664.62	9,525,709.27
2. Beginning balance of book	<u>7,857,257.75</u>	<u>10,117,235.90</u>	<u>944,044.31</u>	<u>27,329.24</u>	<u>18,945,867.20</u>

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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Intangible asset

(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	883,095,748.55	6,923,502.72	8,552,808.79	92,535,299.86	59,709,814.00	1,050,817,173.92
2. Increase amount in this period	-	101,780.00	151,487.92	496,746.26	-29,470.00	720,544.18
Purchase	-	-	-	497,653.61	-	497,653.61
Others	-	101,780.00	151,487.92	-907.35	-29,470.00	222,890.57
3. Decrease amount in this period						
Disposal						
Others						
4. Ending balance	883,095,748.55	7,025,282.72	8,704,296.71	93,032,046.12	59,680,344.00	1,051,537,718.10
II. Accumulated amortization						
1. Beginning balance	185,567,543.33	6,289,987.39	3,892,515.42	58,297,527.45	173,534.54	254,221,108.13
2. Increase amount in this period	10,991,813.48	101,780.00	287,570.35	3,833,665.54	-20,541.41	15,194,287.96
Provision	10,991,813.48	-	221,642.89	3,833,879.31	8,295.95	15,055,631.63
Others	-	101,780.00	65,927.46	-213.77	-28,837.36	138,656.33
3. Decrease amount in this period						
Disposal						
Others						
4. Ending balance	196,559,356.81	6,391,767.39	4,180,085.77	62,131,192.99	152,993.13	269,415,396.09



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Intangible asset (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	3,814,310.62	477,922.22		4,925,748.17
2. Increase amount in this period			71,010.45			71,010.45
Provision						
Increase for other reasons			71,010.45			
3. Decrease amount in this period						
4. Ending balance	0	633,515.33	3,885,321.07	477,922.22	-	4,996,758.62
IV. Book value						
1. Ending balance of book value	686,536,391.74	-	638,889.87	30,422,930.91	59,527,350.87	777,125,563.39
2. Beginning balance of book value	<u>697,528,205.22</u>	<u></u>	<u>845,982.75</u>	<u>33,759,850.19</u>	<u>59,536,279.46</u>	<u>791,670,317.62</u>

At the end of the period, the percentage of the intangible asset balance was generated through research was 0.

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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (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		7,524,426.04		7,524,426.04		
Research and development for dynamical machinery products		27,829,057.60		27,829,057.60		
Technological process research and development		20,541,186.48		20,541,186.48		
Research and development of tractor products		98,404,390.82		98,404,390.82		
Fundamental research		954,262.16		954,262.16		
Total		<u>155,253,323.10</u>		<u>155,253,323.10</u>		



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (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 business 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>

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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (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
Amortization of equipment relocation expenses	1,488,027.57	13,592.23	109,685.72		1,391,934.08
Mold amortization	32,595,944.22	7,291,533.89	7,193,413.17		32,694,064.94
Amortization of maintenance expenditure	8,103,490.06	0.00	859,962.29		7,243,527.77
Others	<u>1,931,080.89</u>	<u>1,561,125.93</u>	<u>390,389.13</u>		<u>3,101,817.69</u>
Total	<u><u>44,118,542.74</u></u>	<u><u>8,866,252.05</u></u>	<u><u>8,553,450.31</u></u>		<u><u>44,431,344.48</u></u>



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Deferred tax assets and deferred tax liabilities

(1) *Deferred tax assets that are not offset*

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	84,143,950.26	13,456,293.46	114,563,941.75	18,152,530.88
Deductible losses			24,973,782.51	6,243,445.63
Termination welfare	90,762,655.48	14,007,808.44	107,320,762.28	16,608,564.54
Wages payable and accrued expense	354,147,645.7	76,547,647.27	248,153,462.30	51,576,934.54
Deferred revenue	116,601,566.82	18,368,429.62	118,275,663.06	18,903,375.18
Total	645,655,818.21	122,380,178.79	613,287,611.90	111,484,850.77

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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

(2) *Deferred tax liabilities that are not offset*

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	94,816,193.72	23,704,048.43	98,845,821.41	24,711,455.35
Fair value change	807,948,610.99	121,218,474.79	787,127,461.91	118,402,559.62
Total	902,764,804.71	144,922,523.22	885,973,283.32	143,114,014.97

(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	1,002,754,195.08	805,376,546.48
Deductible losses	2,163,568,163.40	2,342,090,008.22
Total	3,166,322,358.48	3,147,466,554.70



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (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		274,631.32	
Year of 2020	239,815,413.77	279,727,441.91	
Year of 2021	92,035,755.69	133,374,203.44	
Year of 2022	82,106,890.19	188,502,093.16	
Year of 2023	168,482,717.60	169,004,006.75	
Year of 2024	59,744,380.24	63,569,415.50	
Year of 2025	55,243,330.11		
Year of 2026			
Year of 2027	13,479,990.59	50,758,454.26	
Year of 2028	1,109,252,711.29	1,119,729,737.98	
Year of 2029	337,150,023.90	337,150,023.90	
	6,256,950.02		
Total	2,163,568,163.40	2,342,090,008.22	



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Short-term borrowings

(1) Classification of borrowings

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Mortgaged loans	73,413,471.80	70,000,000.00
Credit loans	1,200,000,000.00	1,341,819,719.44
Interests payable	7,031,974.72	7,708,345.86
Total	<u>1,280,445,446.52</u>	<u>1,419,528,065.30</u>

Explanation of short-term loans: The subsidiary of the Group, Changtuo Agricultural Machinery Equipment Group Co., Ltd. drawn short-term loan of RMB70,000,000 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 13 November 2019.



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Short-term borrowings (Continued)

(2) Short term loans overdue and outstanding

Unit: Yuan Currency: RMB

The total amount of the overdue short-term loans at the end of the period is RMB70,000,000.00. The overdue short-term loans are as follows:

Loan unit	Ending balance	Borrowing interest rate (%)	Overdue time	Overdue interest rate (%)
Jilin Bank Dongsheng bank	<u>70,000,000.00</u>	<u>6.525</u>	<u>7-8 months</u>	<u>9.7875</u>
Total	<u><u>70,000,000.00</u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

25. Absorption of deposits and interbank deposits

Item	Ending balance	Beginning balance
Demand deposit	779,257,978.32	776,324,781.52
Including : Corporate	772,360,674.37	770,624,356.97
Individuals	6,897,303.95	5,700,424.55
Time deposit (including notice deposit)	341,636,554.54	358,230,891.20
Including : Corporate	341,636,554.54	358,230,891.20
Individuals		
Interests payable	9,382,601.33	2,721,621.82
Total	<u><u>1,130,277,134.19</u></u>	<u><u>1,137,277,294.54</u></u>

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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Notes payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Commercial acceptance notes	3,356,092.39	10,164,274.35
Bank acceptance notes	840,579,318.63	993,844,676.95
Total	843,935,411.02	1,004,008,951.30

The total amount of Notes payable due and unpaid at the end of the period is RMB343,229.38.

27. Accounts payable

(1) Accounts payable

Unit: Yuan Currency: RMB

Item	Ending Balance	Opening Balance
Purchase payment payable	1,827,759,880.02	1,160,059,432.13
Purchase of construction equipment payable	56,773,645.73	57,403,648.63
Service fee payable	46,804,290.99	33,058,216.05
Others	3,934,430.56	1,928,951.77
Total	1,935,272,247.30	1,252,450,248.58



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. 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 LLAIF INTERNATIONAL CO.,LTD	<u>26,795,712.51</u>	Unsettled
Total	<u><u>26,795,712.51</u></u>	

28. Contractual liability

(1) Contractual liability

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Payment for goods and services	<u>163,822,472.18</u>	<u>177,743,289.89</u>
Total	<u><u>163,822,472.18</u></u>	<u><u>177,743,289.89</u></u>

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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Contractual liability (Continued)

(2) Aging analysis of contractual liability

Item	Ending balance	Beginning balance
Within 1 year (including 1 year)	124,821,320.26	148,069,215.80
Over 1 year	39,001,151.92	29,674,074.09
Total	<u>163,822,472.18</u>	<u>177,743,289.89</u>

(3) Significant amounts of advance from customers aged over 1 year

Company name	Ending balance	Reason for not paid or reversed
Henan Luoyang Industrial Park Management Committee	10,000,000.00	Fees not fully received
Poly Technology Co., Ltd.	4,291,619.50	Program suspended
ZF YTO (Luoyang) axle Co., Ltd	4,429,676.26	In progress
Jiangxi Wangshi Zhifang Industrial Co., Ltd.	1,990,000.00	Program suspended
Wuyuan Jinhe Industry and Trade Co., Ltd.	1,312,310.70	Not mature to settle
Total	<u>22,023,606.46</u>	



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Employee benefits payable

(1) Classification of employee benefits payable

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Short-term remuneration	65,261,504.82	377,635,178.01	372,623,228.16	70,273,454.67
Post-employment welfare –				
Defined contribution plan	594,572.45	27,445,614.44	26,130,183.43	1,910,003.46
Termination welfare	<u>38,759,544.44</u>	<u>18,707,481.73</u>	<u>19,666,175.54</u>	<u>37,800,850.63</u>
Total	<u>104,615,621.71</u>	<u>423,788,274.18</u>	<u>418,419,587.13</u>	<u>109,984,308.76</u>

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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (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	37,250,192.48	296,547,458.66	293,891,341.69	39,906,309.45
Staff welfare expense		13,974,341.93	13974341.93	
Social insurance expense	42,947.74	11,392,880.32	11,062,214.16	373,613.90
Including : Medical insurance expense	42,947.74	10,357,580.95	10,062,342.73	338,185.96
Work-related injury insurance		759155.44	723727.5	35427.94
Maternity insurance		276143.93	276143.93	
Housing funds	747,863.30	22,921,112.34	22,838,228.84	830,746.80
Union & employee education funds	26,943,291.10	9,681,369.57	7,739,086.35	28,885,574.32
Others	277,210.20	23,118,015.19	23,118,015.19	277,210.20
Total	<u>65,261,504.82</u>	<u>377,635,178.01</u>	<u>372,623,228.16</u>	<u>70,273,454.67</u>



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (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	342,351.96	26,305,260.29	25,045,579.12	1,602,033.13
Unemployment insurance premium		1140354.15	1084604.31	55749.84
Enterprise annuity payment	<u>252,220.49</u>			<u>252,220.49</u>
Total	<u>594,572.45</u>	<u>27,445,614.44</u>	<u>26,130,183.43</u>	<u>1,910,003.46</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.



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Taxes payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Value-added tax (VAT)	6,222,979.15	2,530,430.43
Enterprise income tax	18,902,368.31	23,901,025.72
Individual income tax	1,136,409.58	456,457.82
Urban maintenance and construction tax	411,139.53	142,739.48
Property tax	4,561,121.64	5,148,793.52
Land use tax	2,335,837.39	1,886,397.01
Education surcharge	293,669.03	101,954.65
Other taxes	390,600.40	548,443.21
Total	34,254,125.03	34,716,241.84

31. Other payable

(1) Item listing

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Interests payable	7,391,281.50	3,927,593.99
Dividends payable	8,439,607.83	8,439,607.83
Other payables	270,091,757.71	290,380,288.75
Total	285,922,647.04	302,747,490.57



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Other payable (Continued)

(2) Interests payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Interests payable on funds borrowed from bank	<u>7,391,281.50</u>	<u>3,927,593.99</u>
Total	<u><u>7,391,281.50</u></u>	<u><u>3,927,593.99</u></u>

(3) Dividends payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Natural person shareholders	<u>8,439,607.83</u>	<u>8,439,607.83</u>
Total	<u><u>8,439,607.83</u></u>	<u><u>8,439,607.83</u></u>

Explanation of dividends payable: Huachen China Machinery Holdings Limited, a subsidiary of the Group, distributes the unpaid portion of the dividend

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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Other payable (Continued)

(4) 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	49,247,855.57	64,403,223.92
Cash pledge and deposits	58,779,245.14	64,033,336.26
Expenses payable	96,170,568.69	98,983,774.05
Collection and payment on behalf of others	49,117,912.31	28,970,041.11
Others	16,776,176.00	33,989,913.41
Total	270,091,757.71	290,380,288.75

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	49,340,612.33	Unsettled
Henan Chevronyb Industrial Trading Co, Ltd	3,080,000.00	Unsettled
Funds for housing construction and maintenance	2,497,917.91	Unsettled
Total	54,918,530.24	



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Non-current liabilities due within one year

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Long-term loans due within 1 year	339,610,000.00	629,077,500.00
Lease liabilities due within 1 year	12,673,464.76	18,881,483.02
Interest on long-term loans due within 1 year	602,958.43	1,076,522.93
Total	352,886,423.19	649,035,505.95

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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Other current liabilities

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Discount and allowance	204,824,431.70	130,532,589.51
Warranty fee for 3 after sale services included	95,453,058.36	82,269,060.58
Agent service fees	1,255,849.06	2,600,000.00
Transportation fee	7,662,910.00	6,261,048.34
Technology development fee	5,000,000.00	
Others	810,647.87	3,803,570.77
Total	315,006,896.99	225,466,269.20

34. Long-term loans

(1) Classification of loans

Unit: Yuan Currency: RMB

Classification of loans	Ending balance	Beginning balance
Guaranteed loan principal	79,610,000.00	78,155,000.00
Credit loan	359,900,000.00	690,000,000.00
Interests payable	602,958.43	1,076,522.93
Subtotal	440,112,958.43	769,231,522.93
Long-term loans due within 1 year	-339,610,000.00	-629,077,500.00
Including: credit loans	-260,000,000.00	-590,000,000.00
guarantee loan	-79,610,000.00	-39,077,500.00
Interest on long-term loans due within 1 year	-602,958.43	-1,076,522.93
Long-term loans due over 1 year	99,900,000.00	139,077,500.00



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Long-term loans (Continued)

(2) Due date analysis of long-term loans

Due date	Ending balance	Beginning balance
Over than 1 year after the balance sheet date, but not over than 2 years		39,077,500.00
Over than 2 years after the balance sheet date, but not over than 5 years	99,900,000.00	100,000,000.00
Over 5 years		
Total	99,900,000.00	139,077,500.00

35. Lease liabilities

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Lease liabilities	12,689,297.71	18,945,867.20
reclassification to Non-current asset due within one year	-12,673,464.76	-18,881,483.02
Total	15,832.95	64,384.18



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Long-term accounts payable

(1) Classification of long-term accounts payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Long-term accounts payable	9,106,458.69	8,933,931.06
Specific accounts payable		
Total	9,106,458.69	8,933,931.06

(2) Long-term accounts payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Long-term loans from non-financial institutions	9,106,458.69	8,933,931.06
Total	9,106,458.69	8,933,931.06

Explanation of long-term accounts payable:

YTO AGRO-INDUSTRIAL, an offshore subsidiary of the Group, signed a supplementary agreement with the Ivorian government which stipulates that XOF 750,120,156.00 (RMB9,106,458.69 at the end of the period) of the transfer loan from the government of YITWO AGRO-INDUSTRIAL in CYD Ivory Coast in 1997 has not been repaid, and the repayment can be postponed until 2024.



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37. Long-term salary payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Termination welfare	107,525,406.16	126,769,566.70
Non-discounted long-term payable remuneration for employees whose long term dismissal benefits expire within one year	-37,800,850.63	-38,759,544.44
Total	69,724,555.53	88,010,022.26

38. Estimated liabilities

Unit: Yuan Currency: RMB

Item	Beginning balance	Ending balance	Reason for occurring
Other	2,652,542.65	2,684,542.65	
Total	2,652,542.65	2,684,542.65	

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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Deferred revenue

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance	Reason
Government subsidies related assets	141,660,293.06	2,910,000.00	9,186,246.52	135,384,046.54	Details refer to (1)
Government subsidies related benefit	14,054,929.00	3,274,700.00	2,049,557.87	15,280,071.13	Details refer to (1)
Total	<u>155,715,222.06</u>	<u>6,184,700.00</u>	<u>11,235,804.39</u>	<u>150,664,117.67</u>	

Item of government grants

Unit: Yuan Currency: RMB

Item of government grants	Beginning balance	Increase of subsidy in this period	Accounted in non-operating income	Accounted in loss and profit in current period	Other changes	Ending balance	Related to assets/related to income
High-power non-road diesel engine	39,200,000.00			2,450,000.00		36,750,000.00	Related to assets
C Series Government Project Grant	1,432,000.00			358,000.00		1,074,000.00	Related to assets
New wheeled tractor core capacity improvement	36,272,727.26			2,418,181.82		33,854,545.44	Related to assets
Annual production of 1000 high-power power shift heavy-duty wheel tractors	3,750,000.00			250,000.00		3,500,000.00	Related to assets



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Deferred revenue (Continued)

Item of government grants (Continued)

Item of government grants	Beginning balance	Increase of subsidy in this period	Accounted in non-operating income	Accounted in loss and profit in current period	Other changes	Ending balance	Related to assets/related to income
Energy-saving and environmentally friendly diesel engine crankshaft	3,195,000.00			270,000.00		2,925,000.00	Related to assets
New wheeled tractor intelligent manufacturing new model application	10,818,181.82			540,909.10		10,277,272.72	Related to assets
Modern agricultural equipment smart cockpit digital factory	6,902,777.78			291,666.66		6,611,111.12	Related to assets
Research on early warning and remote diagnosis of tractor operation information collection	534,881.53	70,800.00		20,538.13		585,143.40	Related to income
Integration and demonstration application of agricultural machinery navigation technology based on Beidou	731,134.49			104,009.49		627,125.00	Related to income
Integrated development of medium power energy saving and environmental protection agricultural diesel engine and its matching	2,821,325.95			535,884.20		2,285,441.75	Related to income
Integrated creation of new tractor products in Hilly and mountainous areas	651,414.47			65,353.73		586,060.74	Related to income
Research and system development of tractor Testing Technology	719,943.21					719,943.21	Related to income
Enhance the ability of independent research and development	11,981,626.42			671,015.34		11,310,611.08	Related to assets

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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Deferred revenue (Continued)

Item of government grants (Continued)

Item of government grants	Beginning balance	Increase of subsidy in this period	Accounted in non-operating income	Accounted in loss and profit in current period	Other changes	Ending balance	Related to assets/related to income
Special fund for urban affordable housing project	8,064,000.00		144,000.00			7,920,000.00	Related to assets
Key product testing platform	11,111,577.37			694,473.60		10,417,103.77	Related to assets
Development of key core components for new energy-saving and environmentally	704,528.95			358,344.55		346,184.40	Related to income
Research and system development of reliability testing technology for tractor	909,863.66			611,459.63		298,404.03	Related to income
Agricultural machinery pollution emission control technology and system research	818,688.32	112,000.00		353,968.14		576,720.18	Related to income
Application research of intelligent design platform in the development of high power tractor	417,781.24					417,781.24	Related to income
Research on key technologies of clean and combustion of agricultural diesel engine	44,472.44	31,200.00				75,672.44	Related to income
Research on control of agricultural machinery exhaust aftertreatment system and key technologies of OBD	195,894.74	70,700.00				266,594.74	Related to income
Tractor test environment chamber and supporting comprehensive verification platform	3,000,000.00					3,000,000.00	Related to income



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Deferred revenue (Continued)

Item of government grants (Continued)

Item of government grants	Beginning balance	Increase of subsidy in this period	Accounted in non-operating income	Accounted in loss and profit in current period	Other changes	Ending balance	Related to assets/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
Green technology upgrading project of foundry system	8,800,000.00			1,098,000.00		7,702,000.00	Related to assets
Foundry medium and small parts molding line transformation project		2,910,000.00				2,910,000.00	Related to assets
Development and industrialization of 260-340 HP power shift tractor for robot and intelligent equipment		2,220,000.00				2,220,000.00	Related to income
Research and development of cloud collaborative intelligent harvesting robot system		770,000.00				770,000.00	Related to income
Others	132,402.41					132,402.41	Related to assets
Total	<u>155,715,222.06</u>	<u>6,184,700.00</u>	<u>144,000.00</u>	<u>11,091,804.39</u>	<u>-</u>	<u>150,664,117.67</u>	



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. 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

41. 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	247,618,250.77			247,618,250.77
Total	2,099,466,626.33			2,099,466,626.33



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42. Other comprehensive income

Unit: Yuan Currency: RMB

Item	Beginning balance	Amount incurred in this period					Attributable to the parent company after tax	Attributable to the minority shareholders after tax	Ending balance
		Amount before income tax in the current period	Less: accounted in loss and profit in current period which was accounted in other comprehensive income in prior period	Less: accounted in retained earnings in current period which was accounted in other comprehensive income in prior period	Less: income tax expense	Less: income tax expense			
Other comprehensive income that will be subsequently reclassified to profit and loss	-14,198,180.13	-1,840,169.96				-3,461,445.67	1,621,275.71	-17,659,625.80	
1. Exchange differences from retranslation of foreign currency financial statements	-14,198,180.13	-1,840,169.96				-3,461,445.67	1,621,275.71	-17,659,625.80	
Total other comprehensive income	<u>-14,198,180.13</u>	<u>-1,840,169.96</u>				<u>-3,461,445.67</u>	<u>1,621,275.71</u>	<u>-17,659,625.80</u>	



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. Special reserves

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Safety production expense	2,230,000.31	4,849,881.49	4,316,776.47	2,763,105.33
Total	<u>2,230,000.31</u>	<u>4,849,881.49</u>	<u>4,316,776.47</u>	<u>2,763,105.33</u>

44. 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>



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45. 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

46. Retained earnings

Unit: Yuan Currency: RMB

Item	Current year	Last year
Beginning balance of retained earnings before adjustment	529,451,678.91	493,080,403.24
Total amount of adjustment on beginning balance of retained earnings		
Beginning balance of retained earnings after adjustment	529,451,678.91	493,080,403.24
Add: Net profit for the year attributable to shareholders of the parent company	352,998,600.16	19,612,525.70
Less: Appropriation of the statutory surplus reserve		
Appropriation of discretionary surplus reserve		
Appropriation of reserve fund		
Venture expansion fund		
Profit Return Investments		
Employee Benefits Fund		
Provision of general risk reserves		25,104,151.50
Common stock dividends payable		
Common dividends converted to equity		
Preferred Dividend		
Other Distributions to Shareholders		
Profit Return Investments		
Other Profit Distribution		

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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. Retained earnings (Continued)

Item	Current year	Last year
Add: Surplus reserve to compensate for losses		
Carry-over recount changes in net liabilities or net assets of Beneficiary Plan		
Carry-over of Other Comprehensive Income		
Other Internal Carry-over of Owner's Rights and Interests		
Ending balance of this period	882,450,279.07	487,588,777.44

47. 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	4,036,648,664.67	3,221,192,166.51	3,352,321,412.27	2,885,370,895.76
Other business	37,841,436.84	36,485,957.19	23,962,830.71	20,657,498.06
Total	4,074,490,101.51	3,257,678,123.70	3,376,284,242.98	2,906,028,393.82



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48. Net interest income

Item	Cumulative amount in this period	Cumulative amount in last period
Interest income	40,024,451.98	47,885,722.12
Including: From deposits in other banks	11,598,955.64	16,103,026.98
From deposits in central bank	1,572,690.33	1,715,013.09
Lending funds		4,948,333.28
Loans and advances granted	21,963,279.86	24,823,825.49
Including: Individual loans and advances	3,053,784.26	1,725,254.27
Corporate loans and advances	18,866,059.27	20,039,932.21
Notes discounting	43,436.33	3,058,639.01
Buying back the sale of financial assets	4,889,526.15	295,523.28
Interest expense	10,929,064.06	17,000,296.03
Including: From deposits in other banks		
From deposits in central bank		247,128.34
Deposits from banks and other financial institutes	45,000.00	48,611.11
Deposits adsorption	10,884,064.06	16,704,556.58
Sale of repurchase financial assets		
Others		
Net interest income	29,095,387.92	30,885,426.09



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49. Fees and net commission income

Item	Amount in this period	Amount in last period
Fees and commission income	2,210,955.51	1,803,302.58
Clearing and settlement fees	16,801.16	12,346.56
Agent fees	316,858.44	293,518.83
Credit commitment fees and commissions	315,780.30	40,562.80
Others	1,561,515.61	1,456,874.39
Fees and commission expense	228,456.80	235,533.76
Service fee expense	228,456.80	235,533.76
Commission expense	—	—
Fees and net commission income	1,982,498.71	1,567,768.82

50. Taxes and surcharges

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Urban maintenance and construction tax	1,930,069.02	1,406,112.91
Education surcharge	1,378,620.76	1,015,624.00
Property tax	10,722,055.65	11,079,418.62
Land use tax	4,012,649.47	5,540,327.97
Vehicle and vessel usage tax	21,763.83	31,074.18
Stamp duty	3,231,960.98	2,692,216.87
Others	178,312.69	1,015,163.27
Total	21,475,432.40	22,779,937.82



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51. Selling expenses

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Transportation expenses	87,390,344.65	77,595,079.33
Sales service fees	27,150,692.97	5,711,503.86
Employee compensation	32,999,539.62	30,297,748.61
Advertising fees	991,680.48	791,580.67
Packing expenses	3,146,703.60	5,758,866.76
publicity expenses	321,241.08	1,599,261.50
Exhibition expenses	424,381.08	6,980,706.02
Travel expenses	5,057,172.33	7,267,645.24
Rent fees	803,663.00	922,185.10
Others	2,731,714.43	4,419,832.04
Total	161,017,133.24	141,344,409.13

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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52. Administrative expenses

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Employee compensation	60,522,874.05	69,846,371.52
Depreciation expenses	29,319,981.69	30,346,163.71
Repair expense	12,047,442.29	12,486,342.61
Amortization of intangible assets	12,718,872.60	12,750,767.73
Rent fees	7,194,483.38	10,358,074.28
Overseas personnel expenses	283,020.97	1,981,013.77
Office fee	1,175,503.67	1,544,075.43
Business entertainment expense	680,187.35	1,413,620.17
Travel expenses	658,737.95	1,206,298.49
Utility charge	937,829.59	3,672,915.06
Funds for the construction of the Communist Party of China	1,980,999.68	2,583,143.55
Service fee	2,947,828.29	3,922,733.14
Insurance fee	4,524,281.06	5,127,663.95
Others	4,154,261.29	11,548,298.97
Total	<u>139,146,303.86</u>	<u>168,787,482.38</u>



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53. Research & development expenses

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Employee compensation	70,039,951.62	72,774,931.14
Depreciation expenses	21,364,863.55	22,854,868.41
Material cost	41,941,740.83	39,376,013.97
Test and Inspection Fee	7,075,736.90	1,444,143.43
Design fee	5,692,489.60	1,833,111.54
Others	9,138,540.60	18,246,967.30
Total	155,253,323.10	156,530,035.79



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

54. Finance expenses

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Interest expense	46,590,431.12	83,118,600.84
Interest income	-11,295,005.51	-38,782,268.47
Exchange loss	-9,355,503.15	1,463,334.89
Other expense	-5,471,013.09	-4,406,290.19
Total	20,468,909.37	41,393,377.07

55. Loss on impairment of assets

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Impairment loss on inventories	-28,515,206.99	-24,597,669.41
Impairment loss on advance payments	561.12	
Impairment loss on construction in progress		-9,230,495.01
Other	-46,500,046.00	
Total	-75,014,691.87	-33,828,164.42



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

56. Loss on impairment on credit

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Loss of impairment of receivables	-123,253,810.77	-10,668,820.33
Loss of impairment of long-term receivables	-4,531,776.95	-2,611,054.95
Loss of impairment of loan investment	507,111.27	-129,143.60
Loss of impairment of entrusted loan assets	-171,000,000.00	
Loss of impairment of divested funds	-30,000,000.00	-3,000,000.00
Total	<u>-328,278,476.45</u>	<u>-16,409,018.88</u>

57. Other income

(1) Details of other income

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Government grants	16,643,436.56	18,582,933.40
Total	<u>16,643,436.56</u>	<u>18,582,933.40</u>

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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

57. Other income (Continued)

(2) Government grants included in other income

Item	Amount in this period	Amount in last period	Related to assets/related to income
Research on key technology and development of tractor in Hilly Area	65,353.73	227,443.63	Related to income
Medium power energy-saving and environmentally friendly agricultural diesel engine integrated development and machine matching	535,884.20	472,133.59	Related to income
Research on early warning and remote diagnosis of tractor operation information collection	20,538.13	104,804.90	Related to income
Integration and demonstration application of agricultural machinery navigation technology based on BeiDou	104,009.49	90,621.22	Related to income
Technical transformation of wheeled tractor	540,909.10		Related to assets
C Series Government Project Grant	358,000.00	358,000.00	Related to assets
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	250,000.00	Related to assets



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

57. 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
Industry revitalization and technological transformation	1,098,000.00	1,098,000.00	Related to assets
Development of key components of new energy saving and environmental protection agricultural diesel engine	358,344.55	37,070.69	Related to income
Research and system development of reliability testing technology for tractor key components	611,459.63	164,893.88	Related to income
Application of intelligent design platform in the research and development of High-power Tractor		78,882.73	Related to income
Research on control and OBD key technology of agricultural machinery exhaust after treatment system		49,171.69	Related to income
Enhance the ability of independent research and development	671,015.34	671,015.34	Related to assets
Key product test and detection platform	694,473.60	694,473.60	Related to assets
Development of intelligent electric tractor (integrated creation and test of 35 horsepower electric tractor driven by dual motor coupling)		28,148.34	Related to income



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

57. 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
Research on field operation quality and performance test verification technology of tractor unit		283,917.70	Related to income
Key technology and equipment of precision forming in 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
Luoyang Key Laboratory of modern agricultural equipment cleanliness control technology		100,000.00	Related to income
Research and application of new wear resistant metal materials in agricultural machinery equipment		299,890.22	Related to income
Award and subsidy fund for the first set of major technical equipment products		406,600.00	Related to income



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

57. 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 batch of single champion demonstration enterprises in manufacturing industry		1,000,000.00	Related to income
Application engineering of tractor parts "machine replacement"		4,000,000.00	Related to income
High power off-road diesel engine	2,450,000.00	2,450,000.00	Related to assets
Agricultural machinery pollution emission control technology and system research project		6,214.84	Related to income
Research on Key Technologies of clean combustion of agricultural diesel engine		231,661.05	Related to income
Tractor test environment chamber and supporting comprehensive verification platform		29,350.98	Related to income
Patent subsidy fee		4,000.00	Related to income
Incentive funds for technology trading of small and micro enterprises		278,700.00	Related to income
Post aid funds for science and technology innovation and entrepreneurship service institutions		500,000.00	Related to income

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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

57. 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
Input tax credit		167,584.22	Related to income
Improvement of basic support service ability of measurement value traceability transmission in machinery industry		26,172.96	Related to income
Assessment and reward of Engineering Technology Research Center		100,000.00	Related to income
Subsidy income of subsidy funds for small and medium-sized enterprises to develop international market in the second half of 2016		68,500.00	Related to income
Subsidy income of subsidy funds for small and medium-sized enterprises to develop international market in the first half of 2017		80,500.00	Related to income
Subsidy income of export credit insurance project in the first half of 2017		561,000.00	Related to income
Special funds for Henan Province's major science and technology special self created area	780,000.00		Related to income



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

57. 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
Job security subsidy	1,015,160.49		Related to income
Demonstration of agricultural machinery post-processing system engineering meeting national four stage standard	353,968.14		Related to income
Central special fund for foreign trade and economic development	343,400.00		Related to income
Modern agricultural equipment intelligent cockpit digital chemical plant	291,666.66		Related to assets
Financial subsidy for R & D expenses of enterprises in Luoyang	2,800,000.00		Related to income
Subsidy fund of national import discount in 2018	248,569.00		Related to income
Other	364,502.68	5,000.00	Related to income
Total	16,643,436.56	18,582,933.40	



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

58. Government subsidies

(1) Classification of government subsidies

Projects of government subsidies	Amount in this period	Amount in last period	remark
Government subsidies included in deferred income	6,184,700.00	8,584,800.00	
Government subsidies included in other income	5,551,632.17	3,540,484.22	
Government subsidies included in non-business income	—	8,727,492.80	
Total	<u>11,736,332.17</u>	<u>20,852,777.02</u>	



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

59. 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	345,334.11	-5,217,213.36
Investment income from disposal of long-term equity investments	329,054,307.96	22,714,314.58
Investment income from holding of trading financial assets	17,670,001.46	13,303,759.64
Investment income from disposal of trading financial assets	636,994.73	7,273,664.46
Investment income from holding of debt investments		585,422.58
Total	<u>347,706,638.26</u>	<u>38,659,947.90</u>



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

60. 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 changes are accounted in loss and profit	20,821,149.11	41,057,068.58
Derivative financial instruments		1,426,994.99
Total	20,821,149.11	42,484,063.57

61. 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	920,722.93	-50,437.30
Total	920,722.93	-50,437.30



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

62. Non-operating income

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period	Extraordinary gains and losses recognized in this period
Government grants	144,000.00	8,871,492.80	144,000.00
Unpayable payables	840,003.85	4,704,947.50	840,003.85
Others	593,195.89	1,542,411.57	593,195.89
Total	<u>1,577,199.74</u>	<u>15,118,851.87</u>	<u>1,577,199.74</u>

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 assets
Zombie enterprise subsidy		<u>8,727,492.80</u>	Related to income
Total	<u>144,000.00</u>	<u>8,871,492.80</u>	



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

63. Non-operating expenses

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period	Extraordinary gains and losses recognized in this period
Others	<u>654,060.87</u>	<u>511,505.42</u>	<u>654,060.87</u>
Total	<u><u>654,060.87</u></u>	<u><u>511,505.42</u></u>	<u><u>654,060.87</u></u>

Explanation of non-operating expenses: N/A

64. 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	<u>21,688,533.07</u>	<u>14,058,842.16</u>
Deferred income tax expense	<u>-9,086,819.77</u>	<u>12,045,060.28</u>
Total	<u><u>12,601,713.30</u></u>	<u><u>26,103,902.44</u></u>



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

64. Income tax expenses (Continued)

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

Unit: Yuan Currency: RMB

Item	Amount in this period
Total profit	334,250,679.88
Income Tax Expenses at Statutory/Applicable Tax Rates	83,562,669.97
The Impact of Different Tax Rates on Subsidiaries	-42,008,987.77
The impact of income tax on the period before adjustment	6,702.03
The impact of non-taxable income	-52,155,995.74
Non-deductible Cost, Cost and Loss Impact	47,211.43
The impact of deductible loss on deferred income tax assets not recognized in the prior period of use	-24,388,401.89
The impact of deductible temporary differences or deductible losses on deferred income tax assets not recognized in the current period	67,820,429.30
Extra deductions for R& D expenses	-17,465,998.85
Others	-2,815,915.18
Income tax expenses	12,601,713.30



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

65. 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	2,625,447.49	11,034,962.67
Cash receipts of government subsidy	11,736,332.17	20,852,777.02
Cash receipts from other receivables	35,520,055.64	84,529,170.44
Total	49,881,835.30	116,416,910.13

(2) Cash payments to other operating activities.

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Payment of selling, administrative and R&D expenses	120,734,138.07	146,528,740.59
Payment of other payables	13,778,221.51	31,065,158.69
Total	134,512,359.58	177,593,899.28



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

65. Notes to items of cash flow statement (Continued)

(3) Other cash payments relating to investing activities

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Net cash received from disposal of subsidiaries and other business units is negative	<u>235,907.24</u>	<u>8,281.27</u>
Total	<u><u>235,907.24</u></u>	<u><u>8,281.27</u></u>

(4) Other cash received related to financing activities

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Dividend return	<u>11,919.11</u>	<u> </u>
Total	<u><u>11,919.11</u></u>	<u><u> </u></u>

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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

65. Notes to items of cash flow statement (Continued)

(5) Other cash payments relating to financing activities

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Right-to-use assets	6,208,018.26	
Total	6,208,018.26	

66. 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	321,648,966.58	9,816,570.16
Add: Provision for asset impairment	373,293,168.32	50,237,183.30
Depreciation of fixed asset	145,529,887.51	146,020,838.47
Amortization of right-to-use assets	9,546,923.36	
Amortization of intangible assets	15,194,287.96	15,467,282.92
Amortization of long-term deferred expenses	8,553,450.31	8,229,426.38



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

Item	Amount in this period	Amount in last period
Loss on disposal of fixed assets, intangible assets and other long- term assets (Gain listed as "-")	-920,722.93	50,437.30
Loss on disposal of fixed assets (Gain listed as "-")		
Gain or loss from changes in fair value (Gain listed as "-")	-20,821,149.11	-42,484,063.57
Financial expenses (Gain listed as "-")	38,058,681.79	55,371,295.04
Loss on investments (Gain listed as "-")	-347,706,638.26	-38,659,947.90
Decrease in deferred tax assets (Increase listed as "-")	-10,895,328.02	6,368,908.20
Increase in deferred tax liabilities (Decrease listed as "-")	1,808,508.25	5,700,716.59
Decrease in inventories (Increase listed as "-")	100,877,565.71	309,200,058.51
Decrease in operating receivables (Increase listed as "-")	-749,094,301.48	-40,450,841.91
Increase in operating payables (Decrease listed as "-")	522,174,165.71	-82,310,868.02
Others	15,394,419.76	35,965,201.45
Net cash flow generated from operating activities	452,641,885.46	438,522,196.92



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

Item	Amount in this period	Amount in last period
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	793,878,520.11	1,472,387,089.88
Less: Beginning balance of cash	1,120,120,449.63	1,279,587,830.24
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-326,241,929.52	192,799,259.64



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

(2) Cash and cash equivalents

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
1. Cash	793,878,520.11	1,120,120,449.63
Including: Cash on hand	716,689.50	994,815.11
Bank deposits ready for payment	779,931,961.66	1,106,289,570.55
Other monetary funds ready for payment	13,229,868.95	12,836,063.97
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	793,878,520.11	1,120,120,449.63
Including: Cash and cash equivalents with restricted use of the parent company or the subsidiaries of the Group		



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

67. Assets with restricted ownership or right-to-use

Unit: Yuan Currency: RMB

Item	Ending balance of book value	Reason
Monetary funds	229,284,588.83	Cash deposits and statutory reserve deposited in the Central Bank
Notes receivable	13,971,651.66	Bills Pledge
Fixed assets	52,272,210.54	Loan mortgage
Intangible assets	7,769,457.20	Loan mortgage
Total	<u>303,297,908.23</u>	

68. Net current assets

Item	Ending balance	Beginning balance
Current assets	6,911,834,928.72	6,415,221,116.11
Less: current liabilities	<u>6,451,807,112.22</u>	<u>6,307,588,978.88</u>
Net current assets	<u>460,027,816.50</u>	<u>107,632,137.23</u>



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

69. Total assets deduct current liabilities

Item	Ending balance	Beginning balance
Total assets	11,984,679,592.66	11,629,022,385.51
Less: current liabilities	6,451,807,112.22	6,307,588,978.88
Total assets deduct current liabilities	<u>5,502,872,480.44</u>	<u>5,321,433,406.63</u>

70. Loan

Item	Ending balance	Beginning balance
Short-term bank loan	1,273,413,471.80	1,411,819,719.44
Long-term loans due in one year	339,610,000.00	629,077,500.00
Long-term loan	99,900,000.00	139,077,500.00
Total	<u>1,712,923,471.80</u>	<u>2,179,974,719.44</u>



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

70. Loan (Continued)

(1) Analysis of loan

Item	Ending balance	Beginning balance
Bank loan		
Paid within one year	1,613,023,471.80	2,040,897,219.44
Paid after one year	99,900,000.00	139,077,500.00
Total	1,712,923,471.80	2,179,974,719.44

(2) Maturity date analysis of loan

Item	Ending balance	Beginning balance
Bank loan		
Within 1 year	1,613,023,471.80	2,040,897,219.44
1-2 years		39,077,500.00
2-5 years	99,900,000.00	100,000,000.00
Over 5 years		
Total	1,712,923,471.80	2,179,974,719.44



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

71. Foreign currency monetary items

(1) Foreign currency monetary items

Item	Ending balance of foreign currency	Exchange rate	Ending balance converted into RMB
Monetary funds			162,830,448.24
USD	13,362,638.38	7.0795	94,600,798.41
EUR	2,062,103.42	7.9610	16,416,405.33
HKD	42,669,128.81	0.91344	38,975,689.02
AUD	502,099.62	4.8657	2,443,066.12
XOF	849,822,975.00	0.01214	10,316,850.92
ZAR	132,815.89	0.4101	54,467.80
BYR	7,857.65	2.9488	23,170.64
Accounts receivable			127,328,186.42
USD	13,821,299.15	7.0795	97,847,887.33
EUR	1,897,391.36	7.9610	15,105,132.62
AUD	593,282.40	4.8657	2,886,734.17
XOF	108,306,111.22	0.01214	1,314,836.19
ZAR	24,807,598.41	0.4101	10,173,596.11
Other receivables			11,721,763.93
XOF	39,650,807.50	0.01214	481,360.80
ZAR	26,860.62	0.4101	11,015.54
EUR	1,410,549.88	7.9610	11,229,387.59



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

71. Foreign currency monetary items (Continued)

(1) Foreign currency monetary items (Continued)

Item	Ending balance of foreign currency	Exchange rate	Ending balance converted into RMB
Non-current assets maturing			
within one year			278,912,618.69
USD	39,350,068.66	7.0795	278,578,811.09
EUR	41,930.36	7.9610	333,807.60
Long-term receivables			
			209,087,304.00
USD	8,604,011.50	7.0795	60,912,099.41
EUR	18,612,637.18	7.9610	148,175,204.59
Accounts payable			
			43,910,946.96
USD	4,021,935.89	7.0795	28,473,295.13
EUR	1,880,195.89	7.9610	14,968,239.48
AUD	11,794.96	4.8657	57,390.74
XOF	5,798,201.00	0.01214	70,390.16
ZAR	150,000.00	0.4101	61,515.00
BYR	94,993.37	2.9488	280,116.45



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

71. 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			4,131,887.18
USD	71,444.77	7.0795	505,793.25
EUR	419,247.52	7.9610	3,337,629.51
XOF	20,776,500.00	0.01214	252,226.71
BYR	12,288.97	2.9488	36,237.71
Short-term loans			3,413,471.80
EUR	428,774.25	7.9610	3,413,471.80
Employee benefits payable			16,145,635.97
EUR	2,016,452.05	7.9610	16,052,974.77
BYR	31,423.36	2.9488	92,661.20
Non-current liabilities due within one year			79,777,181.00
EUR	10,021,000.00	7.9610	79,777,181.00
Long-term payables			9,106,458.69
XOF	<u>750,120,156.00</u>	<u>0.01214</u>	<u>9,106,458.69</u>



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

VI. NOTES TO MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

71. Foreign currency monetary items (Continued)

- (2) A description of an overseas economic entity, including an important overseas operating entity, shall disclose its main place of business outside China, the base currency for bookkeeping and the basis for its selection, and the reasons for the change of the base currency for bookkeeping shall be disclosed.

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
YTO Agro-Industrial	Côte d'Ivoire	XOF	Business environment and the main settlement currency
CAD FUND MACHINERY (SA)(PTY) LTD.	South Africa	ZAR	Business environment and the main settlement currency
YTO FRANCE SAS	France	EUR	Business environment and the main settlement currency
YTO Belarus Technology Co. Ltd.	Belarus	BYR	Business environment and the main settlement currency

72. 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, 2020 is RMB852,813,369.07, and the capital reserve-equity premium is RMB1,851,848,375.56.



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

VII. CHANGES IN THE SCOPE OF CONSOLIDATION

1. Change in merger scope for other reasons

YTO (Luoyang) Shentong Construction Machinery Co., Ltd., a subsidiary of the company, has applied to the People's Court for bankruptcy due to continuous losses, insolvency and difficulty in paying off the due debts. The company is no longer under control by the group, thus it is not included in the scope of consolidation in the current period.

X FINANCIAL STATEMENTS 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	Other	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
YTO (Luoyang) Fuel Injection Co., Ltd	China	China	Power machinery manufacturing	66.60	22.83	Business combination under common control



X FINANCIAL STATEMENTS 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	
Brilliance China Machinery Holdings Co., 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
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
YTO (Luoyang) Casting and Forging Co., Ltd.	China	China	Tractor manufacturing	100.00		Business combination under common control
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



X FINANCIAL STATEMENTS 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)

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. 00 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.



X FINANCIAL STATEMENTS 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

Unit: Yuan Currency: RMB

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	-190,292.52		2,998,679.62
YTO Group Finance Co., Ltd	1.21	-16,012.37		10,814,993.18
China-Africa Heavy Industry Investment Co., Ltd	45	-1,241,021.27		43,321,856.16
Luoyang Tractor Research Institute Co., Ltd	49	-4,304,764.27	78,400,000.00	313,488,658.57
YTO (Luoyang) Diesel Engine Co., Ltd	14.53	10,359,854.85		249,341,943.50
YTO (Luoyang) Fuel Injection Co., Ltd	13.89	-553,029.97		19,718,464.74
Chang Tuo Agricultural Machinery Equipment Group Co., Ltd	66.67	-5,768,245.52		598,978.77

X FINANCIAL STATEMENTS 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.

Unit: Yuan Currency: RMB

Name of subsidiary	Ending balance/Amount in this period					Total liabilities
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	
Brilliance China Machinery Holdings Co., Ltd	103,922,226.86	10,619,250.00	114,541,476.86	85,873,130.89	65,457.85	85,938,588.74
YTO Group Finance Co., Ltd	1,927,100,542.38	2,120,666,392.32	4,047,766,934.70	3,223,226,167.39	99,878.82	3,223,326,046.21
China-Africa Heavy Industry Investment Co., Ltd	116,006,587.62	1,475,971.57	117,482,559.19	14,485,209.82	9,106,458.69	23,591,668.51
Luoyang Tractor Research Institute Co., Ltd	249,232,907.64	462,536,966.77	711,769,874.41	33,365,144.05	38,631,957.78	71,997,101.83
YTO (Luoyang) Diesel Engine Co., Ltd	1,754,609,702.73	681,177,734.61	2,435,787,437.34	830,754,258.46	131,288,076.69	962,042,335.15
YTO (Luoyang) Fuel Injection Co., Ltd	87,733,263.17	84,860,068.95	172,593,332.12	27,827,293.56	5,521,390.57	33,348,684.13
Chang Tuo Agricultural Machinery Equipment Co., Ltd	13,980,786.25	134,913,435.85	148,894,222.10	141,377,235.71	6,618,456.73	147,995,692.44



X FINANCIAL STATEMENTS 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)

Name of subsidiary	Current assets	Non-current assets	Beginning balance/Amount in this period			Total liabilities
			Total assets	Current liabilities	Non-current liabilities	
Brilliance China Machinery Holdings Co., Ltd	105,392,426.65	10,464,300.00	115,856,726.65	85,889,813.81	833,600.83	86,723,414.64
YTO Group Finance Co., Ltd	1,950,735,943.05	2,248,914,114.36	4,199,650,057.41	3,373,749,154.81	137,005.54	3,373,886,160.35
China-Africa Heavy Industry Investment Co., Ltd	119,292,921.42	1,825,442.08	121,118,363.50	18,690,435.94	8,998,315.24	27,688,751.18
Luoyang Tractor Research Institute Co., Ltd	432,458,533.77	478,612,288.76	911,070,822.53	60,832,294.62	41,680,522.12	102,512,816.74
YTO (Luoyang) Diesel Engine Co., Ltd	1,577,630,249.15	694,214,971.29	2,271,845,220.44	730,397,062.33	131,379,230.44	861,776,292.77
YTO (Luoyang) Fuel Injection Co., Ltd	88,306,505.58	90,592,163.96	178,898,669.54	29,120,550.87	6,551,113.30	35,671,664.17
Chang Tuo Agricultural Machinery Equipment Co., Ltd	14,331,723.32	140,515,116.79	154,846,840.11	138,461,501.46	6,834,445.03	145,295,946.49

X FINANCIAL STATEMENTS 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)

Name of subsidiary	Amount incurred in this period			Cash Flow of Operational Activities
	Operating income	Net profit	Total comprehensive income	
Brilliance China Machinery Holdings Co., Ltd	8,236,113.10	-1,922,146.66	-1,922,146.66	3,424,689.64
YTO Group Finance Co., Ltd	67,774,123.55	-1,323,008.57	-1,323,008.57	-330,050,949.47
China-Africa Heavy Industry Investment Co., Ltd	19,750,606.00	-2,819,103.72	461,278.36	2,498,787.83
Luoyang Tractor Research Institute Co., Ltd	69,145,189.37	-8,785,233.21	-8,785,233.21	-7,897,799.64
YTO (Luoyang) Diesel Engine Co., Ltd	930,961,242.28	63,354,399.29	63,354,399.29	-15,076,557.28
YTO (Luoyang) Fuel Injection Co., Ltd	30,498,249.76	-3,982,357.38	-3,982,357.38	-3,804,649.00
Chang Tuo Agricultural Machinery Equipment Co., Ltd	0	-8,652,363.96	-8,652,363.96	-695.83



X FINANCIAL STATEMENTS 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)

Name of subsidiary	Operating income	Amount incurred in last period		Cash Flow of Operational Activities
		Net profit	Total comprehensive income	
Brilliance China Machinery Holdings Co., Ltd		-3,376,355.24	-3,142,288.72	183,699.73
YTO Group Finance Co., Ltd	76,289,095.16	22,877,048.89	22,877,048.89	-72,935,118.39
China-Africa Heavy Industry Investment Co., Ltd	25,500,213.71	-276,030.00	-502,388.22	-2,781,083.14
Luoyang Tractor Research Institute Co., Ltd	60,354,515.17	-27,687,061.41	-27,687,061.41	31,815,440.46
YTO (Luoyang) Diesel Engine Co., Ltd	722,396,703.60	38,168,858.86	38,168,858.86	73,210,710.63
YTO (Luoyang) Fuel Injection Co., Ltd	33,771,445.67	-2,830,229.37	-2,830,229.37	-6,445,538.78
Chang Tuo Agricultural Machinery Equipment Co., Ltd		-3,460,186.70	-3,460,186.70	2,638,116.44



X FINANCIAL STATEMENTS 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



X FINANCIAL STATEMENTS 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	
	YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	ZF YTO (Luoyang) Drive Axle Co., Ltd
Current assets	2,375,459.21	115,223,978.12
Non-current assets	1,145,471.85	186,040,241.86
Total assets	3,520,931.06	301,264,219.98
Current liabilities	165,740.45	44,702,930.95
Non-current liabilities	94,831.00	12,537,022.82
Total liabilities	260,571.45	57,239,953.77
Minority interests		
Equity attributable to the parent company shareholders	3,260,359.61	244,024,266.21
Share of net assets calculated by shareholding ratio	652,075.89	119,571,890.44
Adjusted matters		-12,328.21
–Goodwill		
–Unrealized profits from internal transactions		-12,328.21
–Others		



X FINANCIAL STATEMENTS 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	
	YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	ZF YTO (Luoyang) Drive Axle Co., Ltd
Book value of equity investments in joint ventures	652,075.89	119,559,562.23
Fair value of equity investments in joint ventures with public offer		
Operating income	–	93,890,861.16
Finance expenses	-59.07	-330,798.07
Income tax expenses	–	515,673.55
Net profit	-172,442.84	1,547,020.65
Net profits of discontinuing operation		
Other comprehensive income		
Total comprehensive income	-172,442.84	1,547,020.65
Dividends from associates for current period		



X FINANCIAL STATEMENTS 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	Beginning balance/Amount incurred in last period	
	YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	ZF YTO (Luoyang) Drive Axle Co., Ltd
Current assets	2,459,770.66	109,510,694.21
Non-current assets	1,225,055.07	195,181,169.36
Total assets	3,684,825.73	304,691,863.57
Current liabilities	157,192.28	43,382,643.20
Non-current liabilities	94,831.00	18,831,974.81
Total liabilities	252,023.28	62,214,618.01
Minority interests		
Equity attributable to the parent company shareholders	3,432,802.45	242,477,245.56
Share of net assets calculated by shareholding ratio	686,560.49	118,813,850.32
Adjusted matters		-16,488.23
–Goodwill		
–Unrealized profits from internal transactions		-16,488.23
–Others		



X FINANCIAL STATEMENTS 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	Beginning balance/Amount incurred in last period	
	YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	ZF YTO (Luoyang) Drive Axle Co., Ltd
Book value of equity investments in joint ventures	686,560.49	118,785,505.12
Fair value of equity investments in joint ventures with public offer		
Operating income	143,607.34	72,769,577.77
Finance expenses	-21.71	-218,379.54
Income tax expenses		-
Net profit	-182,893.94	-11,794,553.23
Net profits of discontinuing operation		
Other comprehensive income		
Total comprehensive income	-182,893.94	-11,794,553.23
Dividends from associates for current period		



X FINANCIAL STATEMENTS 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

Unit: Yuan Currency: RMB

Item	Ending balance/ Amount incurred in this period	Beginning balance/ Amount incurred in last period
Associates total book value of investments	229,108.76	281,102.48
Total amount of the following items calculated by shareholding ratio	-	-
Net profit	-51,993.72	-3,495.10
Other comprehensive income		
Total comprehensive income	-51,993.72	-3,495.10



X FINANCIAL STATEMENTS 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.



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

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, 2020, 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.



X FINANCIAL STATEMENTS 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.

At June 30, 2020, the accounts receivable of the top five customers accounted for 17.3% (June 30, 2019 : 19.28%) of the Group's total accounts receivable, so the group has no significant risk of credit concentration.

The Group's credit risk exposure includes on balance sheet items and off balance sheet items involving credit risk. On the balance sheet date, the book value of the group's financial assets has represented its maximum credit risk exposure.



X FINANCIAL STATEMENTS 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.

On June 30, 2020, The financial liabilities of the group are presented as follows in the form of undiscounted contractual cash flow at maturity:

Item	June 30, 2020				
	Total	Within 1 year	1–2 years	2–5 years	Over 5 years
Non-derivative financial liabilities					
Notes payable	843,935,411.02	843,935,411.02			
Accounts payable	1,935,272,247.30	1,935,272,247.30			
Other payables	285,922,647.04	285,922,647.04			
Other current liabilities	315,006,896.99	315,006,896.99			
Short-term borrowings	1,280,445,446.52	1,280,445,446.52			
Long-term loans	99,900,000.00			99,900,000.00	
Non-current liabilities due within one year	352,886,423.19	352,886,423.19			
Absorbing deposits and Interbank Deposit	1,130,277,134.19	1,130,277,134.19			
Subtotal of non-derivative financial liabilities	6,243,646,206.25	6,143,746,206.25		99,900,000.00	
Financial liabilities	6,243,646,206.25	6,143,746,206.25		99,900,000.00	



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

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

2. Liquidity risk (Continued)

Item	Total	December 31, 2019			
		Within 1 year	1-2 years	2-5 years	Over 5 years
Non-derivative financial liabilities					
Notes payable	1,004,008,951.30	1,004,008,951.30			
Accounts payable	1,252,450,248.58	1,252,450,248.58			
Other payables	302,747,490.57	302,747,490.57			
Other current liabilities	225,466,269.20	225,466,269.20			
Short-term borrowings	1,419,528,065.30	1,419,528,065.30			
Long-term loans	139,077,500.00		39,077,500.00	100,000,000.00	
Non-current liabilities due within one year	649,035,505.95	649,035,505.95			
Absorbing deposits and Interbank Deposit	1,137,277,294.54	1,137,277,294.54			
Subtotal of non-derivative financial liabilities	6,129,591,325.44	5,990,513,825.44	39,077,500.00	100,000,000.00	
Financial liabilities	6,129,591,325.44	5,990,513,825.44	39,077,500.00	100,000,000.00	



X FINANCIAL STATEMENTS 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.

By the end of June 30, 2020, 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		162,830,448.24		156,676,176.66
USD	13,362,638.38	94,600,798.41	14,428,713.41	100,657,590.50
EUR	2,062,103.42	16,416,405.33	1,310,360.83	10,241,125.08
HKD	42,669,128.81	38,975,689.02	42,591,575.98	38,152,681.93
AUD	502,099.62	2,443,066.12		
XOF	849,822,975.00	10,316,850.92	613,992,327.00	7,312,648.62
ZAR	132,815.89	54,467.80	388,296.33	191,934.88
BYR	7,857.65	23,170.64	36,243.90	120,195.65

X FINANCIAL STATEMENTS 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
Accounts receivable		127,328,186.42		114,782,111.92
USD	13,821,299.15	97,847,887.33	12,722,386.15	88,753,910.22
EUR	1,897,391.36	15,105,132.62	684,956.65	5,353,278.69
AUD	593,282.40	2,886,734.17	943,019.40	4,605,989.66
XOF	108,306,111.22	1,314,836.19	171,902,182.06	2,047,354.99
ZAR	24,807,598.41	10,173,596.11	28,366,535.21	14,021,578.36
Other receivables		11,721,763.93		11,755,804.08
XOF	39,650,807.50	481,360.80	18,588,593.93	221,390.15
ZAR	26,860.62	11,015.54	26,860.62	13,277.20
EUR	1,410,549.88	11,229,387.59	1,474,139.43	11,521,136.73
Non-current assets				
maturing within one year		278,912,618.69		270,402,669.98
USD	39,350,068.66	278,578,811.69	38,713,764.41	270,074,963.25
EUR	41,930.36	333,807.60	41,930.36	327,706.73
Long-term receivables		209,087,304.00		210,735,785.32
USD	8,604,011.50	60,912,099.41	9,355,912.89	65,268,719.50
EUR	18,612,637.18	148,175,204.59	18,612,637.18	145,467,065.82
Foreign currency financial liabilities				



X FINANCIAL STATEMENTS 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
Accounts payable		43,910,946.96		41,412,106.01
USD	4,021,935.89	28,473,295.13	4,141,288.89	28,890,459.56
EUR	1,880,195.89	14,968,239.48	1,577,930.19	12,332,313.40
AUD	11,794.96	57,390.74		
XOF	5,798,201.00	70,390.16	6,002,201.00	71,486.21
ZAR	150,000.00	61,515.00	150,000.00	74,145.00
BYR	94,993.37	280,116.45	13,177.89	43,701.84
Other payables		4,131,887.18		5,456,420.74
USD	71,444.77	505,793.25	71,444.77	498,413.01
EUR	419,247.52	3,337,629.51	602,314.71	4,707,390.62
XOF	20,776,500.00	252,226.71	20,776,500.00	247,448.12
ZAR				
BYR	12,288.97	36,237.71	955.58	3,168.99
Short-term loans		3,413,471.80		1,930,331.98
EUR	428,774.25	3,413,471.80	246,987.65	1,930,331.98
Employee benefits payable		16,145,635.97		14,028,739.20
EUR	2,016,452.05	16,052,974.77	1,780,803.50	13,917,869.75
BYR	31,423.36	92,661.20	33,431.67	110,869.45



X FINANCIAL STATEMENTS 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
Non-current liabilities due within one year		79,777,181.00		39,250,203.48
EUR	10,021,000.00	79,777,181.00	5,022,097.56	39,250,203.48
Long-term loans				39,077,500.00
EUR			5,000,000.00	39,077,500.00
Long-term accounts payable		9,106,458.69		8,933,931.06
XOF	750,120,156.00	9,106,458.69	750,120,156.00	8,933,931.06

Sensitivity analysis:

By the end of June 30, 2020, 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 RMB63,339,473.97 (January to June, 2019: RMB29,600,513.68).



X FINANCIAL STATEMENTS 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

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.

On June 30, 2020, the Group's long-term interest-bearing liabilities are mainly floating rate contracts denominated in RMB and Euro, amounting to RMB99,900,000.00. (Details in Note 34 Long-term Loans)



X FINANCIAL STATEMENTS 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)

Sensitivity analysis:

By the end of June 30, 2020, 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 RMB9,99,000.00. (January to June, Year 2019: RMB8,681,700.00).

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

X. DISCLOSURE OF FAIR VALUE

1. Financial instruments measured at fair value

In June 30, 2020, 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.

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

X. DISCLOSURE OF FAIR VALUE (CONTINUED)

2. The ending fair value of assets and liabilities measured at fair value

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	5,500,743.48			5,500,743.48
3) Derivative financial assets				
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		995,816,121.02		995,816,121.02
(2) Other debt investments				
(3) Other investments in equity instruments				
(4) Property investment				
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	5,500,743.48	995,816,121.02		1,001,316,864.50



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

X. DISCLOSURE OF FAIR VALUE (CONTINUED)

2. The ending fair value of assets and liabilities measured at fair value (Continued)

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	
(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				
Others				
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				
II. 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				



X FINANCIAL STATEMENTS 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-time and regularly acquired from the stock exchange, traders, brokers, insiders, pricing services, or regulatory agencies and the offer represents actual and regular market transactions with an even bargain reference. The market price of financial assets held by the Group is the bid price at that time. These financial instruments are in the first level. Instruments in the first level include equity investments of the Hang Seng 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.



X FINANCIAL STATEMENTS 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. Continuous third level fair value measurement items, adjustment information between the beginning and the end of the book value and sensitivity analysis of unobvious parameters

The above continuous fair value measurement project of the Group has not changed between different levels in this year.



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

X. DISCLOSURE OF FAIR VALUE (CONTINUED)

- 7. For the continuous fair value measurement items, if there is a conversion between all levels in the current period, the reason for the conversion and the policy for determining the time point of the conversion**

The above continuous fair value measurement items of the group have not been converted between all 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 non-current assets due within one year, long-term loans.

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.



X FINANCIAL STATEMENTS 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

Unit: 0'000 Currency: RMB

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.



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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

- 2. Subsidiaries of the Company: refer to the related content in the Note IX 1. Interests in subsidiaries for the details of the subsidiaries.**
- 3. The Company's Joint Ventures and Associated Enterprises**

Refer to the related content in 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%
YTO (Luoyang) Rico Automobile Co. Ltd.	The joint venture of the controlling shareholder of the Company	the Company hold shareholding 45%
Luoyang intelligent agricultural equipment Research Institute Co., Ltd	The joint venture of the controlling shareholder of the Company	the Company hold shareholding 37.875%
Luoyang Oriental Printing Co., Ltd	The joint venture of the controlling shareholder of the Company	cultural communication center, a subsidiary of the Company hold shareholding 40%
China YTO Kawei (Luoyang) Vehicle Co., Ltd	The joint venture of the controlling shareholder of the Company	the Company hold shareholding 40%



X FINANCIAL STATEMENTS 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 (Continued)

Other associated party names	Relationship to other related parties	Note
YTO (Luoyang) Standard Parts Co., Ltd	The joint venture of the controlling shareholder of the Company	the Company hold shareholding 25%
China YITUO Group Linhai Vehicle Co., Ltd	The joint venture of the controlling shareholder of the Company	the Company hold shareholding 30%
YTO (Luoyang) New Oriental Automobile Co., Ltd	The joint venture of the controlling shareholder of the Company	the Company hold shareholding 40%

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.

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) Material equipment 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



X FINANCIAL STATEMENTS 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
YTO (Luoyang) Dongchen Mold Technology Co., Ltd.	Under common control
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd	Under common control
Luoyang Zhongshou Machinery Equipment Co., Ltd.	Under common control
Luoyang Tianhui Energy Engineering Co., Ltd	Under common control
Luoyang Fossett Environmental Protection Technology Co., Ltd	Under common control
Luoyang Duoen Advertising Co., Ltd	Under common control
Dongfanghong (Luoyang) Culture Communication Centre	Under common control
YITUO (Xinjiang) Dongfanghong equipment Machinery Co., Ltd	Under common control
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd	Under common control
Beijing Heavy Transport Machinery Design Research Institute Co., Ltd.	Same ultimate control
Changlin incorporated company	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
SINOMACH science and Technology Research Institute Co., Ltd.	Same ultimate control
SINOMACH-HI (Luoyang) Building Machinery Co., Ltd	Same ultimate control
SINOMACH-HI (Luoyang) Co., Ltd	Same ultimate control
The Sixth Design Institute Co., Ltd of the Ministry of Machinery Industry	Same ultimate control



X FINANCIAL STATEMENTS 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 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 SUMEC MECHANICAL & Electrical Technology Co. , Ltd.	Same ultimate control
Zhengzhou Abrasive Grinding Research Institute 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
Xinjiang Zhongshu Agricultural and Animal Husbandry Machinery Co., Ltd.	Same ultimate control



X FINANCIAL STATEMENTS 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
Zhonghengtian off road vehicle Co., Ltd	Same ultimate control
Beijing Guoji Lianchuang Advertising Co., Ltd	Same ultimate control
Beijing Zhuozhong Publishing Co., Ltd	Same ultimate control
Beijing Zhuozhong Cultural Media Co., Ltd	Same ultimate control
SINOMACH International Equipment Co., Ltd	Same ultimate control
Guoji casting and Forging Machinery Co., Ltd	Same ultimate control
Luoyang axis International Trade Co., Ltd	Same ultimate control
Shandong Huayuan Laidong internal combustion engine Co., Ltd	Same ultimate control
CAMCE International Logistics Co., Ltd	Same ultimate control
China North Machinery 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.



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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

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*

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Sales of raw materials and components	7,080,351.23	5,668,949.24
Purchase of raw materials and components	4,465,421.89	9,195,416.77
Interest income	3,003,962.26	4,145,125.47
Pay clients' deposit interest	45,047.97	402,501.48
Commission income	53,782.48	68,386.79
Payment received of research and development expense	4,560,000.00	

X FINANCIAL STATEMENTS 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

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Sales of raw materials and components	100,507,838.68	121,891,146.37
Purchase of raw materials and components	207,315,785.71	209,461,171.40
Payment and payable of power expense	82,410,164.36	73,809,691.75
Payment and payable of comprehensive services and transportation fees	88,691,620.67	75,211,263.43
Payment and payable of land rental expenses	1,557,172.12	5,693,999.43
Payment and payable of buildings rental expenses	4,986,001.20	2,761,221.43
Payment and payable of equipment rental expenses	9,655,715.53	
Rental income of leasing buildings and equipment	2,719,380.99	428,442.96
Land lease income	805,468.00	336,644.70
Trademark use income		28,679.25
Purchase of plant and equipment	5,682,591.34	1,898,536.42
Interest income	29,716,974.73	17,511,866.22
Pay clients' deposit interest	10,476,353.91	15,709,610.68
Commission income	307,766.31	292,989.42
Receiving received of research and development expense	28,728,171.04	9,408,715.85



X FINANCIAL STATEMENTS 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)

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Sales of raw materials and components	14,195,721.53	22,539,018.40
Rental income	6,640,743.35	6,627,532.31
Purchase raw materials and parts	115,404,307.24	93,622,503.48
Payment for clients' deposit interest	1,978,465.48	836,862.77
Payment for research and development costs	17,520,792.01	9,396,415.11
Providing technology and testing services	96,435.59	34,104.21
Commission income	1,256.67	2,456.12
	1,256.67	2,456.12

(5) Borrowing and lending between related parties

Unit: Yuan Currency: RMB

Item	Increase in this period	Decrease in this period
Loans granting (including Notes discounted)	253,100,000.00	304,184,563.12
Absorption of deposits and interbank deposits	7,302,577,753.56	7,606,007,303.21
Loans from other banks	300,000,000.00	300,000,000.00
	300,000,000.00	300,000,000.00



X FINANCIAL STATEMENTS 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) Related party assets transfer and debt restructuring

Unit: Yuan Currency: RMB

Related party	Content of related party transactions	Amount incurred in this period	Amount incurred in last period
YTO Group Co., Ltd.	Transfer of the 29.5% equity interests held by the Company in Luo yang Fossett Environmental Protection Technology Co., Ltd.		

The company has transfer of its 29.5% equity interests in Luo yang Fossett Environmental Protection Technology Co., Ltd.. And as of the end of the Reporting Period, the equity transaction was still in progress.

(7) Remuneration of key management personnel

Unit: 0'000 Currency: RMB

Item	Amount incurred in this period	Amount incurred in last period
Fees	10.91	10.99
Salaries and other benefits	192.25	105.76
Retirement benefits scheme contribution	6.16	13.77
Total remuneration	209.32	130.52



X FINANCIAL STATEMENTS 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)

(7) Remuneration of key management personnel (Continued)

Analysis of key management personnel remuneration:

Unit: 0'000 Currency: RMB

Personnel and duties	Amount in this period			Total
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	
Executive directors				
Li Xiaoyu				
Cai Jibo				
Liu Jiguo		16.11	0.77	16.88
Non-executive directors				
Li, Hepeng	0.23			0.23
Xie, Donggang				
Zhou, Honghai				

X FINANCIAL STATEMENTS 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)

(7) Remuneration of key management personnel (Continued)

Personnel and duties	Fees	Amount in this period		Total
		Salaries and other benefits	Retirement benefits scheme contributions	
Independent non-executive directors				
Yu Zengbiao	2.60			2.60
Yang, Minli	2.60			2.60
Wang Yuru	2.60			2.60
Xue Lipin	2.88			2.88
Supervisors				
Wang Hongbin		79.88	0.77	80.65
Yang Kun		24.71	0.77	25.48
Key management personnel				
Wang, Kejun (<i>Deputy general manager</i>)		14.31	0.77	15.08
Su, Wensheng (<i>Deputy general manager</i>)		14.31	0.77	15.08
Xue Wenpu (<i>Deputy general manager</i>)		14.31	0.77	15.08
Yu Lina (<i>Deputy general manager & Board Secretary</i>)		14.31	0.77	15.08
Zhao Junfen (<i>CFO</i>)		14.31	0.77	15.08
Total	10.91	192.25	6.16	209.32



X FINANCIAL STATEMENTS 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)

(7) Remuneration of key management personnel (Continued)

Personnel and duties	Fees	Amount in last period		Total
		Salaries and other benefits	Retirement benefits scheme contributions	
Executive directors				
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

X FINANCIAL STATEMENTS 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)

(7) Remuneration of key management personnel (Continued)

Personnel and duties	Fees	Amount in last period		Total
		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 (CFO)		2.37	0.23	2.60
Yu Lina (Deputy general manager & Board Secretary)		13.36	1.49	14.85
Zhao Yanshui (Former Executive Director, Chairman)		4.90	1.10	6.00
Zhu Weijiang (Former Executive Director, General Manager)		6.60	1.10	7.70
Li Kai (former non-executive officer)	0.23			0.23
Wu Yong (former supervisor)		9.90	1.30	11.20
Yao, Weidong (Former chief financial officer)		5.60	1.10	6.70
Total	<u>10.99</u>	<u>105.76</u>	<u>13.77</u>	<u>130.52</u>



X FINANCIAL STATEMENTS 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

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
Notes receivable between the Group and YTO Group and its subsidiaries	2,040,000.00	16,476,000.00
China YTO Group Co., Ltd	2,040,000.00	16,476,000.00
Notes Receivable between the Group and Joint Venture or associates		660,000.00
ZF YTO (Luoyang) Bridge Co., Ltd.	70,000.00	660,000.00
Total	2,110,000.00	17,136,000.00

X FINANCIAL STATEMENTS 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: Yuan 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	6,126,441.29	1,928,973.60	4,797,904.60	1,123,741.38
Beijing Lifting and Transportation Machinery Design Research Institute Co., Ltd.			59,702.10	597.02
SINOMACH-HI (Luoyang) Building Machinery Co., Ltd	975,999.05	850,653.05	975,999.05	799,760.38
SINOMACH-HI (Luoyang) Co., Ltd	1,312,384.40	159,945.03	1,469,023.41	25,086.85
Zhonghengtian off road vehicle Co., Ltd	1,795,908.04	897,954.02	1,795,908.04	269,386.21
China SINOMACH Heavy Industry Corporation			24,180.00	24,180.00
Jiangsu SUMEC MECHANICAL & Electrical Technology Co., Ltd.	648,499.00	6,484.99	473,092.00	4,730.92



X FINANCIAL STATEMENTS 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
Zhengzhou Abrasive grinding Research Institute Co., Ltd	1,186,534.00	11,865.34		
Guoji casting and Forging Machinery Co., Ltd	207,116.80	2,071.17		
Accounts receivable between the Group and the shareholder	1,773,409.10	183,954.83	1,708,142.88	28,954.34
YTO Group Corporation	1,773,409.10	183,954.83	1,708,142.88	28,954.34
Accounts receivables between the Group and To Group and its subsidiaries	87,455,934.40	6,461,781.24	43,761,708.34	5,856,572.87
Luoyang Zhongshou Machinery Equipment Co., Ltd.	14,937,380.09	149,383.86	1,825,670.86	22,888.01
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd			234,632.56	4,692.65
YTO (Luoyang) Huide Tooling Co., Ltd	812,294.85	159,490.18	812,294.85	121,445.09

X FINANCIAL STATEMENTS 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
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	4,475,835.96	4,475,835.96	4,475,835.96	4,475,835.96
YTO (Luoyang) Logistics Co., Ltd	12,827,240.05	128,272.39		
YTO (Luoyang) material equipment Co., Ltd	48,036,715.70	623,433.78	32,662,011.98	326,620.12
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	3,986,439.89	39,864.40	1,090,936.93	10,909.36
YTO (Luoyang) Special Purpose Vehicle Co., Ltd	866,687.26	866,687.26	874,763.21	874,763.21
YTO (Xinjiang) Dongfanghong equipment Machinery Co., Ltd	26,285.71	3,942.86	156,285.71	3,125.71



X FINANCIAL STATEMENTS 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
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd	1,487,054.89	14,870.55	1,629,276.28	16,292.76
Accounts receivable between the Group and joint venture or associates	3,623,633.30	39,137.87	2,322,072.30	23,220.72
ZF YTO (Luoyang) axle Co. Ltd.	3,620,702.45	36,207.02	2,322,072.30	23,220.72
YTO (Luoyang) Standard Parts Co., Ltd	2,930.85	2,930.85		
Total	98,979,418.09	8,613,847.54	52,589,828.12	7,032,489.31



X FINANCIAL STATEMENTS 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

Unit: Yuan Currency: RMB

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
(1) Advance to suppliers between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)	40,000.00		40,000.00	
Beijing SINOMACH Lianchuang Advertising Co., Ltd.	40,000.00		40,000.00	
(2) Advance to suppliers between the Group and the shareholder	202.99		202.99	
YTO Group Corporation	202.99		202.99	
(3) Advance to suppliers between the Group and YTO Group and its subsidiaries	97,689.48	16,289.48	31,441,670.25	16,850.60
Luoyang Zhongshou Machinery & Equipment Co., Ltd			23,933,419.65	



X FINANCIAL STATEMENTS 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	
	Book value	Bad debt allowance	Book value	Bad debt allowance
Luoyang Fossett Environmental Protection Technology Co., Ltd	41,400.00		941,400.00	
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd.			6,550,000.00	
YTO (Luoyang) Dongchen Mold Technology Co., Ltd.	16,289.48	16,289.48	16,850.60	16,850.60
YTO (Luoyang) Tobacco Machinery Co., Ltd.	40,000.00			
Total	137,892.47	16,289.48	31,481,873.24	16,850.60

X FINANCIAL STATEMENTS 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

Unit: Yuan Currency: RMB

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
(1) Other receivables between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)	248,390.76	210,851.88	210,472.70	210,472.70
Zhongji North Machinery Co., Ltd	30,265.70	30,265.70	30,265.70	30,265.70
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
Machinery industry No.6 design and Research Institute Co., Ltd	37,918.06	379.18		
(2) Other receivables between the Group and the majority shareholder	1,111,517.76	187,493.85	346,313.82	157,806.74
YTO Group Corporation	1,111,517.76	187,493.85	346,313.82	157,806.74



X FINANCIAL STATEMENTS 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 (Continued)

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
(3) Other receivables between the Group and YTO Group and its subsidiaries	6,764,808.16	712,476.40	4,531,201.18	45,382.57
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	6,764,664.16	712,332.40	4,531,057.18	45,310.57
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	144.00	144.00	144.00	72.00
(4) Other receivables between the Group and other parties			401,068.89	4,010.69
ZF YTO (Luoyang) axle Co. Ltd.			401,068.89	4,010.69
Total	<u>8,124,716.68</u>	<u>1,110,822.13</u>	<u>5,489,056.59</u>	<u>417,672.70</u>



X FINANCIAL STATEMENTS 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) Right-to-use assets

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
(1) Right-to-use assets between the Group and the majority shareholder		
YTO Group Corporation	8,405,148.86	16,231,694.45
	8,405,148.86	16,231,694.45
(2) Right-to-use assets between the Group and YTO Group and its subsidiaries		
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd	513,264.66	1,026,529.32
	513,264.66	1,026,529.32
Total	8,918,413.52	17,258,223.77



X FINANCIAL STATEMENTS 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) Loans and advances

Unit: Yuan Currency: RMB

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
Deposit of Capital				
Discounted:				
YTO (Luoyang) Zhongcheng Machinery Co., Ltd`	98,125.00	2,453.13		
YTO Group Corporation	1,975,040.00	49,376.00		
YTO (Luoyang) Huide Tooling Co., Ltd	492,883.33	12,322.08	1,660,630.86	41,515.77
Loans:				
SINOMACH-HI (Luoyang) Co., Ltd	48,000,000.00	6,960,000.00	48,000,000.00	6,960,000.00
YTO (Luoyang) Huide Tooling Co., Ltd	3,240,000.00	81,000.00	3,240,000.00	81,000.00
YTO (Luoyang) Tobacco Machinery Co., Ltd.			2,000,000.00	50,000.00
YTO Group Corporation	790,000,000.00	19,750,000.00	840,000,000.00	21,000,000.00

X FINANCIAL STATEMENTS 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)

(7) Collecting deposits and granting loans

Unit: Yuan Currency: RMB

Company	Ending balance	Beginning balance
Luoyang Xiyuan Vehicle and Power Inspection Co., Ltd.	24,290,910.78	21,684,083.27
YTO Group Corporation	822,881,367.01	939,356,309.49
Luoyang Zhongshou Machinery Equipment Co., Ltd.	14,600,414.95	41,091,708.50
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd	–	2,843.99
YTO (Luoyang) material equipment Co., Ltd	22,477,334.28	18,656,582.85
YTO (Luoyang) Special Purpose Vehicle Co., Ltd	65,550.75	134,298.20
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	2,464,525.56	3,925,616.90
YTO (Luoyang) Logistics Co., Ltd	21,429,087.15	14,183,843.83
Dongfanghong (Luoyang) Culture Communication Centre	2,859,409.36	4,885,775.89
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	466,443.21	250,107.33
YTO (Luoyang) Huide Tooling Co., Ltd	906,423.49	2,059,295.18
Luoyang Tianhui Energy Engineering Co., Ltd	3,068,873.34	1,278,273.79
Luoyang YTO Driver Training School Co., Ltd.	239,225.95	556,646.89



X FINANCIAL STATEMENTS 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)

(7) Collecting deposits and granting loans (Continued)

Company	Ending balance	Beginning balance
YTO (Luoyang) Dongchen Mold Technology Co., Ltd.	405.19	404.33
Luoyang Fossett Environmental Protection Technology Co., Ltd	30,636.99	1,646,935.71
YTO (Luoyang) Tobacco Machinery Co., Ltd.	13,903.18	31,695.12
SINOMACH-HI (Luoyang) Co., Ltd	25,387.66	6,702.52
YTO (Luoyang) Engineering Machinery Co., Ltd	3.64	3.64
SINOMACH-HI (Luoyang) Building Machinery Co., Ltd	0.02	27.46
YTO (Luoyang) Rico Automobile Co., Ltd.	11,023.81	3,923.33
China YTO Kawi (Luoyang) Vehicle Co., Ltd.	2,509.91	2,504.56
YTO (Xinjiang) Dongfanghong equipment Machinery Co., Ltd	16,412,423.70	13,787,955.49
Luoyang Oriental Printing Co., Ltd	806,185.94	534,062.25
Shenzhen Dongfang Pengxing Trade Co., Ltd	288,732.04	172,178.24
YTO (Luoyang) Standard Parts Co., Ltd	3,144.07	3,137.37
YTO (Luoyang) New Oriental Automobile Co., Ltd.	274.00	273.42

X FINANCIAL STATEMENTS 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

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
(1) Accounts payable between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)	15,098,888.89	16,156,710.48
The Fourth Design Institute Co., Ltd of the Ministry of Machinery Industry	958,278.84	360,778.84
China Automobile Industrial Engineering Co., Ltd.	12,538,575.09	13,992,125.47
Changsha Gas-electric Auto Parts Co., Ltd	5,245.54	31,599.44
Fuyang Bearing Co., Ltd	242,949.48	286,756.23
The Sixth Design Institute Co., Ltd of the Ministry of Machinery Industry	37,910.00	37,910.00
The fifth design and Research Institute of Mechanical Industry Co., Ltd	161,600.04	161,600.04
China Machine Tools Corporation	3,378.67	3,378.67
The Fourth Construction of China Machinery Industry Co., Ltd.	2,829.68	2,829.68
Beijing Zhuozhong Cultural Media Co., Ltd.		28,800.00
Beijing Zhuozhong Publishing Co., Ltd		4,500.00
Luoyang Zhouyan International Trade Co., Ltd.	570,193.52	260,569.40
Safety slide wire factory of the fourth design and Research Institute of the Ministry of machinery industry	6,096.00	6,096.00
SINOMACH-HI (Luoyang) Co., Ltd		9,337.75



X FINANCIAL STATEMENTS 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
Guangzhou Optical Sky Materials Technology Co., Ltd.	571,532.03	940,627.71
CAMCE International Logistics Co., Ltd		12,501.25
Erzhong (Deyang) heavy equipment Co., Ltd	300.00	17,300.00
(2) Accounts payable between the Group and shareholder	6,568,031.82	3,957,585.85
YTO Group Corporation	6,568,031.82	3,957,585.85
(3) Accounts payable between the Group and YTO Group and its subsidiaries	80,635,796.07	39,124,601.06
YTO (Luoyang) Logistics Co., Ltd	36,809,044.33	18,373,785.38
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	17,368,404.22	5,543,708.04
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	3,717,143.07	3,717,143.07
Luoyang Tianhui Energy Engineering Co., Ltd	2,611,460.32	2,955,965.93
YTO (Luoyang) Huide Tooling Co., Ltd	4,268,858.20	2,543,338.16
YTO (Luoyang) material equipment Co., Ltd	6,788,208.86	4,794,468.00
Luoyang Duoen Advertising Co., Ltd	125,596.00	292,170.00
Dongfanghong (Luoyang) Cultural Communication Center	20,000.00	38,110.00

X FINANCIAL STATEMENTS 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 Fossett Environmental Protection Technology Co., Ltd	1,265,500.00	
Luoyang Zhongshou Machinery Equipment Co., Ltd.	3,824,076.30	215,000.00
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd	151,898.00	421,898.00
YTO (Luoyang) Tobacco Machinery Co., Ltd.		180,000.00
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd	2,830,414.48	49,014.48
YITUO (Xinjiang) Dongfanghong equipment Machinery Co., Ltd	855,192.29	
(4) Accounts payable between the group and other parties	10,084,649.25	8,659,911.93
ZF YTO (Luoyang) axle Co. Ltd.	9,499,099.68	8,595,751.89
YTO (Luoyang) Rico Automobile Co. Ltd.	44,364.39	44,364.39
Luoyang Oriental Printing Co., Ltd.	364,582.63	19,795.65
YITUO (Luoyang) Standard Parts Co., Ltd	176,602.55	
Total	112,387,366.03	67,898,809.32



X FINANCIAL STATEMENTS 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

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
(1) Contractual liability between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)		
SINOMACH-HI (Luoyang) Co., Ltd	35,544,268.10	576,929.93
SINOMACH International Equipment Co., Ltd	51,370.00	123,802.33
SINOMACH Casting and Forging Machinery Co., Ltd		246,010.80
Beijing lifting and transportation machinery design and Research Institute Co., Ltd	52,898.10	
SINOMACH Science and Technology Research Institute Co., Ltd	35,440,000.00	207,116.80
(2) Contractual liability between the Group and the shareholder		
YTO Group Corporation		
(3) Contractual liability between the Group and YTO Group and its subsidiaries	853,562.44	200,172.97

X FINANCIAL STATEMENTS 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 (Continued)

Related parties	Ending balance	Beginning balance
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	852,576.37	72,576.37
Luoyang Zhongshou Machinery Equipment Co., Ltd.		127,596.60
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd	986.07	
(4) Contractual liability between the Group and other parties	4,510,027.96	4,495,507.88
China YTO Group Linhai Vehicle Co., Ltd.	65,829.00	65,829.00
ZF YTO (Luoyang) axle Co. Ltd.	4,429,676.26	4,429,676.26
China YTO Kawi (Luoyang) Vehicle Co., Ltd.	2.62	2.62
Luoyang Oriental Printing Co., Ltd	14,520.08	
Total	40,907,858.50	5,272,610.78



X FINANCIAL STATEMENTS 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

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
(1) Other payables between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)	955,750.00	300,000.00
CAMCE International Logistics Co., Ltd	100,000.00	100,000.00
Guangzhou Optical Sky Materials Technology Co., Ltd.	50,000.00	50,000.00
Shandong Huayuan Laidong internal combustion engine Co., Ltd	50,000.00	
Fuyang Bearing Co., Ltd.	150,000.00	150,000.00
Guangzhou Jisheng Lubrication Technology Co., Ltd	300,000.00	
Sichuan Deyang Erzhong Electromechanical Equipment Co., Ltd	255,750.00	
Luoyang axis International Trade Co., Ltd	50,000.00	
(2) Other payables between the Group and the shareholder	51,365,653.51	51,353,653.51
YTO Group Corporation	51,365,653.51	51,353,653.51

X FINANCIAL STATEMENTS 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
(3) Other payables between the Group and YTO Group and its subsidiaries	776,885.44	1,182,271.69
YTO (Luoyang) Logistics Co., Ltd	614,000.00	756,410.00
YTO (Luoyang) Huide Tooling Co., Ltd	3,000.00	3,000.00
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	131,899.44	307,413.69
Luoyang Duoen Advertising Co., Ltd	5,486.00	39,888.00
Luoyang Tianhui Energy Engineering Co., Ltd	21,500.00	21,500.00
Dongfanghong (Luoyang) Cultural Communication Center		53,060.00
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd	1,000.00	1,000.00
(4) Other payables between the Group and other parties	10,000.00	60,671.58
ZF YTO (Luoyang) axle Co. Ltd.		3,831.80
Luoyang Oriental Printing Co., Ltd.	10,000.00	56,839.78
Total	53,108,288.95	52,896,596.78



X FINANCIAL STATEMENTS 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) Interest payables

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
(1) Interest payable between the Group and controlling shareholders	8,697,740.01	2,598,751.00
YTO Group Corporation	8,697,740.01	2,598,751.00
(2) Interest payable between the Group and subsidiaries of controlling shareholders	684,861.32	699,137.47
Luoyang Zhongshou Machinery Equipment Co., Ltd	55,409.24	82,187.28
YTO (Luoyang) Logistics Co., Ltd	0.02	20,802.29
Luoyang Xiyuan vehicle and Power Inspection Institute Co., Ltd	518,016.65	576,266.65
YTO (Xinjiang) Dongfanghong equipment Machinery Co., Ltd	57,375.00	—
Dongfanghong (Luoyang) Cultural Communication Center	49,456.25	19,881.25
YITUO (Luoyang) Huide tooling Co., Ltd	4,604.16	—
Total	9,382,601.33	3,297,888.47



X FINANCIAL STATEMENTS 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) Non-current liabilities due within one year

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
(1) Lease liabilities due within one year between the Group and the shareholder	8,405,148.86	16,231,694.45
YTO Group Corporation	8,405,148.86	16,231,694.45
(1) Lease liabilities due within one year between the Group and YTO Group and its subsidiaries	513,264.66	1,026,529.32
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd	513,264.66	1,026,529.32
Total	8,918,413.52	17,258,223.77

XII. SHARE PAYMENT

The Group does not pay shares.



X FINANCIAL STATEMENTS 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*

(1) 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	41,290,051.49	14,919,280.00
1-2 years	6,426,180.00	55,034,680.00
2-3 years		3,400,000.00
After 3 years	16,615,500.00	
Total	64,331,731.49	73,353,960.00



X FINANCIAL STATEMENTS 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)*

(2) On June 30, 2020, 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	10,483,315.56	20,688,938.97
1-2 years	8,110,661.98	15,213,968.54
2-3 years	7,419,219.98	9,993,128.16
After 3 years	3,096,190.88	16,272,126.06
Total	29,109,388.40	62,168,161.73

(3) The minimum lease payment of the group as the lessee has been reflected in the financial statement and will not be separately disclosed.



X FINANCIAL STATEMENTS 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

a. *Pending proceeding or arbitration of contingencies and their financial implications*

The Group has no major pending litigation or arbitration contingencies that need to be disclosed.

b. *Contingencies resulted from external guarantees provided*

As at June 30, 2020, details of the guarantees provided by the Group to other parties are as followings :

Entity guaranteed	Guarantee matters	Amount	Time period	Note
Dongfanghong Commercial Credit Business Customer	Buy farm machinery products	107,596,582.00	From December 2019 to October 2020	
Total		<u>107,596,582.00</u>		



X FINANCIAL STATEMENTS 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)**

b. Contingencies resulted from external guarantees provided (Continued)

Note: In June 2019, 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 RMB800,000,000.00 for the buyer of agricultural machinery tickets approved by the Group. Credit period is from June 18, 2019 to May 31, 2020. If any party's obligations under this agreement are not completed after the expiration, the term of validity of the agreement shall be automatically extended to the date when all rights and obligations of each party are fulfilled.



X FINANCIAL STATEMENTS 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)

c. 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	2018.11.02	2020.10.26
Beijing Tianning Temple Branch of China Everbright Bank Co., Ltd.	China Aviation Technology International Holding Co., Ltd.	33,278.77	2018.12.19	2020.11.30
Beijing Tianning Temple Branch of China Everbright Bank Co., Ltd.	China Aviation Technology International Holding Co., Ltd.	61,942.31	2020.2.27	2021.7.28
China Everbright Bank Co., Ltd. Luoyang Xiyuan Road Branch	Horie Production House	5,663,920.68	2019.09.29	2020.05.31
Bank of China Luoyang Chang'an Road Branch	CAMCE International Engineering Co., Ltd	180,186.50	2019.12.19	2021.1.22
Bank of China Luoyang Chang'an Road Branch	Henan Provincial Commerce Department	<u>200,000.00</u>	2009.11.20	Depending on business
Total		<u><u>7,856,852.26</u></u>		



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

XIV. SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

The Group has no major subsequent events after the balance sheet date that need to be disclosed.

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.



X FINANCIAL STATEMENTS 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)*

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.

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



X FINANCIAL STATEMENTS 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)*

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.

(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 three reporting divisions: Agricultural Machinery, Power Machinery, and Finance. 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.



X FINANCIAL STATEMENTS 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	Finance service	Elimination among segments	Total
1. Total operating revenue	3,728,201,783.22	950,990,093.75	67,774,123.55	630,240,491.52	4,116,725,509.00
Including: external transaction revenue	3,558,725,852.48	515,764,249.05	42,235,407.47	0.00	4,116,725,509.00
Revenue between segments	169,475,930.74	435,225,844.70	25,538,716.08	630,240,491.52	0.00
Loss on impairment of credit	-299,046,655.10	-3,557,237.81	-27,741,455.07	-2,066,871.53	-328,278,476.455
Loss on impairment of assets	-74,684,843.85	-338,098.99	0.00	-8,250.97	-75,014,691.87
Depreciation and amortization fee	148,901,114.00	29,183,807.71	600,971.09	0.00	178,685,892.80
2. Total profit/(loss)	297,592,409.01	57,546,157.30	6,953,116.14	27,841,002.57	334,250,679.88
3. Income tax expenses	916,553.52	3,400,654.44	8,276,124.71	-8,380.63	12,601,713.30
4. Net profit/(loss)	296,675,855.49	54,145,502.86	-1,323,008.57	27,849,383.20	321,648,966.58
5. Total assets	9,259,805,147.22	2,604,899,734.88	4,047,766,934.70	3,957,792,224.14	11,954,679,592.66
6. Total liabilities	6,134,453,441.36	993,030,256.75	3,223,326,046.21	3,421,984,601.39	6,928,825,142.93
7. Other important non cash items	67,909,122.91	18,415,880.65	6,892,985.75	0.00	93,217,989.31
Non-cash expenses other than depreciation and amortization	25,425,807.58	9,365,482.95	6,660,979.51	0.00	41,452,270.04
Capital expenditure	42,483,315.33	9,050,397.70	232,006.24	0.00	51,765,719.27



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

XV. OTHER SIGNIFICANT MATTERS (CONTINUED)

1. Segment information (Continued)

(3) Reporting segment

The accounting policies of the segments of the Group are the same as those described in the Principal accounting policies and accounting estimates.

2. Other matters

In May 2020, the Group signed an agreement of equity transfer with China YTO Group Co., Ltd. The agreement was to transfer 29.5% of equity of Luoyang Fossett Environmental Protection Technology Co., Ltd that the Group preciously held, to China YTO Group Co., Ltd, at RMB476,277.50. The book value of the equity on the Group's account is zero. The equity transfer is in progress as of the reporting date.



X FINANCIAL STATEMENTS 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	Book balance		Ending Balance		Book value
	Amount	Ratio (%)	Amount	Accrual Ratio (%)	
Accounts receivable for anticipated credit losses on a portfolio basis	794,112,653.12	100.00	179,845,066.93	22.65	614,267,586.19
Including: Aging portfolio	789,029,496.34	99.36	174,761,910.15	22.15	614,267,586.19
Risk exposure portfolio such as collateral	5,083,156.78	0.64	5,083,156.78	100.00	
Total	794,112,653.12	-	179,845,066.93	-	614,267,586.19



X FINANCIAL STATEMENTS 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)

(1) Classified disclosure of accounts receivable (Continued)

Item	Book balance		Beginning balance		Book value
	Amount	Ratio (%)	Amount	Accrual Ratio (%)	
Accounts receivable for anticipated credit losses on a portfolio basis	603,932,167.69	100.00	175,449,065.08	29.05	428,483,102.61
Including: Aging portfolio	598,849,010.91	99.16	170,702,854.56	28.51	428,146,156.35
Risk exposure portfolio such as collateral	5,083,156.78	0.84	4,746,210.52	89.13	336,946.26
Total	<u>603,932,167.69</u>	<u>-</u>	<u>175,449,065.08</u>	<u>-</u>	<u>428,483,102.61</u>



X FINANCIAL STATEMENTS 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 Aging portfolio

Unit: Yuan Currency: RMB

Aging	Book balance	Ending balance Bad debt allowance	Accrual percentage (%)
Within 1 year	619,669,136.41	7,373,658.66	1.19
1-2 years	3,944,216.94	1,972,108.50	50.00
2-3 years	8,784,175.09	8,784,175.09	100.00
Over 3 years	156,631,967.90	156,631,967.90	100.00
Total	789,029,496.34	174,761,910.15	22.15

② Risk exposure portfolio such as collateral

Unit: Yuan Currency: RMB

Name of portfolio	Book value	Ending balance Provision for bad debt	Accrual Ratio (%)
Risk exposure portfolio such as collateral	5,083,156.78	5,083,156.78	100.00
Total	5,083,156.78	5,083,156.78	100.00



X FINANCIAL STATEMENTS 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	Accounts receivable	Ending balance Bad debt allowance	Accrual percentage (%)
Within 1 year	619,669,136.41	7,373,658.66	1.19
1-2 years	3,944,216.94	1,972,108.50	50.00
2-3 years	8,784,175.09	8,784,175.09	100.00
Over 3 years	<u>161,715,124.68</u>	<u>161,715,124.68</u>	<u>100.00</u>
Total	<u><u>794,112,653.12</u></u>	<u><u>179,845,066.93</u></u>	<u><u>22.65</u></u>

(4) Provision for bad debts charged, recovered or returned in the current period

Provision for bad debts amounted to RMB4,396,001.85 in the current period.



X FINANCIAL STATEMENTS 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) *No accounts receivable actually written off during the year*

(6) *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.	333,285,267.64	41.97	3,332,852.67
YTO (Luoyang) Diesel Engine Co., Ltd.	55,939,374.81	7.04	1,058,667.72
YTO (Luoyang) material equipment Co., Ltd	45,882,276.08	5.78	601,889.40
Changtuo Agricultural Machinery Equipment Group Co., Ltd.	34,578,118.22	4.35	34,578,118.22
YTO (Luoyang) Shentong Construction Machinery Co., Ltd	26,816,361.08	3.38	26,816,361.08
Total	496,501,397.83	62.52	66,387,889.09



X FINANCIAL STATEMENTS 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 item

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Dividends receivable	76,808,376.96	76,808,376.96
Other receivables	15,634,321.99	13,855,556.94
Total	92,442,698.95	90,663,933.90

(2) Dividends receivable

Unit: Yuan Currency: RMB

Company name	Ending balance	Beginning balance
Brilliance China Machinery Holding Co., Ltd.	76,808,376.96	76,808,376.96
Total	76,808,376.96	76,808,376.96



X FINANCIAL STATEMENTS 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	Book balance		Ending balance Bad debt allowance		Book value
	Amount	Percentage (%)	Amount	Accrual percentage (%)	
Other receivables for anticipated credit losses on a portfolio basis	29,404,418.25	100.00	13,770,096.26	46.83	15,634,321.99
Including: Aging portfolio	28,695,575.44	97.59	13,763,007.83	47.96	14,932,567.61
Low-risk portfolio	708,842.81	2.41	7,088.43	1.00	701,754.38
Total	29,404,418.25	100.00	13,770,096.26	46.83	15,634,321.99



X FINANCIAL STATEMENTS 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)

Item	Book balance		Beginning balance	Accrual percentage (%)	Book value
	Amount	Percentage (%)	Bad debt allowance Amount		
Other receivables for anticipated credit losses on a portfolio basis	25,833,377.10	100.00	11,977,820.16	46.37	13,855,556.94
Including: Aging portfolio	25,357,388.94	98.16	11,973,060.28	47.22	13,384,328.66
Low-risk portfolio	475,988.16	1.84	4,759.88	1.00	471,228.28
Total	<u>25,833,377.10</u>	<u>—</u>	<u>11,977,820.16</u>	<u>—</u>	<u>13,855,556.94</u>



X FINANCIAL STATEMENTS 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

Unit: Yuan Currency: RMB

Aging	Ending balance		Book value
	Amount	Book balance Percentage (%)	
Within 1 year	13,657,576.58	47.59	1,221,333.12
1-2 years	4,992,648.31	17.40	2,496,324.17
2-3 years	492,542.26	1.72	492,542.26
Over 3 years	9,552,808.29	33.29	9,552,808.28
Total	28,695,575.44	100.00	13,763,007.83



X FINANCIAL STATEMENTS 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	Book balance	Ending balance Accrual proportion (%)	Book value
Low-risk portfolio	<u>708,842.81</u>	<u>1.00</u>	<u>7,088.43</u>
Total	<u><u>708,842.81</u></u>	<u><u>1.00</u></u>	<u><u>7,088.43</u></u>

- 2) *No accrual, collection or reversal of bad debt allowance.*
- 3) *No other receivables actually written off during the year*



X FINANCIAL STATEMENTS 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)

- 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
- 6) Details of top five other receivables with the ending balance classified by the borrowers

Unit: Yuan Currency: RMB

Company name	Nature of payment	Ending balance	Aging	Percentage in the ending balance of other receivables (%)	Ending balance of bad debt allowance
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	Payment between company	6,764,664.16	Within 1 years	23.01	712,332.40
Jiangsu Qingjiang Tractor Co., Ltd	Payment between company	3,315,484.00	Over 5 years	11.28	3,315,484.00
China YTO Group Co., Ltd	Payment between company	1,088,917.76	Within 1 years & Over 5 years	3.70	185,797.85
Luoyang Jiangyang Metal Components Co., Ltd.	Other	1,060,000.00	Over 4 years	3.60	1,060,000.00
Luoyang Yuchuan thermal equipment Co., Ltd	Other	663,000.00	Within 1 years	2.25	107,875.76
Total	-	12,892,065.92	-	43.84	5,381,490.01



X FINANCIAL STATEMENTS 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	2,665,169,191.40	42,250,000.00	2,622,919,191.40	2,711,669,237.40	88,750,046.00	2,622,919,191.40
Joint venture or associates	126,901,787.04	7,004,515.65	119,897,271.39	126,498,442.21	7,004,515.65	119,483,926.56
Total	2,792,070,978.44	49,254,515.65	2,742,816,462.79	2,838,157,679.61	95,754,561.65	2,742,403,117.96



X FINANCIAL STATEMENTS 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

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	559,025,468.97			559,025,468.97		
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
Yangdong Co., Ltd. (Note)	76,000,000.00			76,000,000.00		
Brilliance China Machinery Holding Co., 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		

X FINANCIAL STATEMENTS 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) 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>2,665,169,191.40</u>	<u> </u>	<u> </u>	<u>2,665,169,191.40</u>	<u> </u>	<u>42,250,000.00</u>



X FINANCIAL STATEMENTS 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	Changes in this period		Adjusted other comprehensive income
			Reduce investment	Profit and loss on investments by rights and interests law	
Associates					
YTO Sichuan Agricultural Equipment Co., Ltd.					
	686,564.47			-34,488.58	
ZF YTO (Luoyang) axle Co. Ltd.					
	118,797,362.09			447,833.41	
Luoyang Fossett Environmental Protection Technology Co., Ltd					
	7,004,515.65				
Total	<u>126,488,442.21</u>			<u>413,344.83</u>	

X FINANCIAL STATEMENTS 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 (Continued)

Invested company	Changes in other interests	Changes in this period			Ending balance	Provision for impairment ending balance
		Declaration of cash dividends or profits	Provision for impairment	others		
Associates						
YTO Sichuan Agricultural Equipment Co., Ltd					652,075.89	
ZF YTO (Luoyang) axle Co. Ltd.					119,245,195.50	
Luoyang Fossett Environmental Protection Technology Co., Ltd					<u>7,004,515.65</u>	<u>7,004,515.65</u>
Total					<u><u>126,901,787.04</u></u>	<u><u>7,004,515.65</u></u>



X FINANCIAL STATEMENTS 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	3,031,512,433.60	2,586,000,579.86	2,389,424,172.34	2,156,415,623.08
Other business	32,893,182.69	5,569,984.61	16,281,423.00	6,578,428.43
Total	<u>3,064,405,616.29</u>	<u>2,591,570,564.47</u>	<u>2,405,705,595.34</u>	<u>2,162,994,051.51</u>

5. Investment income

Unit: Yuan Currency: RMB

Item	Amount incurred in this period	Amount incurred in last period
Investment income from long-term equity investment by cost method	81,600,000.00	
Investment income from long-term equity investments by equity method	413,344.83	-5,261,236.46
Investment income from disposal of long-term equity investments		-2,342,191.97
Investment income of trading financial assets during the holding period	17,600,000.00	13,200,000.00
Investment income from disposal of trading financial assets during the holding period		
Total	<u>99,613,344.83</u>	<u>5,596,571.57</u>



X FINANCIAL STATEMENTS 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

Unit: Yuan Currency: RMB

Item	Amount in this period	Explanation
Gain or loss on disposal of non-current assets	920,722.93	
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)	16,787,436.56	
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		



X FINANCIAL STATEMENTS 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
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		
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		
In addition to the effective hedging business related to the normal business operation of the company, the fair value change profit and loss of held trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities, as well as the investment income from the disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other debt investment	21,458,143.84	



X FINANCIAL STATEMENTS 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
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	779,138.87	Affected by the bankruptcy and liquidation of
Gain or loss from other extraordinary items	1,764,215.51	Shentong Co, Ltd
Effects on income tax	-3,755,291.16	
Effects on non-controlling interests (after tax)	<u>-4,866,543.13</u>	
Total	<u><u>33,087,823.42</u></u>	



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

XVII. SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS (CONTINUED)

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	7.64	0.3280	0.3280
Net profit attributable to common shareholders of the Group after non-operating profit or loss	<u>6.86</u>	<u>0.2944</u>	<u>0.2944</u>



XI DOCUMENTS AVAILABLE FOR INSPECTION

Documents available for inspection	2020 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 2020 Interim Report signed by the Directors, Supervisors and senior management of the Company

Chairman: Li Xiaoyu

The date of approval by the Board for submission: 27 August 2020

As at the date of this report, the Board comprises Mr. Li Xiaoyu (Chairman), Mr. Cai Jibo (vice Chairman) and Mr. Liu Jiguo as executive Directors; Mr. Li Hepeng, Mr. Xie Donggang and Mr. Zhou Honghai as non-executive Directors; and Ms. Yang Minli, Ms. Wang Yuru and Mr. Edmund Sit as independent non-executive Directors.