



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

(A joint stock company incorporated in The  
People's Republic of China with limited liability)  
(Stock Code: 0038)



**2018**  
**INTERIM**  
**REPORT**

## IMPORTANT NOTICE

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

<u>Title of the absent Director</u>	<u>Name of absent Director</u>	<u>Explanation on absence of Director</u>	<u>Name of Proxy</u>
Independent Director	Wu Tak Lung	Due to business engagement	Yu Zengbiao

- III. The Interim Report was unaudited.
- IV. Mr. Zhao Yanshui (the person in charge of the Company), Mr. Yao Weidong (the person in charge of the accounting function) and Ms. Zhou Juan (the person in charge of the Accounting Department and the accounting manager) have declared and confirmed the truthfulness, accuracy and completeness of the financial statements in the Interim Report.
- V. Proposal of profit distribution or proposal of capitalization from capital reserves for the six months ended 30 June 2018 (“**Reporting Period**”) as considered by the Board
- Nil. Payment of any interim dividend for the six months ended 30 June 2018 was not recommended (2017: Nil).
- VI. Statement for the risks involved in forward-looking statements
- Forward-looking statements such as the development strategy and business plan of the Company contained in this Interim Report do not constitute any substantial commitment to investors by the Company. Investors are advised to pay attention to risks.
- VII. Is there any misappropriation of funds not in the ordinary course of business by the controlling shareholders or its associates
- No
- VIII. Is there any external guarantee in violation of any established decision-making procedures?
- No
- IX. Significant risks warning
- Please refer to Section IV “Management Discussion and Analysis” of this Interim Report for details.

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## I DEFINITIONS

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

Definition of commonly used terms

The Company/ Company	means	First Tractor Company Limited (第一拖拉機股份有限公司) and its controlled subsidiaries
controlled subsidiary	means	a company held as to more than 50% shares or equity interest by the Company, or a company actually controlled by the Company through agreement and arrangement
subsidiary	means	a subsidiary as defined under the Listing Rules of the Stock Exchange
YTO	means	YTO Group Corporation (中國一拖集團有限公司), the controlling shareholder of the Company
Sinomach	means	China National Machinery Industry Corporation (中國機械工業集團有限公司), the ultimate controlling shareholder of the Company
YTO International Trade	means	YTO International Economy and Trade Company Limited (一拖國際經濟貿易有限公司), a wholly-owned subsidiary of the Company
Xinjiang Equipment Company	means	YTO (Xinjiang) Dongfanghong Equipment Machinery Company Limited (一拖(新疆)東方紅裝備機械有限公司), a wholly-owned subsidiary of the Company
YTO France	means	YTO France SAS (一拖法國農業裝備有限公司), a wholly-owned subsidiary of the Company

## I DEFINITIONS (CONTINUED)

YTO Foundry	means	YTO (Luoyang) Foundry Company Limited (一拖(洛陽)鑄造有限公司), a wholly-owned subsidiary of the Company
YTO Shentong	means	YTO (Luoyang) Shentong Construction Machinery Company Limited (一拖(洛陽)神通工程機械有限公司), a wholly-owned subsidiary of the Company
YTO Belarus Technology	means	YTO Belarus Technology Company Limited (一拖白俄技術有限公司), a wholly-owned subsidiary of the Company
YTO Transportation	means	YTO (Luoyang) Transportation Machinery Company Limited (一拖(洛陽)搬運機械有限公司), a controlled subsidiary of the Company
YTO Finance	means	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
Changxing Company	means	Luoyang Changxing Agricultural Machinery Company Limited (洛陽長興農業機械有限公司), a controlled subsidiary of the Company
YTO Diesel Engine	means	YTO (Luoyang) Diesel Engine Company Limited (一拖(洛陽)柴油機有限公司), a controlled subsidiary of the Company
YTO Fuel Injection Pump	means	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



## I DEFINITIONS (CONTINUED)

Jiangyan Power	means	YTO (Jiangyan) Power Machinery Company Limited (一拖(姜堰)動力機械有限公司), a controlled subsidiary of the Company
CAMACO	means	China-Africa Machinery Corp. (中非重工投資有限公司), a controlled subsidiary of the Company
Tractors Research Company	means	Luoyang Tractors Research Institute Company Limited (洛陽拖拉機研究所有限公司), a controlled subsidiary of the Company
Changtuo Company	means	Changtuo Agricultural Machinery Equipment Group Company Limited (長拖農業機械裝備集團有限公司), a controlled subsidiary of the Company
ZF YTO Drive Axle	means	ZF YTO (Luoyang) Drive Axle Company Limited (采埃孚一拖(洛陽)車橋有限公司), an equity participating company of the Company
Bank of Luoyang	means	Bank of Luoyang Company Limited (洛陽銀行股份有限公司), an equity participating company of the Company
Luoyin Leasing	means	Luoyin Financial Leasing Co.,Ltd. (洛銀金融租賃股份有限公司), an equity participating company of the Company
auditor	means	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 2018

## I DEFINITIONS (CONTINUED)

CBIRC	means	China Banking and Insurance Regulatory Commission
CSRC	means	China Securities Regulatory Commission
SASAC	means	State-owned Assets Supervision and Administration Commission of the State Council of the PRC
Prospectus	means	Prospectus for the Initial Public Offerings of A shares of First Tractor Company Limited prepared by the Company according to the relevant laws and regulations
Shanghai Stock Exchange	means	the Shanghai Stock Exchange
Stock Exchange	means	The Stock Exchange of Hong Kong Limited
Listing Rules of the Shanghai Stock Exchange	means	Listing Rules of the Shanghai Stock Exchange (as amended from time to time)
Listing Rules of the Stock Exchange	means	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
A Share(s)	means	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



## I DEFINITIONS (CONTINUED)

H Share(s)	means	ordinary share(s) as approved by the CSRC which are issued to foreign investors, and listed with the approval of the Stock Exchange, denominated in RMB, subscribed for and traded in Hong Kong dollars
agricultural machinery	means	various machinery used in the crop farming and animal husbandry production, and the primary processing and treatment of agricultural and animal products
power machinery	means	products including diesel engine and fuel injection pump
hi-powered wheeled tractor	means	wheeled tractor with horsepower of 70 (inclusive) or above
mid-powered wheeled tractor	means	wheeled tractor with horsepower of 25 (inclusive) to 70
crawler tractor	means	tractor with crawler as walking device
diesel engine	means	internal combustion engine that uses diesel as fuel



## II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### I. INFORMATION OF THE COMPANY

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

### II. CONTACT PERSONS AND METHODS

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

### III. INTRODUCTION OF 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	<a href="http://www.first-tractor.com.cn">http://www.first-tractor.com.cn</a>
E-mail	msc0038@ytogroup.com
Search index of change in basic information during the Reporting Period	/



## II COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

### IV. INFORMATION DISCLOSURE AND CHANGES IN PLACE FOR DOCUMENTS INSPECTION

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

### V. BASIC INFORMATION OF SHARES OF THE COMPANY

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 PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

#### (I) Key Accounting Data

Unit: Yuan Currency: RMB

Key accounting data	For the Reporting Period (January to June)	For the corresponding period of last year	Year-on-year increase/decrease during the Reporting Period (%)
Total operating revenue	3,581,389,966.87	4,264,741,651.34	-16.02
Operating revenue	3,509,417,965.49	4,203,320,225.06	-16.51
Net profit attributable to shareholders of the Company	-144,979,881.65	32,265,644.86	-549.33
Net profit attributable to shareholders of the Company after deduction of non-recurring profit or loss	-231,381,892.99	991,043.46	-23,447.30
Net cash flows from operating activities	-482,419,228.94	-949,254,026.96	N/A
	<b>As at the end of the Reporting Period</b>	<b>As at the end of last year</b>	<b>Increase/decrease as at the end of the Reporting Period compared with the end of last year (%)</b>
Net assets attributable to shareholders of the Company	5,108,293,379.00	4,797,305,395.91	6.48
Total assets	13,672,354,514.73	14,102,773,527.68	-3.05



## II COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

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

#### (II) Key Financial Indicators

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> )	-0.1471	0.0326	-551.23
Diluted earnings per share ( <i>Yuan/share</i> )	-0.1471	0.0326	-551.23
Basic earnings per share after deduction of non-recurring profit or loss items ( <i>Yuan/share</i> )	-0.2347	0.001	-23,570.00
Weighted average return on net assets (%)	-2.80	0.67	Decreased by 3.47 percentage points
Weighted average return on net assets after deduction of non-recurring profit or loss items (%)	-4.47	0.02	Decreased by 4.49 percentage points

#### ***Explanation on the Key Accounting Data and Financial Indicators***

During the Reporting Period, the tractor market remained in an in-depth adjustment period and extended the declining trend since 2017. The Company recorded significant decrease in the sales volume of hi-powered and mid-powered wheeled tractors, the major products of the Company. Meanwhile, the product cost of the Company increased due to the higher prices of raw materials such as iron and steel, which are required for production of its products. As a result, the Company incurred losses in the first half of the year, which resulted in significant decrease in the basic earnings per share and diluted earnings per share during the period as compared with the corresponding period of last year.

## II COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

### VII. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

Unit: Yuan Currency: RMB

Non-recurring profit or loss Items	Amounts	Notes (if applicable)
Profit or loss from disposal of non-current assets	497,857.69	/
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 in certain standard amounts and quantities)	14,345,314.07	/
Gain or loss from debt restructuring	3,285,931.16	/
Profit or loss from changes in fair value arising from holding held-for-trading financial assets and held-for-trading financial liabilities, and investment income from disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets (except for effective hedging business related to the Company's ordinary business)	79,997,961.37	Mainly due to the impact of the changes in accounting policies. Please refer to IV.33(1) Changes in significant accounting policies in the Section X Financial Report for details.
Non-operating income and expenses other than those stated above	3,028,746.84	/
Impact on minority shareholders equity interests	-10,137,109.15	/
Effects on income tax	<u>-4,616,690.64</u>	/
Total	<u><u>86,402,011.34</u></u>	/



### **III OVERVIEW OF THE BUSINESS OF THE COMPANY**

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

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

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

Please refer to the section IV “Management Discussion and Analysis” as set out herein for the details of the industry situation during the Reporting Period.

### **III OVERVIEW OF THE BUSINESS OF THE COMPANY (CONTINUED)**

#### **2. EXPLANATION ON MATERIAL CHANGES IN THE KEY ASSETS OF THE COMPANY DURING THE REPORTING PERIOD**

As at the end of the Reporting Period, the total assets of the Company amounted to RMB13,672.35 million, of which assets outside the PRC was RMB402.27 million, accounting for 2.94% of the total assets.

The original value of construction in progress amounted to approximately RMB397.14 million, representing an increase of RMB90.02 million as compared with that as at the end of 2017, mainly due to the continuous advancement of the project of new model application of intelligent manufacturing of new wheeled tractor. Investment in the project aimed at constructing the first large-scale intelligent manufacturing factory of agricultural machinery in the PRC and levelling up the intelligent manufacturing standards of agricultural machinery of the Company.

The closing balance of financial assets at fair value through profit or loss amounted to RMB888.93 million, representing an increase of RMB660.32 million as compared with that as at the end of 2017, which was mainly due the fact that, in March 2017, the Ministry of Finance revised and issued the "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments", and required companies listed on both domestic and overseas stock exchanges to apply the aforesaid accounting standards on 1 January 2018. In the preceding periods, investments of the Company in Luoyin Financial Leasing Co., Ltd. and Bank of Luoyang Co., Ltd. were both accounted for under financial assets available for sale, whereas, during the Reporting Period, the two investments were classified into financial assets at fair value through profit or loss after judgment on the business modes made by the Company in accordance with the requirements under the aforesaid accounting standards. For further details, please refer to "Section IV Financial Report Prepared in Accordance with the PRC Accounting Standards for Business Enterprises – Note 33(1) of IV. Principal Accounting Policies and Accounting Estimates".

#### **3. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD**

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



## IV. MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2018, due to the combined effects of the insufficient demand for traditional products market, the decreased revenue from grain production and operation, the insufficient purchasing power of users as well as other factors, the domestic tractor market sustained the downward momentum in last year. The key enterprises in the industry sold 112,000 units of hi-powered and mid-powered tractors, representing a year-on-year decrease of 22.6%. As impacted by the in-depth adjustment within the industry, the products sales of the Company declined noticeably. In the first half of the year, the Company realized total operating revenue of RMB3,581 million, with a year-on-year decrease of 16.02%, and net profit attributable to shareholders of the Company of RMB-145 million, turning profits into losses.

Facing the severe downward trend in the market and the challenges in operation, the Company, based on its existing production and operation conditions, devoted great efforts on product improvement and internal mechanism reform, gave full play to its marketing platform advantages and accelerated its response to the market changes, so as to capture market opportunities and secure and consolidate its market advantages. Meanwhile, the Company continue to advance transformation and upgrading and increased efforts in research and development and innovation to steadily facilitate the development of intelligent agricultural machinery and enhance its intellectual manufacturing capacity, thereby boosting the momentum for its future development.



## IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (I) Dedicated to coping with the persisting downwardness in the market

For the domestic market, leveraging the competitiveness of products, the Company adopted comprehensive measures from the aspect of product mix, competition strategies, guarantees on collaborative services and means of financial supports and put forth synergic strength in respect of procurement, production, sale, spare parts supply, financial services and other systems. In addition, the Company sold 23,200 units of hi-powered and mid-powered wheeled tractors, with a year-on-year decrease of 13.4% and 9.2 percentage points lower than the level of the industry. Its market share expanded 2.2 percentage points year-on-year, maintaining its leadership in the industry. Meanwhile, thanks to the Company's effective comprehension of the changes in market demand with "structural adjustment and increased demand for high power tractors" and brought into play the technical advantages, it achieved a year-on-year increase of 7.7 times in sales volume of hi-powered wheeled tractors with horsepower of 160 and above, of which new products contributed a proportion of more than 90%.

For the international market, with the advancing of the systematic construction of overseas services, certain progress was made in the exploration of overseas projects. In particular, the spare parts center in Cuba and the business office in Cambodia were put into operation; significant growth was seen in sales of products in countries such as Cambodia and Thailand; breakthroughs were achieved in Ukraine and other key markets; and sales channels and network in the countries and markets covered by the "Belt & Road" Initiative were constantly improved. As a result, the export volume of the Company increased by 8.9% year-on-year in the first half of 2018.



## IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (II) **Bolstering the future development of the enterprises through research, development and innovation**

Focusing on renovating product and manufacturing technologies, the Company consistently carried forward such key research and development projects as the upgrade of new generation power-shift tractors, the variable transmission tractors, and heavy-duty tractors with horsepower of 300 and above; the supporting high-pressure common-rail diesel engines were ready for bulk supply; the intelligent manufacturing and assembly line of off-road diesel engines in line with the National IV emission standards was completed and put into operation, thus providing guarantee for the commercialization of National IV standards products; and the research and development of new generation of National V standards engines was progressing steadily.

The Eastern European R&D center located at the Sino-Belarusian industrial park in the Republic of Belarus has commenced full operation, signifying a significant step towards the Company's branching out into the markets covered by "Belt & Road" Initiative and the pursuit of international production capacity cooperation; the batch sale of products equipped with Beidou intelligent terminals manifested the positive progress made in respect of the innovation and development of intelligent agricultural machinery.

## IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (III) Improving the operating efficiency of value chain and furthering the quality and efficiency enhancement

In adherence to the gist of underlining businesses and strengthening functional supports, the Company made adjustments to the internal organizational structure and the model of management and control and spurred the effective synergy of R&D, manufacturing, marketing and other aspects, which provided organizational guarantee for the coordinated development of old and new businesses. The Company continued to intensify management over loss-making enterprises and disposal of inefficient and inefficacious assets to prevent certain loss-making businesses from eroding the profits of the Company. In the first half of the year, the Company completed the preparatory work for transfer of its equity in YTO (Luoyang) Transportation Machinery Co., Ltd. and commenced the preliminary quotation and transfer procedures in August 2018. Management and disposal of certain subsidiaries with unsatisfactory business performance were also underway on an ongoing basis. In addition, during the Reporting Period, the Company continued to devote efforts to the optimization of cost, recovery of accounts receivable and other aspects and achievements in this regard turned out to be productive.

Thanks to such measures adopted in the first half, the Company maintained the competitiveness of core businesses in the industry and recorded increase in the market share of the hi-powered and mid-powered wheeled tractors. Nonetheless, due to the decrease in sales of the main products and the high prices of raw materials, the profit of the Company declined significantly and the Company turned profits into losses.

In the second half of 2018, the domestic agricultural machinery industry will still be subject to in-depth adjustment. Due to various factors interwoven, it is still difficult to keep optimistic about the market conditions. Facing the severe market conditions and under the background that the state attaches great importance to the development of agriculture, rural areas and farmers, the Company will deeply understand the trend in the changes of the industry. While carrying out the production and operation for the period, it will focus on the national strategy on the revitalization of rural areas and the development trend of intelligent agriculture and deepen the adjustment and upgrading of industrial layout.



## IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Firstly, the Company will concentrate on market exploration. It will strive to achieve continuous and stable expansion in the domestic tractors market. For the diesel business, it will stabilize and consolidate the supporting market for agricultural machinery and proactively boost the engineering machinery and other supporting markets. For whole-set businesses, it will strive to make remarkable breakthroughs and results based on the development of intelligent agricultural machinery platforms. In the international market, based on the breakthroughs made in certain key markets last year, it will further integrate and optimize existing distributors, perfect sales channels and network layout, consolidate the foundation of key overseas markets and give play to the leading roles in promoting regional development.

Secondly, the Company will continue to push on resource integration. It will reinforce the disposal of inefficient assets and loss-making businesses, reduce the adverse effects on the operation of the Company and boost the asset operation efficiency and results; focus on diversifying the product mix, provide whole-set solutions, expand business space, vigorously conduct external cooperation and consolidate social resources.

Thirdly, the Company will concentrate on technology innovation and products upgrading and further boost the research, manufacturing and demonstration application of high-end agricultural equipment and the upgrading of manufacturing technologies. It will carry out the development of series of power-shift products and the design and development of the drive system for heavy-duty tractors with horsepower of 300 and above and speed up in the development of diesel engine products in line with the National IV and V standards and the key technologies therefor to be fully prepared for the upgrading of the National IV standards; further enhance the integration and sharing of the information system to continuously elevate the intelligent manufacturing of the Company. Meanwhile, it will constantly advance the establishment of intelligent agricultural platforms and optimize the platform functions to achieve the rapid development of platforms and promote the transformation and upgrading with big data services.

Meanwhile, the Company will reinforce the monitoring on internal control, intensify the implementation of systems and procedures, conduct risk management and control on investment, guarantee, capital, contract, trade and other key processes, actively deal with the trough period of the industry with stable and aggressive operation strategies and strive to achieve the sound and stable development of the Company.

## IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (I) ANALYSIS ON PRINCIPAL BUSINESS

#### 1 Analysis on Changes in Items of the Income Statement

Unit: Yuan Currency: RMB

Items	For the current period	For the corresponding period of last year	Changes (%)
Operating revenue	3,509,417,965.49	4,203,320,225.06	-16.51
Operating costs	3,133,682,178.21	3,573,686,562.10	-12.31
Selling costs	175,281,716.18	206,587,590.03	-15.15
Administrative expenses	381,802,661.39	419,869,185.88	-9.07
Finance costs	47,453,433.64	18,527,873.08	156.12
Net cash flows from operating activities	-482,419,228.94	-949,254,026.96	N/A
Net cash flows from investing activities	703,192,493.85	465,510,144.17	51.06
Net cash flows from financing activities	-1,096,389,779.89	-162,444,702.34	N/A
Research and development expenses	161,671,225.12	191,086,806.70	-15.39
Loss in asset impairment	37,729,042.96	19,511,704.56	93.37
Gain from change in fair value	73,040,168.04	-7,613,860.79	N/A
Investment income	17,364,277.37	30,522,732.87	-43.11
Non-operating income	6,885,617.71	28,494,429.34	-75.84

The year-on-year decrease in operating revenue was mainly due to the decline in sales of products of the Company during the current period.

The year-on-year decrease in operating cost was mainly due to the decline in procurement and other costs as a result of the decreases in the production and sales volume.



## **IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

### **(I) ANALYSIS ON PRINCIPAL BUSINESS (CONTINUED)**

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

The year-on-year decrease in selling costs was mainly due to the decline in sales volume of products which resulted in corresponding decrease in selling costs, and the enhanced costs control of the Company.

The year-on-year decrease in administrative expenses was mainly due to the enhanced costs control during the current period.

The year-on-year increase in finance cost was mainly due to the increase in long and short term borrowings of the Company and the year-on-year increase in exchange loss as a result of the changes in exchange rates at different time points during the current period.

The year-on-year decrease in net cash flows from operating activities was mainly due to the decrease in cash paid for procurement as compared with the corresponding period of last year as a result of the decline in sales of products and the corresponding reduction of production during the current period.

The year-on-year increase in net cash flows from investing activities was mainly due to more wealth management products and other investment recovered in the current period as compared with the corresponding period of last year.

The year-on-year decrease in net cash flows from financing activities was mainly due to the repayment of corporate bonds of RMB1.5 billion and the increase in bank loans as compared with the corresponding period of last year during the current period.

The year-on-year decrease in research and development expenses was mainly due to the completion of certain research and development projects last year and the decrease in expenditures of research and development during the current period.

## **IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

### **(I) ANALYSIS ON PRINCIPAL BUSINESS (CONTINUED)**

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

The year-on-year increase in asset impairment loss was mainly due to the increase in the provision for inventory depreciation as compared with the corresponding period of last year as a result of the increase in inventories at the end of the current period as compared with the end of the previous period.

The year-on-year increase in gain from changes in fair value was mainly due to the increase in value of foreign exchange swap settlement contracts of the Company and the recognition of revenue for financial assets including Bank of Luoyang Co., Ltd. and Luoyin Financial Leasing Co., Ltd. held by the Company based on the new accounting standards during the Reporting Period. For further details, please refer to "Section X Financial Report Prepared in Accordance with the PRC Accounting Standards for Business Enterprises – Note 33(1) of IV. Principal Accounting Policies and Accounting Estimates".

The year-on-year decrease in investment income was mainly due to the decrease in dividends, income from disposal of financial assets and income from associates received during the current period.

The year-on-year decrease in non-operating income was mainly due to the write-off of unpayable dues in the corresponding period of last year.



## IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (II) ANALYSIS ON ASSETS AND LIABILITIES

#### 1. Assets and liabilities situation

Unit Yuan Currency: RMB

Items	Balance as at the end of the Reporting Period	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 year as a percentage of total assets (%)	Change in balance as at the end of the Reporting Period as compared with balance as at the end of the corresponding period of last year (%)	Explanation
Lendings to banks and other financial institutions	100,000,000.00	0.73	0.00	0.00	N/A	Lendings to banks and other financial institutions made by YTO Finance during the Reporting Period
Financial assets measured at fair value and its movement recorded through profit and loss	888,934,014.37	6.50	228,608,179.91	1.62	288.85	Adjustment to the classification of financial instruments made in accordance with the New Standards
Notes receivable	303,479,657.48	2.22	531,530,154.03	3.77	-42.90	Decrease in receipts from product sales resulting from sales decline
Advances to suppliers	161,888,984.54	1.18	233,704,609.47	1.66	-30.73	Decrease in purchasing prepayment during the Reporting Period
Interests receivable	9,803,082.09	0.07	14,148,062.85	0.10	-30.71	Decrease in interests to be received by YTO Finance



## IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (II) ANALYSIS ON ASSETS AND LIABILITIES (CONTINUED)

#### 1. Assets and liabilities situation (Continued)

Items	Balance as at the end of the Reporting Period	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 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
Dividends receivable	11,000,000.00	0.08	0.00	0.00	N/A	Receipt of dividends from Luoyin Leasing during the Reporting Period
Financial assets purchased with agreement to re-sale	150,438,466.94	1.10	80,207,776.70	0.57	87.56	Increase in financial assets purchased with agreement to re-sale of YTO Finance
Non-current assets due within one year	71,503,076.20	0.52	0.00	0.00	N/A	The portion of long-term receivables due within one year
Other current assets	945,911,192.58	6.92	1,694,694,921.00	12.02	-44.18	Decrease in purchase of wealth management products with temporarily idle funds during the Reporting Period
Long-term receivables	228,675,452.78	1.67	0.00	0.00	N/A	Receivables arising from sale of goods with financing nature
Construction in progress	380,608,379.56	2.78	290,749,376.91	2.06	30.91	Increase in investment in construction in progress during the Reporting Period



## IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (II) ANALYSIS ON ASSETS AND LIABILITIES (CONTINUED)

#### 1. Assets and liabilities situation (Continued)

Items	Balance as at the end of the Reporting Period	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 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
Loans from other banks	0.00	0.00	300,000,000.00	2.13	-100.00	Repayment of loans from other banks by Finance Company during the Reporting Period
Derivative financial liabilities	5,000,000.00	0.04	12,800,000.00	0.09	-60.94	Decrease in liabilities recognised from foreign exchange swap settlement at the end of the contract term as a result of the rise of exchange rate of USD
Notes payable	1,149,942,885.00	8.41	820,501,598.94	5.82	40.15	Increase in acceptance notes settled during the Reporting Period
Interests payable	3,523,964.23	0.03	61,862,938.69	0.44	-94.30	Payment of interests for corporate bonds during the Reporting Period
Non-current liabilities due within one year	41,884,479.21	0.31	1,522,040,174.73	10.79	-97.25	Repayment of corporate bonds during the Reporting Period

## IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (II) ANALYSIS ON ASSETS AND LIABILITIES (CONTINUED)

#### 1. Assets and liabilities situation (Continued)

Items	Balance as at the end of the Reporting Period	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 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 liabilities	67,833,609.20	0.50	97,842,469.33	0.69	-30.67	Decrease in accrued expenses during the Reporting Period
Long-term loans	896,714,000.00	6.56	689,011,500.00	4.89	30.14	Additional long-term loans obtained during the Reporting Period
Estimated liabilities	3,321,156.24	0.02	13,699,471.42	0.10	-75.76	Repayment of part of external accounts payable upon signing of the debt restructuring agreement with the counter party as to the external accounts payable
Deferred tax liabilities	130,631,547.10	0.96	28,741,816.43	0.20	354.50	Gain on changes in fair value of financial assets recognized as per New Standards and provision made for relevant deferred income tax liabilities



## IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (II) ANALYSIS ON ASSETS AND LIABILITIES (CONTINUED)

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

As at the end of the Reporting Period, the Group's cash and cash equivalents with restrictions on any rights amounted to RMB316,024,022.16, comprising Central Bank of China statutory deposited funds of RMB258,486,749.78, bank's acceptance bill deposits of RMB44,851,425.76, letter of credit deposits of RMB1,394,680.41, guarantee letter deposits of RMB10,727,223.00, forward settlements on foreign exchange margin of RMB529,068.11 and litigation security deposits of RMB34,875.10.

As at the end of the Reporting Period, the Group's notes receivable with restrictions on any rights amounted to RMB52,722,467.69, which was the amount of notes receivable pledged in the banks during the Reporting Period.

As at the end of the Reporting Period, the Group's original value of fixed assets and intangible assets with restrictions on any rights amounted to a total of RMB100,098,120.94, and the net value amounted to a total of RMB74,547,343.20, which were buildings and lands mortgaged to the banks for short-term loans to the Group.

#### 3. Other Explanation

##### (1) Key financial ratios

Items	As at the end of the Reporting Period	As at the beginning of the year	Year-on-year change
Gearing ratio (%)	57.47	61.43	Decreased by 3.96 percentage points
Current ratio	1.19	1.11	Increased by 0.08
Quick ratio	0.98	0.96	Increased by 0.02

## **IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

### **(II) ANALYSIS ON ASSETS AND LIABILITIES (CONTINUED)**

#### **3. Other Explanation (Continued)**

##### **(2) Bank loans**

Bank loans of the Company are mainly in the currency units of RMB, USD and Euro. As at the end of the Reporting Period, bank loans of the Company due within one year amounted to RMB2,370,917,400, of which loans in foreign currency amounted to RMB671,917,400 (mainly denominated in USD); bank loans due over one year amounted to RMB896,714,000, of which loans in foreign currency amounted to RMB76,714,000 (mainly denominated in Euro). Bank loans with fixed interest rate amounted to RMB1,549,000,000. The Company has good bank credit rating and financing ability in the PRC and overseas.

##### **(3) Foreign exchange risk**

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



## IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (III) ANALYSIS ON INVESTMENTS

#### 1. Overall analysis on external equity investments

##### (1) *Material equity investments*

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

##### (2) *Material non-equity investments*

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

##### (3) *Financial assets under fair value measurement*

*Unit: Yuan Currency: RMB*

Items	Balance as at the beginning of the Reporting Period	Balance as at the end of the Reporting Period	Change during the Reporting Period	Amount affecting profit for the Reporting Period
Financial assets measured at fair value through profit or loss (excluding derivative financial liabilities)	228,608,179.91	888,934,014.37	660,325,834.46	83,252,057.62
Derivative financial liabilities	<u>12,800,000.00</u>	<u>5,000,000.00</u>	<u>-7,800,000.00</u>	<u>7,800,000.00</u>
Total	<u><u>241,408,179.91</u></u>	<u><u>893,934,014.37</u></u>	<u><u>652,525,834.46</u></u>	<u><u>91,052,057.62</u></u>

## **IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

### **(III) ANALYSIS ON INVESTMENTS (CONTINUED)**

#### **1. Overall analysis on external equity investments (Continued)**

##### **(3) *Financial assets under fair value measurement (Continued)***

*Note:* During the Reporting Period, the Company implemented the revised "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments", according to which the items previously accounted for in the available-for-sale financial assets were reclassified into financial assets measured at fair value through profit or loss. For further details, please refer to "Section X Financial Report Prepared in Accordance with the PRC Accounting Standards for Business Enterprises – Note 33(1) of IV. Principal Accounting Policies and Accounting Estimates".

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

### **(IV) SALES OF MATERIAL ASSETS AND EQUITY INTERESTS**

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



## IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (V) ANALYSIS ON THE KEY SUBSIDIARIES

#### 1. Information on the Key Subsidiaries

*Currency: RMB, unless otherwise specified*

Name of company	Registered capital (RMB'000)	Principal business	As at 30 June 2018		Realized during the Reporting Period	
			Total Assets (RMB'000)	Net assets (RMB'000)	Operating revenue (RMB'000)	Net profit (RMB'000)
YTO Finance	50,000	Provision of financial services	445,389	84,236	9,296	3,764
YTO Diesel Engine	USD16 million	Manufacturing and sales of engines	197,570	139,436	53,813	950
Jiangyan Power Company	20,000	Manufacturing and sales of multi-bore small size diesel engines and castings	45,608	24,600	20,243	77
YTO Fuel Injection Pump	16,192	Manufacturing and sales of products including fuel injector and fuel injection pump of diesel engines	21,790	18,484	3,528	-1,170
Tractors Research Company	44,500	Research and development of tractor products	76,761	67,160	10,568	-56
YTO International Trade	6,600	International sales of agricultural machinery	66,976	3,104	28,630	-1,222
YTO France	Euro22.60 million	Manufacturing and sales of agricultural machinery components	28,603	16,245	5,406	-2,041
YTO Foundry	24,883	Processing and sales of rough and semifinished products and finished products of castings and forging products	33,360	25,801	14,285	440
Changtuo Company	28,200	Manufacturing and sales of agricultural machineries and spare parts	15,036	1,463	0	-1,014



## IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (V) ANALYSIS ON THE KEY SUBSIDIARIES (CONTINUED)

#### 1. Information on the Key Subsidiaries (Continued)

*Currency: RMB, unless otherwise specified*

Name of company	Registered capital (RMB0'000)	Principal business	As at 30 June 2018		Realized during the Reporting Period	
			Total Assets (RMB0'000)	Net assets (RMB0'000)	Operating revenue (RMB0'000)	Net profit (RMB0'000)
YTO Shentong	5,300	Manufacturing and sales of mining trucks and other agricultural machinery products	2,685	-29,109	257	164
Changxing Company	300	Sales of products including agricultural machinery, spare parts and diesel engines	93,942	-57,866	206,636	-23,182

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

During the Reporting Period, the Company did not acquire or dispose of any subsidiary.

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

*Unit: 0'000 Currency: RMB*

No.	Name of company	Operating revenue during the Reporting Period	Operating profit during the Reporting Period	Net profit during the Reporting Period
1	YTO Finance	9,296	5,018	3,764
2	YTO France	5,406	-2,041	-2,041
3	Changxing Company	206,636	-22,615	-23,182



## **IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

### **(V) ANALYSIS ON THE KEY SUBSIDIARIES (CONTINUED)**

#### **4. Explanation on the Key Subsidiaries with substantial change in their operating businesses**

YTO Diesel Engine: During the Reporting Period, as affected by the decrease in sales volume in the whole machines markets including tractors and harvesters, the sales volume of diesel engine products declined and the net profit decreased as compared with the corresponding period of last year.

Changxing Company: Operating revenue decreased and loss expanded as compared with the corresponding period of last year due to the decline in sales volume of hi-powered and mid-powered wheeled tractors for the current period.

YTO France: Gross profit margin decreased significantly and loss expanded as compared with the corresponding period of last year due to substantial decrease in the production and continually incurred fixed costs for the current period.

Tractors Research Company: Net profit decreased as compared with the corresponding period of last year due to the decrease in revenue.

### **(VI) POTENTIAL RISKS**

#### **1. Risk relating to market decline**

Affected due to a variety of factors such as the marketization of grain prices, increased level of inventory of agricultural machinery, lesser amount and lower percentage of subsidies for the purchase of agricultural machinery, the domestic agricultural machinery market remained in a period of in-depth adjustments. The growth driver is shifting from the incremental market featured by rigid demands towards the existing market featured by the update demands. It is expected that the market demand for agricultural products such as tractors will continue to decline.

The Company will actively grasp the trend of higher demand for high-power tractor in the context of large-scale land and intensive management, vigorously develop intelligent, efficient, energy-saving and environmentally-friendly agricultural machinery products, and enhance the development of overseas market, especially the markets in the countries covered by the "Belt & Road" Initiative. Meanwhile, the Company will continue to enrich the agricultural machinery equipment industry chain, actively promote the supporting sales of machinery unit, forming a product portfolio featuring the whole-process mechanization in agricultural production.

## IV. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (VI) POTENTIAL RISKS (CONTINUED)

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

In recent years, commodity prices have been on the rise. As steel, rubber and other materials constitute a major part of the Company's purchases of raw materials and spare parts, the profitability of the Company will be affected if there is any significant increase in the prices of raw materials. The Company will mitigate the impact of rising raw material prices on the results of the Company by adopting such measures as optimizing procurement process, shortening the intermediate purchase links and centralizing large-scale purchases. The Company will also mitigate the risk of fluctuating raw material prices by making advance payment to lock the prices of raw materials which are likely to increase significantly.

#### 3. Risk relating to technology upgrade

With more efforts devoted in the pollution prevention and control by the whole society, China continues to promote the conversion and upgrading of off-road diesel engine emission standards. The agricultural machinery failing to meet requirements of the emission standards will not be allowed for sale in the future, which imposes higher requirements for technical upgrading of diesel engine products and matching diesel engine and agricultural machinery. The Company will accelerate the research and development and commercialization of diesel engine products in line with the National IV and V standards, leverage on its advantages in technical reserves and the supporting products for the machines in the field of off-road diesel engine, taking a leading role in the technological innovation and upgrading of China's agricultural machinery industry.



## V. SIGNIFICANT EVENTS

### I. CORPORATE GOVERNANCE DURING THE REPORTING PERIOD

#### (I) Briefs of General Meetings

<b>Session of meeting</b>	<b>Convening date</b>	<b>Index for the designated website for publishing the voting results</b>	<b>Date of publication of the voting results</b>
2017 Annual General Meeting	29 May 2018	“Announcement of First Tractor Company Limited on Resolutions of 2017 Annual General Meeting” published on the Shanghai Stock Exchange Announcement published on the website of the Stock Exchange (www.hkexnews.hk)	30 May 2018 29 May 2018
2018 First A Share Class Meeting	29 May 2018	“Announcement of First Tractor Company Limited on Resolutions of 2018 First A Share Class Meeting” published on the Shanghai Stock Exchange Announcement published on the website of the Stock Exchange (www.hkexnews.hk)	30 May 2018 29 May 2018
2018 First H Share Class Meeting	29 May 2018	“Announcement of First Tractor Company Limited on Resolutions of 2018 First H Share Class Meeting” published on the Shanghai Stock Exchange Announcement published on the website of the Stock Exchange (www.hkexnews.hk)	30 May 2018 29 May 2018

## **V. SIGNIFICANT EVENTS (CONTINUED)**

### **I. CORPORATE GOVERNANCE DURING THE REPORTING PERIOD (CONTINUED)**

#### **(I) Briefs of General Meetings (Continued)**

##### ***Explanation on General Meetings***

During the Reporting Period, all resolutions presented at the 2017 Annual General Meeting, the 2018 First A Share Class Meeting and the 2018 First H Share Class Meeting of the Company were approved.

#### **(II) Corporate Governance**

##### **1. Corporate Governance Code**

During the Reporting Period, the Company has complied with the principles and the code provisions under the “Corporate Governance Code” and “Corporate Governance Report” as set out in Appendix 14 to the Listing Rules of the Stock Exchange.

##### **2. Audit Committee under the Board**

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

During the Reporting Period, 3 meetings of the Audit Committee under the Board were held, which considered resolutions including the preparation plan for the 2017 annual report and financial statements, the 2017 annual report, the 2017 internal control evaluation report, the implementation of continuing connected transactions for the year 2017, and the appointment of financial auditor and internal control auditor of the Company for the year 2018, and the 2018 first quarterly report, exerting effective support from special committees under the Board to the Board in formulating scientific decisions. It conducted effective supervision on implementation of material matters including preparation of annual report, annual financial audit, quarterly financial report and daily connected transactions, which ensured that the Board performed duties in compliance with regulations and operated effectively.



## **V. SIGNIFICANT EVENTS (CONTINUED)**

### **I. CORPORATE GOVERNANCE DURING THE REPORTING PERIOD (CONTINUED)**

#### **(II) Corporate Governance (Continued)**

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

The Audit Committee under the Board has reviewed the Company's 2018 Interim Report prepared in accordance with the PRC Accounting Standards for Business Enterprises and agreed with the financial accounting principles, standards and methods adopted for the Company's unaudited interim financial report for the six months ended 30 June 2018.

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

The Company has adopted a set of code of conduct regarding securities transactions by the Directors and the Supervisors on terms no less exacting than the required standard in the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 to the Listing Rules of the Stock Exchange, and formulated the "Administrative Measures on Shares Held by the Directors, Supervisors and Senior Management and the Changes Thereof (董事、監事和高級管理人員所持股份及其變動管理辦法)". All Directors of the Company have confirmed that they have complied with the required standards as set out in the Model Code, the "Administrative Measures on Shares Held by the Directors, Supervisors and Senior Management and the Changes Thereof (董事、監事和高級管理人員所持股份及其變動管理辦法)" and standard in the Company's existing code of conduct in relation to the Directors' securities transactions during the Reporting Period.

## V. SIGNIFICANT EVENTS (CONTINUED)

### II. PROPOSAL OF PROFIT DISTRIBUTION OR CAPITALIZATION FROM CAPITAL RESERVES

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

Whether to distribute profit or capitalize capital reserves	No
Number of bonus shares for every 10 shares ( <i>share</i> )	/
Dividend for every 10 shares ( <i>Yuan</i> ) ( <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	/

### III. FULFILLMENT OF UNDERTAKINGS

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

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



## V. SIGNIFICANT EVENTS (CONTINUED)

### III. FULFILLMENT OF UNDERTAKINGS (CONTINUED)

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

Background of undertaking	Type of undertaking	Party making undertaking	Content of undertaking	Term and deadline of the undertaking	Is there any deadline for performance	Is it performed in a timely and strict manner
	Solutions to business competition	YTO	YTO will not engage in and will procure other enterprises controlled by it not to engage in the same or similar business of the Company to avoid direct or indirect competition with the Company's business operation. In addition, where YTO or other enterprises controlled by it may bring unfair impact on the Company in areas including market share, business opportunity and resources allocation, YTO will voluntarily give up and procure other enterprises controlled by it to give up business competition with the Company.	Long-term	No	Yes
	Solutions to business competition	Sinomach	Sinomach will not engage in and will procure other enterprises controlled by it not to engage in the same or similar business of the Company to avoid direct or indirect competition with the Company's business operation. In addition, where Sinomach or other enterprises controlled by it may bring unfair impact on the Company in areas including market share, business opportunity and resources allocation, Sinomach will voluntarily give up and procure other enterprises controlled by it to give up business competition with the Company.	Long-term	No	Yes



## V. SIGNIFICANT EVENTS (CONTINUED)

### III. FULFILLMENT OF UNDERTAKINGS (CONTINUED)

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

Background of undertaking	Type of undertaking	Party making undertaking	Content of undertaking	Term and deadline of the undertaking	Is there any deadline for performance	Is it performed in a timely and strict manner
	Other	YTO	YTO and YTO Finance entered into the Deposit Agreement and Loan Agreement, which stipulated the annual caps of loan obtained by YTO and its subsidiaries (excluding the Company) from YTO Finance. YTO further undertook that, on the basis of the aforesaid Deposit Agreement and Loan Agreement and cap amounts of connected transactions, the loan of YTO and its subsidiaries (excluding the Company) obtained from YTO Finance will be less than their deposits placed with YTO Finance, and YTO will ensure the safety of its subsidiaries' loan through various measures.	Long-term	No	Yes



## **V. SIGNIFICANT EVENTS (CONTINUED)**

### **IV. APPOINTMENT OR DISMISSAL OF AUDITOR**

#### **Explanation on appointment or dismissal of auditor**

As considered and approved at the 2017 annual general meeting, the Company continued to appoint Da Hua Certified Public Accountants (Special General Partnership) as the auditor for financial statements and internal control of the Company for the year 2018, 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 ULTIMATE CONTROLLER DURING THE REPORTING PERIOD**

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

## 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 of the Company as at the end of the Reporting Period were set out in the table below:

Unit: 0'000 Currency: RMB

Connected transactions under Chapter 14A of the Listing Rules of the Stock Exchange and the Listing Rules of the Shanghai Stock Exchange:							Estimated	Actual	Percentage
No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	transaction amount in 2018 (Note 1)	transaction amount from January to June 2018	in the amount of same type of transactions (%)	
1	Material Procurement Agreement	YTO	Controlling shareholder	Purchase of raw materials, other industrial equipment, spare parts and other necessities from YTO by the Company	(1) the market price of an independent third party; (2) if there is no market price determined by an independent third party, the transaction price between YTO Group, the associates of YTO, Sinomach, the subsidiaries of Sinomach and an independent third party; and (3) if none of the above is applicable, costs plus a percentage mark-up (tax-inclusive), which is not more than 30% (i.e. price = cost x (1 + percentage mark-up)).	164,800	38,162	12.25	
2	Sales of Goods Agreement	YTO	Controlling shareholder	Sale of raw materials, components, spare parts, equipment and other necessities by the Company to YTO	(1) the market price of an independent third party; (2) if there is no market price determined by an independent third party, the transaction price between the Group and an independent third party; and (3) if none of the above is applicable, costs plus a percentage mark-up (tax-inclusive), which is not more than 30% (i.e. price = cost x (1 + percentage mark-up)).	48,800	13,173	3.60	



## V. SIGNIFICANT EVENTS (CONTINUED)

### VII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

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

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

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 2018 (Note 1)	Actual transaction amount from January to June 2018	Percentage in the amount of same type of transactions (%)
3	Composite Services Agreement	YTO	Controlling shareholder	Provision of storage and transportation services to the Company and its subsidiaries by YTO	(1) the market price of an independent third party; (2) if there is no market price determined by an independent third party, the transaction price between YTO, its controlled companies and their associates and an independent third party; and (3) if none of the above is applicable, costs plus a percentage mark-up (tax-inclusive), which is not more than 30% (i.e. price = cost x (1 + percentage mark-up)).	22,500	7,549	81.19
4	Energy Procurement Agreement	YTO	Controlling shareholder	Provision of energy and related services to the Company and its subsidiaries by YTO	(1) the governmental guidance price; (2) if there is no governmental guidance price, the market price or the transaction price between the Group and an independent third party; (3) if none of the above is applicable, the transaction price between YTO and an independent third party; and (4) if none of the above is applicable, costs plus a percentage mark-up (tax-inclusive), which is not more than 30% (i.e. price = cost x (1 + percentage mark-up)).	20,000	9,392	92.51

## V. SIGNIFICANT EVENTS (CONTINUED)

## VII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

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

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

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 2018 (Note 1)	Actual transaction amount from January to June 2018	Percentage in the amount of same type of transactions (%)
5	Properties Lease Agreement	YTO	Controlling shareholder	Lease of properties by YTO to the Company and its subsidiaries	(1) the transaction price between the lessor and an independent third party; and (2) if the above is not applicable, determined after arm's length negotiation between the parties with reference to the market rent of similar property.	1,800	386	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 property.	1,900	587	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 People's Bank of China	180,000	110,661	31.28
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.	90,000	89,640	50.44



## V. SIGNIFICANT EVENTS (CONTINUED)

## VII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

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

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

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 2018 <i>(Note 1)</i>	Actual transaction amount from January to June 2018	Percentage in the amount of same type of transactions <i>(%)</i>
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.	30,000	16,075	16.98

## V. SIGNIFICANT EVENTS (CONTINUED)

## VII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

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

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

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 2018 (Note 1)	Actual transaction amount from January to June 2018	Percentage in the amount of same type of transactions (%)
10	Bills Discounting Service Agreement	YTO	Controlling shareholder	Provision of bills discounting services by YTO Finance to YTO	<p>(1) the rate in relation to the same type and same period of bills discounting services prescribed by the CBRC or the PBOC;</p> <p>(2) if the above rate is not applicable (as the rate prescribed by the CBRC or the PBOC currently is a bills rediscounting rate), the rate charged in applicable industry for the same type and same period of bills discounting services; and</p> <p>(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.</p>	49,000	13,929	60.42



## V. SIGNIFICANT EVENTS (CONTINUED)

## VII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

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

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

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 2018 (Note 1)	Actual transaction amount from January to June 2018	Percentage in the amount of same type of transactions (%)
11	Interbank Business Service Agreement	Sinomach Finance Co., Ltd	Controlled subsidiary of an indirect controlling shareholder	YTO Finance and Sinomach Finance Co., Ltd. provide financing services to each other, including interbank deposits, loans, transfer of credit assets and other interbank business services	<p>(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;</p> <p>(2) with reference to the deposit rates for the same type and same period of funds announced by other financial institutions for interbank deposit;</p> <p>(3) with reference to the market price of the target assets in capital financing announced by other financial institutions for credit asset transfer; and</p> <p>(4) if none of the above is applicable, after arm's length negotiation between the counterparties after considering their financial positions and terms, size and quality of the financial assets.</p>	90,000	70,000	27.68
12	Common Resource Services Agreement	YTO	Controlling shareholder	Provision of services including green services, cleaning services and logistic support services by YTO to the Company and its subsidiaries	<p>(1) the transaction prices between YTO and independent third parties; and</p> <p>(2) Cost Plus Method, with the percentage mark-up of no more than 10%.</p>	1,300	422	100.00



## V. SIGNIFICANT EVENTS (CONTINUED)

## VII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

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

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

Unit: 0'000 Currency: RMB

Connected transaction under Chapter 14A of the Listing Rules of the Stock Exchange:							Estimated	Actual	Percentage
No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	cap for transaction amount in 2018 <i>(Note 1)</i>	transaction amount from January to June 2018	in the amount of same type of transactions <i>(%)</i>	
13	Technology Services Agreement	Tractors Research Company	Subsidiary of YTO	Provision of technology research and development, technology consultation and other technology services by Tractors Research Company to the Company	(1) the transaction price between Tractors Research Company and an independent third party; and (2) if the above is not applicable, determined after arm's length negotiation between the parties taking into account depreciation of the research and development equipment, cost of research and development staff, testing fee and other costs used in the research and development (for research and development services).	11,520	4,397	100.00	



## V. SIGNIFICANT EVENTS (CONTINUED)

## VII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

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

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

Unit: 0'000 Currency: RMB

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

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2018 (Note 1)	Actual transaction amount from January to June 2018	Percentage in the amount of same type of transactions (%)
14	Premise Tenancy Agreement	ZF YTO Drive Axle	Associated corporation	Lease of land and properties to ZF YTO Drive Axle by the Company	The annual lease fee of RMB7,460,700 was determined by both parties under market principles and negotiation.	746.07	746.07	52.20
15	Technologies License Agreement	ZF YTO Drive Axle	Associated corporation	Authorization of use of drive axle production technologies granted by the Company to ZF YTO Drive Axle for production and installation of existing and future products	ZF YTO Drive Axle shall pay 0.3% of the sales revenue of products applying these technologies as technologies authorization fee of to the Company.	85	0	0.00

## V. SIGNIFICANT EVENTS (CONTINUED)

## VII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

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

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

Unit: 0'000 Currency: RMB

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

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2018 (Note 1)	Actual transaction amount from January to June 2018	Percentage in the amount of same type of transactions (%)
16	Procurement Framework Agreement	ZF YTO Drive Axle	Associated corporation	Purchase of components such as gears and drive shafts for the production of drive axles by ZF-YTO Drive Axle from the Company	Prices of components are determined under negotiations between both parties based on prices of past years, the then prevailing market price and factors such as raw material price fluctuations.	7,000	1,546	0.42
17	Sales Framework Agreement	ZF YTO Drive Axle	Associated corporation	Sale of goods by ZF YTO Drive Axle to the Company and its branches	Prices of drive axle products are determined under negotiations between both parties based on factors such as prices of past years, the then prevailing market price and raw material price fluctuations. The price of goods sold by ZF YTO Drive Axle to the Company or any of its branches and subsidiaries shall not exceed that of the same types of goods sold to ZF Hangzhou.	23,500	7,907	2.54
18	/	Luoyang Bank	Associated corporation	The provision of credit service (loans and notes) by Luoyang Bank to the Company	Finance cost of credit business, such as loan rate and note fee, should not be higher than that of other corporative banks.	15,000	3,313	0.75
19	/	Luoyang Bank	Associated corporation	The provision of deposit service by Luoyang Bank to the Company	The rate of deposit business prescribed by the PBOC.	7,000	963	0.40



## V. SIGNIFICANT EVENTS (CONTINUED)

## VII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

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

#### 2. Matters not disclosed in the provisional announcements

Unit: 0'000 Currency: RMB

Connected counter party	Connected relationship	Type of the connected transaction	Content of the connected transaction	Pricing principle of the connected transaction	Estimated transaction cap for transaction amount in 2018	Actual transaction amount from January to June 2018	As a Percentage in the amount of same type of transactions (%)
YTO	Controlling shareholder	Renting or leasing	Lease of properties from the Company and its subsidiaries	The State government guidance price; the price of the non-connected transactions between the lessor and the independent third parties; if none of the above is available or applicable, then the price will be determined under arm's length negotiations between the two parties.	470	268	32.75
YTO	Controlling shareholder	Renting or leasing	Lease of land from the Company and its subsidiaries	The State government guidance price; the price of the non-connected transactions between the lessor and the independent third parties; if none of the above is available or applicable, then the price will be determined under arm's length negotiations between the two parties.	290	197	48.66
YTO	Controlling shareholder	Provision of services	Provision of process and technical service to YTO by the Company	The State government guidance price; the price of the non-connected transactions between the Company and the independent third parties; the price of the reasonable cost of the service provided by the Company with the addition of gross margin of the comparable non-connected transactions; if none of the above is available or applicable, then the price will be determined under arm's length negotiations between the two parties.	110	17	7.41

## V. SIGNIFICANT EVENTS (CONTINUED)

## VII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

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

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

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 transaction amount in 2018	Actual transaction amount from January to June 2018	As a Percentage of same type of transactions (%)
YTO	Controlling shareholder	Provision of labor services	Provision of calibration service and calibration instrument testing services to YTO by the Company	The State government guidance price; the price of the non-connected transactions between the Company and the independent third parties; the price of the reasonable cost of the service provided by the Company with the addition of gross margin of the comparable non-connected transactions; if none of the above is available or applicable, then the price will be determined under arm's length negotiations between the two parties.	110	40	34.39
YTO	Controlling shareholder	Provision of the right to use the patent and trademark, etc.	YTO and its subsidiaries are permitted by the Company to use the Dongfanghong trademark	When YTO and its re-licensed subsidiaries and associated companies' aggregated sale revenue (exclusive of taxes) of trademarked products (excluding products not using the registered trademarks) beyond the Group does not exceed RMB5.0 billion (inclusive), 0.2% of aggregated sale revenue (exclusive of taxes) shall be paid; and if the aggregated sale revenue beyond the Group exceeds RMB5.0 billion, the rate for the exceeding part shall be 0.15%.	35	0	0.00
YTO	Controlling shareholder	Provision of cleaning service and canteen service		(1) the transaction price between YTO and independent third parties;	94	47	100.00
YTO	Controlling shareholder	Provision of youth apartment accommodation service		(2) Cost Plus Method, with the percentage markup of no more than 10%. the transaction price between YTO and independent third parties	100	32	100.00
Total					239	129	53.97



## V. SIGNIFICANT EVENTS (CONTINUED)

### VII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

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

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

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 transaction cap for amount in 2018	Actual transaction amount from January to June 2018	As a Percentage in the amount of same type of transactions (%)
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Details on return of large-sum sales  
Explanation on connected transactions

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

## V. SIGNIFICANT EVENTS (CONTINUED)

### VII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

#### (II) Amounts due to and from connected parties

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

Event details	Query index
Provision of entrusted loan with a total amount of no more than RMB27 million by the Company to Changtuo Company.	For details, please refer to the “Announcement on Provision of Entrusted Loan and Connected Transaction” of the Company published on the website of the Shanghai Stock Exchange on 30 March 2018 and the announcement of the Company dated 2 April 2018 published on the website of the Stock Exchange ( <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> ).
Acceptance of entrusted loan with an amount of RMB700 million provided by YTO, the controlling shareholder, to the Company.	For details, please refer to the “Announcement on Acceptance of Financial Assistance from Controlling Shareholder” of the Company published on the website of the Shanghai Stock Exchange on 13 July 2018 and the overseas regulatory announcement of the Company published on the website of the Stock Exchange ( <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> ) on 12 July 2018.

The entrusted loan of RMB700 million accepted by the Company provided by the controlling shareholder was due on 10 July 2018. Upon negotiation by both parties, YTO continued to provide an entrusted loan of RMB700 million to the Company on 12 July 2018. For details, please refer to the “Announcement of First Tractor Company Limited on the Acceptance of Financial Assistance from the Controlling Shareholder” published on 13 July 2018 on the website of the Shanghai Stock Exchange, China Securities Journal and Shanghai Securities News, as well as the overseas regulatory announcement of the Company dated 12 July 2018 published on the website of the Stock Exchange.



## V. SIGNIFICANT EVENTS (CONTINUED)

### VIII. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF

#### 1 Custody, contracting and lease matters

##### (1) Custody

Unit: Yuan Currency: RMB

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

##### *Explanation on custody*

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



## V. SIGNIFICANT EVENTS (CONTINUED)

### VIII. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF (CONTINUED)

#### 2 Guarantees

Unit: 0'000 Currency: RMB

External guarantees provided by the Company (excluding guarantees provided for subsidiaries)													
Guarantor	Relationship of the Guarantor with the Company	Beneficiary	Amount of the guarantee	Date of guarantee (Date of agreement)	Commencement date of guarantee	End date of guarantee	Type of guarantee	Whether the guarantee is discharged	Whether the guarantee is overdue	Amount of overdue guarantee	Whether there is any counter guarantee	Whether it is a connected party guarantee	Connected relationship
The Company	Company headquarter	Business dealers of Dianpiaotong	1,475	2017.6.13			Guarantee with joint liability	No	No	0	Yes	No	
Luoyang Changxing Agricultural Machinery Co., Ltd.	Controlled subsidiary	Product and finance business customer	5,253	2017.8.16			Guarantee with joint liability	No	No	0	Yes	No	

Total amount of guarantees provided during the Reporting Period (excluding guarantees provided for subsidiaries)	7,380
Total outstanding amount of guarantees as at the end of the Reporting Period (A) (excluding guarantees provided for subsidiaries)	6,728

#### Guarantees provided by the Company for its subsidiaries

Total amount of the guarantees provided for subsidiaries during the Reporting Period	4,948.17
Total outstanding amount of the guarantees provided for subsidiaries as at the end of the Reporting Period (B)	9,896.35

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

Total amount of guarantees (A+B)	16,624.35
Total amount of guarantees as a percentage to the net assets of the Company (%)	3.25

#### Of which:

Amount of guarantees provided for shareholders, de facto controller and its associates (C)	0
Amount of guarantees directly or indirectly provided for liability of parties with a gearing ratio exceeding 70% (D)	6,728
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)	6,728
Explanation on possible several and joint liability for immature guarantees	Nil
Explanation on guarantee	Nil



## **V. SIGNIFICANT EVENTS (CONTINUED)**

### **IX. POVERTY ALLEVIATION BY THE COMPANY**

#### **1. Precise Poverty Alleviation Planning**

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

#### **2. Summary of Precise Poverty Alleviation during the Reporting Period**

During the first half of 2018, the Company seriously implemented the planned requirements for poverty alleviation by the central government, including the “four principles”, “six targets” and “five batches”. It strengthened dynamic management of poverty-stricken families and increased collective economic income. It organized more than 50 employees from 19 entities under the Company to take targeted measures to help the villagers in poverty in Zhifang Village. Specifically, they devoted efforts to promote the green, distinctive and brand-oriented operation of tofu, vermicelli and other agricultural products in Zhifang Village, and helped the green agricultural product production base in Zhifang Village to expand the marketing channels of its products and record sales income of RMB908,200. Thus, the living standard of the local poverty-stricken families was significantly improved. As at the end of 2017, a total of 30 persons (or 7 families) has shook off poverty, lowering the number of persons in poverty to 48. It is expected that another 32 persons (or 10 families) will shake off poverty by the end of 2018.

## V. SIGNIFICANT EVENTS (CONTINUED)

### IX. POVERTY ALLEVIATION BY THE COMPANY (CONTINUED)

#### 3. Achievements in precise poverty alleviation

Unit: 0'000 Currency: RMB

Index	Number and implementation information
I. General information	The Company took targeted measures to help the villagers in poverty in Zhifang Village of Tantou Town, Luanchuan County. It helped Zhifang villagers sell green agricultural products with the sales income reaching RMB908,200.
Including:	
1. Capital	90.82
2. Funds converted from materials	3.95
3. Number of registered and recorded people in poverty went out of poverty with support (Person)	/
II. Itemized input	
1. Poverty alleviation through industrial development	
Including: 1.1 Type of industrial poverty alleviation projects	Poverty alleviation through agricultural and forestry industry Poverty alleviation through asset profit
1.2 Number of industrial poverty alleviation projects	1
1.3 Amount invested in industrial poverty alleviation projects	90.82
1.4 Number of registered and recorded people in poverty went out of poverty with support (Person)	/



## **V. SIGNIFICANT EVENTS (CONTINUED)**

### **IX. POVERTY ALLEVIATION BY THE COMPANY (CONTINUED)**

#### **4. Follow-Up Precise Poverty Alleviation Planning**

In accordance with the requirements on development-oriented poverty alleviation from the Central Government and the deployment for poverty alleviation by governments at provincial and municipal levels, the Company will strive to solve prominent problems constraining local development, improve the capability of organic growth of poverty-stricken areas, and accelerate the realization of moderate prosperity in poverty-stricken areas by leveraging resource advantage of poverty-stricken areas and using market-oriented approach. The Company will mainly focus on the following tasks: 1. It will play an active role in and contribute its own efforts to relevant poverty alleviation work in accordance with the overall poverty alleviation arrangements made by governments at provincial and municipal levels. 2. It will reinforce its efforts in helping families which shrugged off poverty in 2017 to prevent them from slipping back into poverty. And follow-up supports will be rendered for the families to shrug off poverty in 2018. 3. It will intensify occupational skills training and employment services for poverty-stricken families, conduct labor service cooperation and promoted job transfer in the original and nearest place, so as to achieve job transfer of members of unemployed poverty families with labour capacity and desire for employment.

## **X. OTHER MATTERS**

### **1. Contingent events**

Save for the contingent events in external guarantees, as at 30 June 2018, the Company had no other material contingent events.

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

As at 30 June 2018, the Company had 9,986 employees. During the Reporting Period, the total remuneration paid to employees of the Company was approximately RMB555.30 million.

## V. SIGNIFICANT EVENTS (CONTINUED)

### X. OTHER MATTERS (CONTINUED)

#### 2. The Company's Staff, Remuneration Policy and Training (Continued)

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

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

### XI. ENVIRONMENT INFORMATION

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

The Company conscientiously implemented the "Atmospheric Pollution Prevention Law", the "Law on Prevention and Control of Environmental Pollution by Solid Waste", the "Environmental Impact Assessment Law of Construction Projects" and other laws and regulations. Meanwhile, it formulated the internal management regulations such as the "Management Provisions on Identification and Rectification of Production Safety Hazards", the "Provisions on Safety Management of Hazardous Chemicals" and "Management Measures for Technical Projects on Safety and Environmental Protection" to earnestly fulfill its social responsibility on environmental protection, exert strict control over total emission of pollutants, follow stringent procedures in disposal of hazardous waste, conduct comprehensive utilization of general solid waste, and promote sustainable green development. In the first half of 2018, the implementation rate for the "Three Simultaneities" in environmental protection of the Company's construction projects was 100%, and no environmental pollution accident was reported.



## V. SIGNIFICANT EVENTS (CONTINUED)

### XII. EXPLANATIONS ON OTHER SIGNIFICANT EVENTS

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

In 2017, the Ministry of Finance announced the revised “Accounting Standards for Business Enterprises No. 14 – Revenue”, “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”, “Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets”, “Accounting Standards for Business Enterprises No. 24 – Hedge Accounting” and “Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments”. Enterprises listed at the same time both domestically and internationally shall implement the above standards from 1 January 2018. The Company will implement new accounting standards in accordance with the above provisions. For the effects of the implementation of new accounting policies on the financial report of the Company during the Reporting Period, please refer to “Financial Report Prepared in Accordance with the PRC Accounting Standards for Business Enterprises – Note 33(1) of IV. Principal Accounting Policies and Accounting Estimates”.

## 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.

### II. SHAREHOLDERS

#### (I) Total number of shareholders:

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

32,650 shareholders including 32,284  
holders of A Shares and 366 holders of  
H Shares



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

### II. SHAREHOLDERS (CONTINUED)

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

Unit: Share

Name of shareholder (full name)	Increase/ decrease during the Reporting Period	Shareholdings of the top ten shareholders		Number of shares held subject to selling restrictions	Pledged or frozen Status of shares	Number	Nature of shareholder
		Total number of shares held as at the end of the Reporting Period	Percentage (%)				
YTO Group Corporation	0	410,690,578	41.66	0	Nil	0	State-owned legal person
HKSCC NOMINEES LIMITED (Note 1)	-8,000	388,103,399	39.37	0	Unknown	/	Overseas legal person
China Huarong Asset Management Co., Ltd	0	14,069,296	1.43	0	Unknown	/	State-owned legal person
China Construction Bank Corporation Henan Province Branch	0	9,444,950	0.96	0	Unknown	/	Other
Hong Kong Securities Clearing Company Limited (Note 2)	372,022	3,167,440	0.32	0	Unknown	/	Overseas legal person
Xu Zuquan	100,000	2,100,000	0.21	0	Unknown	/	Domestic natural person
Yang Zhihong	314,800	885,001	0.09	0	Unknown	/	Domestic natural person
LIU HON NAM	0	726,000	0.07	0	Unknown	/	Overseas natural person
Jiao Yanfeng	-250,000	710,000	0.07	0	Unknown	/	Domestic natural person
Shi Houwu	439,300	679,300	0.07	0	Unknown	/	Domestic natural person



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

### II. SHAREHOLDERS (CONTINUED)

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

Unit: Share

Name of shareholder	Shareholdings of the top ten shareholders without selling restrictions		
	Number of non-restricted circulating shares held	Class	Number
YTO Group Corporation	410,690,578	Ordinary shares denominated in RMB	410,690,578
HKSCC NOMINEES LIMITED (Note 1)	388,103,399	Overseas listed foreign shares	388,103,399
China Huarong Asset Management Co., Ltd	14,069,296	Ordinary shares denominated in RMB	14,069,296
China Construction Bank Corporation Henan Province Branch	9,444,950	Ordinary shares denominated in RMB	9,444,950
Hong Kong Securities Clearing Company Limited (Note 2)	3,167,440	Ordinary shares denominated in RMB	3,167,440
Xu Zuquan	2,100,000	Ordinary shares denominated in RMB	2,100,000
Yang Zhihong	885,001	Ordinary shares denominated in RMB	885,001
LIU HON NAM	726,000	Overseas listed foreign shares	726,000
Jiao Yanfeng	710,000	Ordinary shares denominated in RMB	710,000



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

### II. SHAREHOLDERS (CONTINUED)

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

*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
Shi Houwu	679,300	Ordinary shares denominated in RMB	679,300
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 (CHAPTER 571 OF THE LAWS OF HONG KONG)

As at 30 June 2018, 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 <sup>1</sup>	Number of underlying shares held under equity derivatives	Total number of shares interested <sup>1</sup>	Percentage of		Type of share
						the relevant issued class of share capital <sup>1</sup>	Percentage of the total issued share capital	
						(%)	(%)	
YTO <sup>2</sup>	Beneficial owner	Beneficial interest	410,690,578 (L)	/	410,690,578 (L)	69.15 (L)	41.66 (L)	A Share

Note 1: (L) – Long position

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

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

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



## **VII. PREFERENCE SHARES**

The Company had no preference shares during the Reporting Period.

## VIII. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### I. OTHER EXPLANATIONS

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

As at 30 June 2018, the interests or short positions of the Directors, Supervisors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions considered or deemed to be held by such Directors, Supervisors and chief executives under provisions such as the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise, pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 to the Listing Rules of the Stock Exchange, to be notified to the Company and the Stock Exchange, were as follows:

Name	The Company/ associated corporation	Capacity	Nature of interests	Number of shares held	Total number of shares interested	Percentage of	Percentage of	Type of share
						the relevant issued class of share capital (%)	the total issued share capital of the Company (%)	
Wu Tak Lung	The Company	Beneficial owner	Beneficial interest	10,000 <u>          </u> <u>          </u> <u>          </u>	10,000 <u>          </u> <u>          </u> <u>          </u>	0.0026 <u>          </u> <u>          </u> <u>          </u>	0.0010 <u>          </u> <u>          </u> <u>          </u>	H Share



## **VIII. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)**

### **I. OTHER EXPLANATIONS (CONTINUED)**

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

Save as disclosed above, none of the Directors, Supervisors or chief executives of the Company as at 30 June 2018, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise, pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers", to be notified to the Company and the Stock Exchange.

### **II. CHANGES IN SENIOR MANAGEMENT**

Saved as disclosed below there were no changes in the senior management of the Company during the Reporting Period. On 10 August 2018, as considered and approved at the twenty-first meeting of the seventh session of the Board, Mr. Zhu Weijiang was appointed as the General Manager of the Company. Mr. Wu Yong no longer served as the General Manager of the Company due to job allocation and Mr. Song Yuping ceased to serve as the Deputy General Manager due to health reasons. For details, please refer to the Announcement on the Resignation of the General Manager and the Deputy General Manager and the Appointment of the General Manager of the Company published on the website of Shanghai Stock Exchange on 11 August 2018 and the Announcement on the Resignation of the General Manager and the Deputy General Manager and the Appointment of the General Manager of the Company published on the website of Stock Exchange on 10 August 2018.

## IX. RELEVANT INFORMATION ON CORPORATE BONDS

### I. BASIC INFORMATION OF THE CORPORATE BONDS

Unit: 0'000 Currency: RMB

Name of bond	Abbreviation	Code	Issue date	Due date	Balance of bond	Interest rate (%)	Method of repayment of capital with interest	Trading places
Publicly issued corporate bonds of First Tractor Company Limited in 2012 (Tranche I)	12 First Tractor 01	122225	2013-03-04	2018-03-04	80,000	4.80	Adopting simple annual interest without compound interest nor interest for overdue payment. Interest is paid annually and principal is paid when due. Last interest payment will be paid together with the principal repayment.	Shanghai Stock Exchange
Publicly issued corporate bonds of First Tractor Company Limited in 2012 (Tranche II)	12 First Tractor 02	122253	2013-05-30	2018-05-30	70,000	4.50	Adopting simple annual interest without compound interest nor interest for overdue payment. Interest is paid annually and principal is paid when due. Last interest payment will be paid together with the principal repayment.	Shanghai Stock Exchange



## **IX. RELEVANT INFORMATION ON CORPORATE BONDS (CONTINUED)**

### **I. BASIC INFORMATION OF THE CORPORATE BONDS (CONTINUED)**

#### **Interest payment of the corporate bonds**

The Company paid the principal together with interests due and payable for the last year of the publicly issued corporate bond in 2012 (Tranche I) and publicly issued corporate bond in 2012 (Tranche II) of the Company on 5 March and 30 May 2018 on schedule and in full respectively and such bonds were delisted (For details, please refer to the “Announcement on the Payment of Principal and Interests and Delisting of the Publicly Issued Corporate Bonds of First Tractor Company Limited in 2012 (Tranche I)” and the “Announcement on the Payment of Interests and Delisting of the Publicly Issued Corporate Bonds of First Tractor Company Limited in 2012 (Tranche II)” of the Company published on the website of the Shanghai Stock Exchange on 14 February and 21 May 2018, respectively, as well as the overseas regulatory announcements of the Company published on the website of the Stock Exchange on 13 February and 18 May 2018).

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

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



## **IX. RELEVANT INFORMATION ON CORPORATE BONDS (CONTINUED)**

### **III. USE OF FUNDS RAISED BY CORPORATE BONDS**

According to the “Prospectus for the Publicly Issued Corporate Bonds in 2012 (Tranche I)”, the funds raised by the current bonds, after deducting the issuing expenses, were intended to be fully used to supplement working capital and repay bank loans. The Company had used RMB700 million of raised funds for the repayment of bank loans, and the rest were used to supplement its working capital and fully paid the principal of the publicly issued corporate bonds in 2012 (tranche I) of the Company and the interest thereof for the final year on 5 March 2018.

According to the “Prospectus for the Publicly Issued Corporate Bonds in 2012 Tranche II”, the funds raised by the current bonds, after deducting the issuing expenses, were intended to be fully used to supplement working capital. The Company had used all of the raised funds to supplement its working capital and fully paid the principal of the publicly issued corporate bonds in 2012 (tranche II) of the Company and the interest thereof for the final year on 30 May 2018.

### **IV. CREDIT RATING OF CORPORATE BONDS**

During the Reporting Period, based on the comprehensive analysis and evaluation of the Company’s business conditions and conditions of the relevant industries, Shanghai Brilliance Credit Rating & Investors Service Company Limited issued the “Tracking Credit Rating Report on 12 First Tractor 02 of First Tractor Company Limited”. The Company’s corporate credit rating was AA+, the credit rating of 12 First Tractor 02 was AA+. (For details, please refer to the “Announcement of First Tractor Company Limited on the Tracking Credit Rating Results of Corporate Bonds 12 First Tractor 02” of the Company published on the website of the Shanghai Stock Exchange on 21 May 2018 as well as the overseas regulatory announcement of the Company published on the website of the Stock Exchange on 18 May 2018).

### **V. PERFORMANCE OF DUTIES BY THE CORPORATE BOND TRUSTEE**

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



## IX. RELEVANT INFORMATION ON CORPORATE BONDS (CONTINUED)

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

Key indicators	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 as compared with the end of last year (%)
	Current Ratio	1.19	1.11
Quick Ratio	0.98	0.96	Increased by 0.02
Asset-liability ratio (%)	57.47	61.43	Decreased by 3.96 percentage points
Loan repayment rate (%)	100	100	0

  

Key indicators	For the Reporting Period (January to June)	For the Corresponding period of last year	Year-on-year increase/decrease during the Reporting Period as compared with the corresponding period last year (%)
	EBITDA interest coverage ratio	1.91	4.86
Interest coverage rate (%)	100	100	0

### VII. BANK CREDIT OF THE COMPANY DURING THE REPORTING PERIOD

During the Reporting Period, the Company obtained a total of RMB5.5 billion credit from ten banks including ICBC, China Construction Bank, Agricultural Bank of China, Bank of Communications, HSBC and Everbright Bank.

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

## CONSOLIDATED BALANCE SHEET

June 30th, 2018

Prepared by: First Tractor Company Limited

Monetary Unit: RMB

Assets	Note VI	Ending balance	Beginning Balance
<b>Current assets</b>			
Monetary Funds	Note1	<b>2,386,981,353.66</b>	3,292,984,287.50
Settlement reserves for balance			
Lendings to banks and other financial institutions	Note2	<b>100,000,000.00</b>	0.00
Financial assets measured at fair value with changes in value recognized in profit or loss	Note3	<b>888,934,014.37</b>	228,608,179.91
Derivative financial assets			
Notes receivable	Note4	<b>303,479,657.48</b>	531,530,154.03
Accounts receivable	Note5	<b>1,403,463,319.54</b>	1,238,285,603.95
Advances to suppliers	Note6	<b>161,888,984.54</b>	233,704,609.47
Premium receivables			
Reinsurance receivables			
Reinsurance contract reserves receivable			
Interest receivable	Note7	<b>9,803,082.09</b>	14,148,062.85
Dividends receivable	Note8	<b>11,000,000.00</b>	0.00
Other receivables	Note9	<b>106,838,663.34</b>	123,425,502.13
Buying back the sale of financial assets	Note10	<b>150,438,466.94</b>	80,207,776.70
Inventories	Note11	<b>1,354,554,020.83</b>	1,167,681,087.61
Assets classified as held for sale			
Non-current assets due within one year	Note12	<b>71,503,076.20</b>	
Other current assets	Note13	<b>945,911,192.58</b>	1,694,694,921.00
<b>Total current assets</b>		<b>7,894,795,831.57</b>	8,605,270,185.15



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

## CONSOLIDATED BALANCE SHEET (CONTINUED)

June 30th, 2018

Prepared by: First Tractor Company Limited

*Monetary Unit: RMB*

Assets	Note VI	Ending balance	Beginning Balance
<b>Non-current assets</b>			
Loans and advances to customers	Note14	<b>1,024,840,245.91</b>	934,741,824.37
Financial assets available-for-sale			
Held-to-maturity investments	Note15	<b>57,604,793.48</b>	58,344,519.48
Long-term receivables	Note16	<b>228,675,452.78</b>	0.00
Long-term equity investments	Note17	<b>140,302,812.50</b>	141,468,273.42
Investment properties			
Fixed assets	Note18	<b>2,922,566,811.17</b>	3,030,222,384.21
Construction in progress	Note19	<b>380,608,379.56</b>	290,749,376.91
Construction materials			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets	Note20	<b>846,769,727.76</b>	859,721,089.66
Research and development expenses	Note21		
Goodwill	Note22		
Long-term deferred expenses	Note23	<b>43,152,058.42</b>	46,023,240.72
Deferred income tax assets	Note24	<b>133,038,401.58</b>	136,232,633.76
Other non-current assets			
<b>Total non-current assets</b>		<b><u>5,777,558,683.16</u></b>	<u>5,497,503,342.53</u>
<b>Total assets</b>		<b><u><u>13,672,354,514.73</u></u></b>	<u><u>14,102,773,527.68</u></u>

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

### CONSOLIDATED BALANCE SHEET (CONTINUED)

June 30th, 2018

Prepared by: First Tractor Company Limited

Monetary Unit: RMB

Liabilities and owners' shareholders' equity	Note VI	Ending balance	Beginning Balance
<b>Current liabilities:</b>			
Short-term loans	Note 25	<b>2,340,917,357.13</b>	2,033,879,689.22
Borrowings from central bank			
Receipts of deposits and deposits from other banks	Note 26	<b>992,532,524.55</b>	780,195,528.74
Loans from other banks	Note 27	<b>0.00</b>	300,000,000.00
Financial liabilities measured at fair value and its movement recorded through profit and loss			
Derivative financial liabilities	Note 28	<b>5,000,000.00</b>	12,800,000.00
Notes payable	Note 29	<b>1,149,942,885.00</b>	820,501,598.94
Accounts payable	Note 30	<b>1,469,633,218.18</b>	1,465,330,454.31
Advance from customers	Note 31	<b>171,355,695.30</b>	236,220,968.60
Funds from selling out and repurchasing financial assets			
Fee and commission payable			
Employee salary payable	Note 32	<b>119,170,290.68</b>	123,521,513.29
Taxes payables	Note 33	<b>16,208,557.07</b>	17,361,319.90
Interests payable	Note 34	<b>3,523,964.23</b>	61,862,938.69
Dividends payable	Note 35	<b>55.83</b>	55.83
Other payables	Note 36	<b>267,753,059.38</b>	276,121,409.06



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

### CONSOLIDATED BALANCE SHEET (CONTINUED)

June 30th, 2018

Prepared by: First Tractor Company Limited

*Monetary Unit: RMB*

<b>Liabilities and owners' shareholders' equity</b>	<i>Note VI</i>	<b>Ending balance</b>	Beginning Balance
Reinsurance accounts payables			
Reserves for insurance contracts			
Brokerage for trading securities			
Brokerage for consigning securities			
Liabilities classified as held for sale			
Non-current liabilities due within one year	Note 37	<b>41,884,479.21</b>	1,522,040,174.73
Other current liabilities	Note 38	<b>67,833,609.20</b>	97,842,469.33
<b>Total current liabilities</b>		<b>6,645,755,695.76</b>	7,747,678,120.64

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

### CONSOLIDATED BALANCE SHEET (CONTINUED)

*June 30th, 2018*

Prepared by: First Tractor Company Limited

*Monetary Unit: RMB*

<b>Liabilities and owners' shareholders' equity</b>	<i>Note VI</i>	<b>Ending balance</b>	Beginning Balance
<b>Non-current liabilities</b>			
Long-term loans	Note 39	<b>896,714,000.00</b>	689,011,500.00
Bonds payable			
Including: Preference shares			
Perpetual bond			
Long-term payables			
Long-term employee salary payable			
Special payables			
Estimated Liabilities	Note 40	<b>3,321,156.24</b>	13,699,471.42
Deferred income	Note 41	<b>181,059,307.06</b>	184,660,141.13
Deferred tax liabilities	Note 24	<b>130,631,547.10</b>	28,741,816.43
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b><u><u>1,211,726,010.40</u></u></b>	<u><u>916,112,928.98</u></u>
<b>Total liabilities</b>		<b><u><u>7,857,481,706.16</u></u></b>	<u><u>8,663,791,049.62</u></u>



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

## CONSOLIDATED BALANCE SHEET (CONTINUED)

*June 30th, 2018*

Prepared by: First Tractor Company Limited

*Monetary Unit: RMB*

Liabilities and owners' shareholders' equity	<i>Note VI</i>	Ending balance	Beginning Balance
<b>Shareholder's equity</b>			
Share capital	Note 42	<b>985,850,000.00</b>	985,850,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserves	Note 43	<b>2,099,632,613.11</b>	2,099,632,613.11
Less: Treasury shares			
Other comprehensive income	Note 44	<b>-15,953,987.09</b>	-16,268,084.50
Special reserves	Note 45	<b>3,818,987.05</b>	3,674,350.81
Surplus reserves	Note 46	<b>441,137,555.75</b>	438,442,350.67
General risk reserves	Note 47	<b>12,754,318.98</b>	12,754,318.98
Retained earnings	Note 48	<b>1,581,053,891.20</b>	1,273,219,846.84
Total equity attributable to shareholders of the parent company		<b>5,108,293,379.00</b>	4,797,305,395.91
Minority interests		<b>706,579,429.57</b>	641,677,082.15
<b>Total shareholder's equity</b>		<b>5,814,872,808.57</b>	5,438,982,478.06
<b>Total liabilities and shareholder's equity</b>		<b>13,672,354,514.73</b>	14,102,773,527.68

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

*Legal Representative:*  
**Zhao, Yanshui**

*Chief Financial Officer:*  
**Yao, Weidong**

*Accounting Manager:*  
**Zhou, Juan**



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

## BALANCE SHEET OF THE PARENT COMPANY

June 30th, 2018

Prepared by: First Tractor Company Limited

Monetary Unit: RMB

Assets	Note XVI	Ending balance	Beginning Balance
<b>Current assets</b>			
Monetary Funds		<b>2,024,112,520.90</b>	2,674,257,804.79
Financial assets measured at fair value with changes in value recognized in profit or loss		<b>147,618,775.88</b>	110,000,000.00
Derivative financial assets			
Notes receivable		<b>135,792,441.04</b>	246,333,654.83
Accounts receivable	Note 1	<b>1,659,262,894.55</b>	1,196,344,093.78
Advances to suppliers		<b>132,164,171.61</b>	339,783,445.58
Interest receivable		<b>8,270,135.26</b>	19,894,867.06
Dividends receivable		<b>11,000,000.00</b>	96,722,501.47
Other receivables	Note 2	<b>43,438,594.13</b>	46,805,937.22
Inventories		<b>649,048,522.67</b>	505,348,099.92
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets		<b>1,267,524,201.43</b>	1,526,967,161.19
<b>Total current assets</b>		<b>6,078,232,257.47</b>	6,762,457,565.84



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

### BALANCE SHEET OF THE PARENT COMPANY (CONTINUED)

*June 30th, 2018*

Prepared by: First Tractor Company Limited

*Monetary Unit: RMB*

<b>Assets</b>	<i>Note XVI</i>	<b>Ending balance</b>	Beginning Balance
<b>Non-current assets</b>			
Financial assets available-for-sale			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	Note 3	<b>2,854,997,310.35</b>	2,980,116,241.67
Investment properties			
Fixed assets		<b>1,594,042,439.05</b>	1,656,170,735.96
Construction in progress		<b>240,640,949.97</b>	192,776,115.52
Construction materials			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets		<b>533,335,094.46</b>	541,384,568.49
Research and development expenses			
Goodwill			
Long-term deferred expenses		<b>36,534,364.23</b>	40,574,570.02
Deferred income tax assets		<b>25,941,384.42</b>	22,469,834.47
Other non-current assets			
<b>Total non-current assets</b>		<b><u><u>5,285,491,542.48</u></u></b>	<u><u>5,433,492,066.13</u></u>
<b>Total assets</b>		<b><u><u>11,363,723,799.95</u></u></b>	<u><u>12,195,949,631.97</u></u>

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

## BALANCE SHEET OF THE PARENT COMPANY (CONTINUED)

June 30th, 2018

Prepared by: First Tractor Company Limited

Monetary Unit: RMB

Liabilities and owners' shareholders' equity	Note XVI	Ending balance	Beginning Balance
<b>Current liabilities:</b>			
Short-term loans		<b>2,941,560,000.00</b>	2,578,420,000.00
Financial liabilities measured at fair value and its movement recorded through profit and loss			
Derivative financial liabilities		<b>5,000,000.00</b>	12,800,000.00
Notes payable		<b>964,377,801.18</b>	690,789,304.86
Accounts payable		<b>1,009,534,012.90</b>	1,055,260,515.38
Advance from customers		<b>117,336,887.21</b>	175,265,170.24
Employee salary payable		<b>47,764,444.32</b>	48,217,318.16
Taxes payables		<b>4,504,429.95</b>	7,556,819.53
Interests payable		<b>0.00</b>	53,352,451.24
Dividends payable			
Other payables		<b>215,226,477.76</b>	193,199,472.30
Liabilities classified as held for sale			
Non-current liabilities due within one year		<b>36,342,363.64</b>	1,516,708,059.16
Other current liabilities		<b>12,931,654.86</b>	8,801,794.13
<b>Total current liabilities</b>		<b>5,354,578,071.82</b>	6,340,370,905.00



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

**BALANCE SHEET OF THE PARENT COMPANY (CONTINUED)**

June 30th, 2018

Prepared by: First Tractor Company Limited

Monetary Unit: RMB

<b>Liabilities and owners' shareholders' equity</b>	<i>Note XVI</i>	<b>Ending balance</b>	Beginning Balance
<b>Non-current liabilities</b>			
Long-term loans		<b>820,000,000.00</b>	650,000,000.00
Bonds payable			
Including: Preference shares			
Perpetual bond			
Long-term payables			
Long-term employee salary payable			
Special payables			
Estimated Liabilities		<b>3,321,156.24</b>	13,699,471.42
Deferred income		<b>124,741,453.71</b>	125,589,939.30
Deferred tax liabilities		<b>5,642,816.38</b>	0.00
Other non-current liabilities			
		<b>953,705,426.33</b>	789,289,410.72
<b>Total non-current liabilities</b>		<b>953,705,426.33</b>	789,289,410.72
<b>Total liabilities</b>		<b>6,308,283,498.15</b>	7,129,660,315.72

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

### BALANCE SHEET OF THE PARENT COMPANY (CONTINUED)

*June 30th, 2018*

Prepared by: First Tractor Company Limited

*Monetary Unit: RMB*

<b>Liabilities and owners' shareholders' equity</b>	<i>Note XVI</i>	<b>Ending balance</b>	Beginning Balance
<b>Shareholder's equity</b>			
Share capital		<b>985,850,000.00</b>	985,850,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserves		<b>2,004,793,045.95</b>	2,004,793,045.95
Less: Treasury shares			
Other comprehensive income			
Special reserves			
Surplus reserves		<b>366,644,271.92</b>	363,949,066.84
Retained earnings		<b>1,698,152,983.93</b>	1,711,697,203.46
<b>Total shareholder's equity</b>		<b>5,055,440,301.80</b>	5,066,289,316.25
<b>Total liabilities and shareholder's equity</b>		<b>11,363,723,799.95</b>	12,195,949,631.97

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

*Legal Representative:*  
**Zhao, Yanshui**

*Chief Financial Officer:*  
**Yao, Weidong**

*Accounting Manager:*  
**Zhou, Juan**



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

### CONSOLIDATED INCOME STATEMENT

*January to June, 2018*

Prepared by: First Tractor Company Limited

*Monetary Unit: RMB*

Item	Note VI	Amount in current period	Amount in last period
<b>1. Total operating revenue</b>		<b>3,581,389,966.87</b>	4,264,741,651.34
Including: Operating revenue	Note 49	<b>3,509,417,965.49</b>	4,203,320,225.06
Interest income	Note 50	<b>70,915,637.16</b>	61,175,720.09
Earned insurance premiums			
Fees and commission income	Note 51	<b>1,056,364.22</b>	245,706.19
<b>2. Total cost of operation</b>		<b>3,807,704,521.19</b>	4,269,925,008.79
Including: Cost of operation	Note 49	<b>3,133,682,178.21</b>	3,573,686,562.10
Interest expenses	Note 50	<b>6,683,589.47</b>	6,034,067.26
Fees and commission expense	Note 51	<b>169,071.50</b>	92,186.59
Refunded premiums			
Net amount of compensation payout			
Net amount of reserves for reinsurance contract			
Policy dividend payment			
Reinsurance expenses			
Taxes and surcharges	Note 52	<b>24,902,827.84</b>	25,615,839.29
Selling expenses	Note 53	<b>175,281,716.18</b>	206,587,590.03
Administrative expenses	Note 54	<b>381,802,661.39</b>	419,869,185.88
Financial expenses	Note 55	<b>47,453,433.64</b>	18,527,873.08
Loss on impairment of assets	Note 56	<b>37,729,042.96</b>	19,511,704.56
Add: Gain arising from the changes in fair value	Note 57	<b>73,040,168.04</b>	-7,613,860.79
Investment income	Note 58	<b>17,364,277.37</b>	30,522,732.87
Including: income from investments in associates and joint ventures		<b>-1,364,851.82</b>	1,862,338.14
Asset disposal income	Note 59	<b>497,857.69</b>	-391,959.48
Exchange gain			
Other benefits	Note 60	<b>14,201,314.07</b>	20,126,291.58

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

### CONSOLIDATED INCOME STATEMENT (CONTINUED)

*January to June, 2018*

Prepared by: First Tractor Company Limited

*Monetary Unit: RMB*

Item	Note VI	Amount in current period	Amount in last period
<b>3. Operating profit</b>		<b>-121,210,937.15</b>	37,459,846.73
Add: Non-operating income	Note 62	<b>6,885,617.71</b>	28,494,429.34
Less: Non-operating expenses	Note 63	<b>426,939.71</b>	911,009.57
<b>4. Total profit</b>		<b>-114,752,259.15</b>	65,043,266.50
Less: Income tax expenses	Note 64	<b>38,202,470.13</b>	30,325,382.12
<b>5. Net profit</b>		<b>-152,954,729.28</b>	34,717,884.38
(1) Classification according to the continuity of operation			
Continuous operating net profit		<b>-152,954,729.28</b>	34,717,884.38
Termination of net profit			
(2) Classification according to ownership			
Net profit attributable to shareholders of the parent company		<b>-144,979,881.65</b>	32,265,644.86
Non-controlling interests		<b>-7,974,847.63</b>	2,452,239.52



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

### CONSOLIDATED INCOME STATEMENT (CONTINUED)

*January to June, 2018*

Prepared by: First Tractor Company Limited

*Monetary Unit: RMB*

Item	Note VI	Amount in current period	Amount in last period
<b>6. Net other comprehensive income after tax</b>		<b>341,720.81</b>	4,356,757.06
Net other comprehensive income after tax attributable to owners of the parent company		<b>314,097.41</b>	3,856,638.79
(1) Other comprehensive income that cannot be reclassified to gains and losses in subsequent periods			
1. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans			
2. Share of other comprehensive income of investee that will not be subsequently reclassified to gains and losses under equity method			
(2) Other comprehensive income that will be subsequently reclassified to gains and losses		<b>314,097.41</b>	3,856,638.79
1. Share of other comprehensive income of investee that will be subsequently reclassified to gains and losses under equity method			



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

### CONSOLIDATED INCOME STATEMENT (CONTINUED)

*January to June, 2018*

Prepared by: First Tractor Company Limited

*Monetary Unit: RMB*

Item	<i>Note VI</i>	Amount in current period	Amount in last period
2. Gains and losses from changes in fair value of available-for-sale financial assets			1,817,712.65
3. Gains and losses from held-to-maturity investment reclassified as financial assets available-for-sale			
4. Effective part of hedging gains and losses from cash flows			
5. Exchange differences from retranslation of financial statements		<b>314,097.41</b>	2,038,926.14
6. The income of a package deal dealing with the investment of the subsidiary company before the loss of control			
7. Conversion of non investment real estate to investment real estate measured with fair value model			
Net other comprehensive income after tax attributable to minority interests		<b>27,623.40</b>	500,118.27



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

### CONSOLIDATED INCOME STATEMENT (CONTINUED)

*January to June, 2018*

Prepared by: First Tractor Company Limited

*Monetary Unit: RMB*

Item	Note VI	Amount in current period	Amount in last period
<b>7. Total comprehensive income</b>		<b>-152,613,008.47</b>	39,074,641.44
Total comprehensive income attributable to shareholders of the parent company		<b>-144,665,784.24</b>	36,122,283.65
Total comprehensive income attributable to minority interests		<b>-7,947,224.23</b>	2,952,357.79
<b>8. Earnings per share:</b>			
(1) Basic earnings per share		<b>-0.1471</b>	0.0326
(2) Diluted earnings per share		<b>-0.1471</b>	0.0326

*Legal Representative:*  
**Zhao, Yanshui**

*Chief Financial Officer:*  
**Yao, Weidong**

*Accounting Manager:*  
**Zhou, Juan**

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

### INCOME STATEMENT OF THE PARENT COMPANY

*January to June, 2018*

Prepared by: First Tractor Company Limited

*Monetary Unit: RMB*

Item	Note XVI	Amount in current period	Amount in last period
<b>1. Operating revenue</b>	Note 4	<b>2,835,318,114.57</b>	3,038,649,822.76
Less: Cost of operation	Note 4	<b>2,447,776,693.28</b>	2,734,047,974.31
Taxes and surcharges		<b>9,951,386.53</b>	10,107,776.45
Selling expenses		<b>10,078,740.27</b>	24,959,326.20
Administrative expenses		<b>240,052,540.55</b>	253,680,718.64
Financial expenses		<b>30,026,276.09</b>	-3,491,986.36
Loss on impairment of assets		<b>168,800,917.13</b>	12,623,262.74
Add: Gain arising from the changes in fair value		<b>13,710,480.84</b>	-9,881,714.82
Investment income	Note 5	<b>9,769,700.68</b>	1,990,019.53
Including: Gain from investments in associates and joint ventures	Note 5	<b>-1,230,299.32</b>	1,868,144.27
Asset disposal income		<b>554,843.91</b>	115,517.20
Other income		<b>7,428,865.59</b>	12,854,563.82
<b>2. Operating profit</b>		<b>-39,904,548.26</b>	11,801,136.51
Add: Non-operating income		<b>6,371,405.78</b>	3,023,992.61
Less: Non-operating expenses		<b>191,771.76</b>	253,478.23
<b>3. Total profit</b>		<b>-33,724,914.24</b>	14,571,650.89
Less: Income tax expenses		<b>4,076,151.00</b>	-4,299,017.64



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

### INCOME STATEMENT OF THE PARENT COMPANY (CONTINUED)

*January to June, 2018*

Prepared by: First Tractor Company Limited

*Monetary Unit: RMB*

Item	<i>Note XVI</i>	Amount in current period	Amount in last period
<b>4. Net profit</b>		<b>-37,801,065.24</b>	18,870,668.53
1. Continuous operating net profit		<b>-37,801,065.24</b>	18,870,668.53
2. Discontinued operation net profit			
<b>5. Net other comprehensive income after tax</b>		<b>0.00</b>	977,925.00
(1) Other comprehensive income that can not be reclassified to gains and losses in subsequent periods			
1. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans			
2. Share of other comprehensive income of investee that will not be subsequently reclassified to gains and losses under equity method			

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

### INCOME STATEMENT OF THE PARENT COMPANY (CONTINUED)

January to June, 2018

Prepared by: First Tractor Company Limited

Monetary Unit: RMB

Item	Note XVI	Amount in current period	Amount in last period
(2) Other comprehensive income that will be subsequently reclassified to gains and losses			977,925.00
1. Share of other comprehensive income of investee that will be subsequently reclassified to gains and losses under equity method			
2. Gains and losses from changes in fair value of available-for-sale financial assets			977,925.00
3. Gains and losses from held-to-maturity investment reclassified as available-for-sale financial assets			
4. Effective part of hedging gains and losses from cash flows			
5. Exchange differences from retranslation of financial statements			
6. Others			



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

### INCOME STATEMENT OF THE PARENT COMPANY (CONTINUED)

January to June, 2018

Prepared by: First Tractor Company Limited

Monetary Unit: RMB

Item	Note XVI	Amount in current period	Amount in last period
<b>6. Total comprehensive income</b>		<b>-37,801,065.24</b>	19,848,593.53
<b>7. Earnings per share:</b>			
(1) Basic earnings per share			
(2) Diluted earnings per share			

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

Legal Representative:  
**Zhao, Yanshui**

Chief Financial Officer:  
**Yao, Weidong**

Accounting Manager:  
**Zhou, Juan**

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

## CONSOLIDATED CASH FLOW STATEMENT

January to June, 2018

Prepared by: First Tractor Company Limited

Monetary Unit: RMB

Item	Note VI	Amount in current period	Amount in last period
<b>1. Cash Flow from Operating Activities:</b>			
Cash from sale and render service		<b>3,442,748,680.05</b>	4,046,531,675.85
Net increase of customer's deposit and deposit taking of interbank		<b>207,687,982.44</b>	38,548,149.52
Net increase borrowings from central bank			
Net increase borrowing funds to other financing institution		<b>-400,000,000.00</b>	-350,000,000.00
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		<b>26,700,000.00</b>	0.00
Interest, handling charges and commissions received		<b>75,660,338.57</b>	53,656,825.95
Net increase in funds deposit			
Net increase of repurchasing business funds		<b>-70,230,690.24</b>	13,733,953.86
Refund of tax and levies		<b>46,184,165.70</b>	16,456,639.56
Cash relating to other business activities	Note 65	<b>17,582,776.91</b>	51,622,625.29
Sub-total of cash inflows from operating activities		<b>3,346,333,253.43</b>	3,870,549,870.03



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

### CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

*January to June, 2018*

Prepared by: First Tractor Company Limited

*Monetary Unit: RMB*

Item	<i>Note VI</i>	Amount in current period	Amount in last period
Cash payments for goods purchased and services received		<b>2,824,666,434.40</b>	3,805,648,723.87
Net increase in loans and payments on behalf		<b>92,978,518.64</b>	31,106,321.75
Net increase in deposits with centre bank and interbank		<b>-20,963,163.61</b>	2,698,370.47
Payments of claims for original insurance contracts			
Interests, handling charges and commissions paid		<b>11,555,470.20</b>	3,897,953.31
Commissions on insurance policies paid			
Cash payments to and on behalf of employees		<b>547,113,586.05</b>	602,526,396.59
Payments of all types of taxes		<b>53,298,187.27</b>	115,243,466.50
Other cash payments relating to operating activities	Note 65	<b>320,103,449.42</b>	258,682,664.50
Sub-total of cash outflows from operating activities		<b>3,828,752,482.37</b>	4,819,803,896.99
<b>Net cash flows from operating activities</b>		<b>-482,419,228.94</b>	-949,254,026.96



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

## CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

January to June, 2018

Prepared by: First Tractor Company Limited

Monetary Unit: RMB

Item	Note VI	Amount in current period	Amount in last period
<b>2. Cash flows from investing activities:</b>			
Cash received from disposals and withdraw on investment		<b>907,000,000.00</b>	608,549,143.33
Cash received from returns on investments		<b>27,227,230.25</b>	56,020,109.94
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		<b>1,796,706.77</b>	2,028,476.34
Net cash received from disposals of subsidiaries and other business units			
Other cash received relating to investing activities	Note 65	<b>2,750,000.00</b>	11,900,000.00
Sub-total of cash inflows from investing activities		<b>938,773,937.02</b>	678,497,729.61
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		<b>129,077,717.60</b>	161,987,585.44
Cash payments to acquire investments		<b>106,503,725.57</b>	51,000,000.00
Net increase in pledged deposits			
Net cash payments for acquisitions of subsidiaries and other business units			
Other cash payments relating to investing activities			
Sub-total of cash outflows from investing activities		<b>235,581,443.17</b>	212,987,585.44
<b>Net cash flows from investing activities</b>		<b>703,192,493.85</b>	465,510,144.17



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

## CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

January to June, 2018

Prepared by: First Tractor Company Limited

Monetary Unit: RMB

Item	Note VI	Amount in current period	Amount in last period
<b>3. Cash flows from financing activities:</b>			
Cash received from investors in making investment in the enterprise Including: cash received from issuing shares of minority shareholders		<b>537,807,500.00</b>	36,722,250.00
Cash received from borrowings			
Cash received from issue of bonds			
Other cash received relating to financing activities			
Sub-total of cash inflows from financing activities		<b>537,807,500.00</b>	36,722,250.00
Cash repayments of amounts borrowed		<b>1,509,581,308.56</b>	85,057,361.52
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		<b>124,615,971.33</b>	96,199,451.48
Other cash payments relating to financing activities	Note 65		17,910,139.34
Sub-total of cash outflows from financing activities		<b>1,634,197,279.89</b>	199,166,952.34
<b>Net cash flows from financing activities</b>		<b>-1,096,389,779.89</b>	-162,444,702.34

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

### INCOME STATEMENT OF THE PARENT COMPANY (CONTINUED)

January to June, 2018

Prepared by: First Tractor Company Limited

Monetary Unit: RMB

Item	Note VI	Amount in current period	Amount in last period
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>-160,981.37</b>	2,321,254.36
<b>5. Net increase in cash and cash equivalents</b>		<b>-875,777,496.35</b>	-643,867,330.77
Plus: Cash and cash equivalents at beginning of period		<b>2,946,734,827.85</b>	2,894,305,807.48
<b>6. Cash and cash equivalents at end of period</b>		<b><u><u>2,070,957,331.50</u></u></b>	<b><u><u>2,250,438,476.71</u></u></b>

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

Legal Representative:  
**Zhao, Yanshui**

Chief Financial Officer:  
**Yao, Weidong**

Accounting Manager:  
**Zhou, Juan**



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

### CASH FLOW STATEMENT OF THE PARENT COMPANY

*January to June, 2018*

Prepared by: First Tractor Company Limited

*Monetary Unit: RMB*

Item	Note XVI	Amount in current period	Amount in last period
<b>1. Cash Flow from Operating Activities:</b>			
Cash from sale and render service		<b>2,757,813,721.53</b>	3,023,073,136.23
Refund of tax and levies		<b>3,307,705.50</b>	2,118,224.71
Cash relating to other business activities		<b>15,090,912.86</b>	30,681,256.09
		<u><b>2,776,212,339.89</b></u>	<u>3,055,872,617.03</u>
Sub-total of cash inflows from operating activities			
Cash payments for goods purchased and services received		<b>2,332,386,235.82</b>	3,120,754,796.54
Cash paid to and on behalf of employees		<b>309,136,459.66</b>	313,618,234.37
Payments of taxes and surcharges		<b>9,648,318.82</b>	25,926,685.72
Cash paid relating to other operating activities		<b>162,649,102.26</b>	138,018,699.47
		<u><b>2,813,820,116.56</b></u>	<u>3,598,318,416.10</u>
Sub-total of cash outflows from operating activities			
<b>Net cash flows from operating activities</b>		<b><u><u>-37,607,776.67</u></u></b>	<b><u><u>-542,445,799.07</u></u></b>

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

## CASH FLOW STATEMENT OF THE PARENT COMPANY (CONTINUED)

January to June, 2018

Prepared by: First Tractor Company Limited

Monetary Unit: RMB

Item	Note XVI	Amount in current period	Amount in last period
<b>2. Cash flows from investing activities</b>			
Cash received from return of investments		<b>704,500,000.00</b>	391,820,950.26
Cash received from investments income		<b>151,919,242.75</b>	28,936,179.33
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>3,916,885.32</b>	1,871,851.24
Net cash received from disposal of subsidiaries and other business units			
Cash received relating to other investing activities		<b>2,750,000.00</b>	11,900,000.00
		<hr/>	<hr/>
Sub-total of cash inflows from investing activities		<b>863,086,128.07</b>	434,528,980.83
		<hr/>	<hr/>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		<b>66,859,446.29</b>	93,324,026.49
Cash paid for investments		<b>398,000,000.00</b>	174,636,428.97
Net cash paid to acquire subsidiaries and other business units			
Cash paid relating to other investing activities			
		<hr/>	<hr/>
Sub-total of cash outflows from investing activities		<b>464,859,446.29</b>	267,960,455.46
		<hr/>	<hr/>
<b>Net cash flows from investing activities</b>		<b>398,226,681.78</b>	166,568,525.37
		<hr/> <hr/>	<hr/> <hr/>



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

### CASH FLOW STATEMENT OF THE PARENT COMPANY (CONTINUED)

*January to June, 2018*

Prepared by: First Tractor Company Limited

*Monetary Unit: RMB*

Item	<i>Note XVI</i>	Amount in current period	Amount in last period
<b>3. Cash flows from financing activities</b>			
Cash received from investment absorption		1,179,900,000.00	500,000,000.00
Cash received from the loan			
Cash received from issue of bonds			
Cash received relating to other financing activities			
Sub-total of cash inflows from financing activities		<b>1,179,900,000.00</b>	500,000,000.00
Cash paid for settlement of borrowings		<b>2,134,581,308.56</b>	209,775,361.52
Cash paid for dividends, profits appropriation or payments of interest		<b>135,498,126.47</b>	93,059,268.64
Cash paid relating to other financing activities		<b>125,500.00</b>	17,910,139.34
Sub-total of cash outflows from financing activities		<b>2,270,204,935.03</b>	320,744,769.50
<b>Net cash flows from financing activities</b>		<b>-1,090,304,935.03</b>	179,255,230.50

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

### CASH FLOW STATEMENT OF THE PARENT COMPANY (CONTINUED)

January to June, 2018

Prepared by: First Tractor Company Limited

Monetary Unit: RMB

Item	Note XVI	Amount in current period	Amount in last period
<b>4. Effect of changes in foreign exchange rate on cash and cash equivalents</b>		<b>12,416.69</b>	696,975.55
<b>5. Net increase in cash and cash equivalents</b>		<b>-729,673,613.23</b>	-195,925,067.65
Add: Cash and cash equivalents at the beginning of the period		<b>2,453,757,053.43</b>	1,878,879,800.16
<b>6. Cash and cash equivalents at the end of the period</b>		<b><u><u>1,724,083,440.20</u></u></b>	<b><u><u>1,682,954,732.51</u></u></b>

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

Legal Representative:  
**Zhao, Yanshui**

Chief Financial Officer:  
**Yao, Weidong**

Accounting Manager:  
**Zhou, Juan**



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

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
*January to June, 2018*

Prepared by: First Tractor Company Limited

Monetary Unit: RMB

Item	Amount in this period										Total owners' equity		
	The owner's equity attributable to parent company												
	Other equity instrument												
	Paid-in capital	Preference shares	Perpetual bond	Others	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserve	General risk reserves	Retained earnings	Minority equity	
<b>I. Closing balance of prior year</b>	986,850,000.00				2,098,622,613.11		-16,328,084.50	3,674,350.81	428,442,320.67	12,754,318.99	1,273,219,846.84	641,677,682.15	5,438,362,478.05
Add: accounting policy changes									2,695,265.08		482,613,926.01	72,866,633.33	528,370,788.42
Prior errors correction													
Enterprise merger under the same control													
Others													
<b>II. Balance at the beginning of current year</b>	986,850,000.00				2,098,622,613.11		-16,328,084.50	3,674,350.81	441,137,585.75	12,754,318.99	1,726,033,772.85	714,538,740.48	5,967,353,267.46
<b>III. Increases/decreases in current year</b>							314,097.41	144,632.24			-144,979,881.65	-7,959,310.91	-152,480,438.91
(i) Total comprehensive income							314,097.41	144,632.24			-144,979,881.65	-7,959,310.91	-152,480,438.91
(ii) Capital contributed by owners and capital decreases													
1. Capital contributed by owner													
2. Holders of other equity instruments invested capital													
3. The amount of the shares paid into the shareholders' rights and interests													
4. Others													



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

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)**

January to June, 2018

Prepared by: First Tractor Company Limited

Monetary Unit: RMB

Item	Amount in this period										Total owners' equity		
	The owner's equity attributable to parent company												
	Other equity instrument			Other comprehensive income			General risk reserves	Retained earnings	Minority equity				
	Paid-in capital	Preference shares	Perpetual bond	Others	Capital reserve	stock					Special reserves	Surplus reserve	
(III) Profit distribution													
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													
1. Capital (or stock) transferred from capital surplus													
2. Capital (or stock) transferred from surplus reserve													
3. Recovery of losses by surplus reserve													
4. Others													
(V) Special reserves													
1. Extraction of special reserves							144,536.24				-12,066.68		
2. Use of special reserves							7,177,094.39				313,883.19		
(VI) Others							-7,002,438.15				-325,924.87		
IV. Balance at the end of current year	963,650,000.00				2,093,602,613.11		-15,393,387.09	3,818,387.05	441,137,553.75	12,754,318.99	1,561,053,891.20	706,279,429.37	5,614,872,246.57



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

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)**  
*January to June, 2018*

Prepared by: First Tractor Company Limited

Monetary Unit: RMB

Item	Amount in this period								Total owners' equity	
	Paid-in capital	Other equity instrument	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserve	General risk reserves		Retained earnings
<b>I. Closing balance of prior year</b>	985,900,000.00	2,126,665,588.57	19,140,912.00	-26,857,502.24	4,485,866.00	423,908,219.34	10,774,059.81	1,289,413,464.37	674,297,753.32	5,503,638,288.17
Add: accounting policy changes										
Enterprise merger under the same control										
Others										
<b>II. Balance at the beginning of current year</b>	985,900,000.00	2,126,665,588.57	19,140,912.00	-26,857,502.24	4,485,866.00	423,908,219.34	10,774,059.81	1,289,413,464.37	674,297,753.32	5,503,638,288.17
<b>III. Increases/decreases in current year</b>										
(I) Total comprehensive income	-10,050,000.00		-19,140,912.00	3,856,638.79	688,931.94			-23,927,895.14	2,951,616.01	-34,630,757.74
(II) Capital contributed by owners and capital decreases	-10,050,000.00	-27,001,051.34	-19,140,912.00	-3,856,638.79				32,265,684.86	2,962,357.79	-39,074,641.44
1. Capital contributed by owner										
2. Holders of other equity instruments invested capital										
3. The amount of the shares paid into the shareholders' rights and interests										
4. Others										
(III) Profit distribution										
1. Appropriation of surplus reserve										
2. Extraction of general risk reserves										
3. Profit distributed to owners (or stockholders)										
4. Others										
		-27,001,051.34	-19,140,912.00						-56,193,450.00	-56,193,450.00

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

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

January to June, 2018

Prepared by: First Tractor Company Limited

Monetary Unit: RMB

Item	Amount in this period								Total owners' equity			
	Paid-in capital	Other equity instrument	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserve	General risk reserves		Retained earnings	Minority equity	
(IV) Transfers within the owners' equity												
1. Capital (or stock) transferred from capital surplus						688,931.94					-741.78	688,190.16
2. Capital (or stock) transferred from surplus reserve						7,251,083.82					416,631.22	7,667,725.04
3. Recovery of losses by surplus reserve						-6,532,161.88					-417,373.00	-6,949,534.88
4. Others												0.00
(V) Special reserves												
1. Extraction of special reserves												
2. Use of special reserves												
(VI) Others												
<b>IV. Balance at the end of current year</b>	<b>985,850,000.00</b>	<b>0.00</b>	<b>2,089,684,537.23</b>	<b>0.00</b>	<b>1,170,888.55</b>	<b>5,184,797.94</b>	<b>423,908,219.34</b>	<b>10,774,659.81</b>	<b>1,265,485,659.23</b>	<b>677,249,983.33</b>	<b>5,469,307,531.43</b>	

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

Legal Representative:  
**Zhao, Yanshui**

Chief Financial Officer:  
**Yao, Weidong**

Accounting Manager:  
**Zhou, Juan**



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

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY

*January to June, 2018*

Prepared by: First Tractor Company Limited

*Monetary Unit: RMB*

Item	Amount in this period							Total owners' equity	
	Paid-in capital	Other equity instrument	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserve		Retained earnings
<b>I. Closing balance of prior year</b>									
Add: accounting policy changes			2,004,793,045.95			0.00	365,949,066.84	1,711,697,203.46	5,066,289,316.25
Prior errors' correction							2,695,205.08	24,256,845.71	26,952,050.79
Others									
<b>II. Balance at the beginning of current year</b>	985,850,000.00		2,004,793,045.95			0.00	366,644,271.92	1,735,954,049.17	5,093,241,367.04
<b>III. Increases/decreases in current year</b>									
(I) Total comprehensive income									
(II) Capital contributed by owners and capital decreases									
1. Capital contributed by owner									
2. Holders of other equity instruments invested capital									
3. The amount of the shares paid into the shareholders' rights and interests									
4. Others									
(III) Profit distribution									
1. Appropriation of surplus reserve								-37,801,065.24	-33,801,065.24
2. Profit distributed to owners (or stockholders)								-37,801,065.24	-37,801,065.24
3. Others									

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

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

January to June, 2018

Prepared by: First Tractor Company Limited

Monetary Unit: RMB

Item	Amount in this period						Total owners' equity		
	Paid-in capital	Other equity instrument	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserves		Surplus reserve	Retained earnings
(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. Others									
(V) Special reserves									0.00
1. Extraction of special reserves						4,726,451.04			4,726,451.04
2. Use of special reserves						-4,726,451.04			-4,726,451.04
(VI) Others									
<b>IV. Balance at the end of current year</b>	965,850,000.00	-	2,004,793,045.95	-	-	0.00	366,644,271.92	1,660,152,983.33	5,095,440,301.80



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

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY (CONTINUED) January to June, 2018

Prepared by: First Tractor Company Limited

Monetary Unit: RMB

Item	Amount in this period						Total owners' equity
	Paid-in capital	Other equity instrument	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserves	
<b>I. Closing balance of prior year</b>	895,900,000.00		2,018,025,662.91	19,140,912.00	10,000,365.91	0.00	349,414,395.51
Add: accounting policy changes							1,634,260,306.70
Prior errors' correction							
Others							
<b>II. Balance at the beginning of current year</b>	895,900,000.00		2,018,025,662.91	19,140,912.00	10,000,365.91	0.00	349,414,395.51
<b>III. Increases/decreases in current year</b>							
(I) Total comprehensive income							
(II) Capital contributed by owners and capital decreases							
1. Capital contributed by owner	-10,050,000.00		-27,001,051.34	-19,140,912.00	977,925.00	0.00	-37,222,781.47
2. Holders of other equity instruments invested capital	-10,050,000.00				977,925.00		18,870,688.53
3. The amount of the shares paid into the shareholders' rights and interests							0.00
4. Others							-17,910,139.34
(III) Profit distribution							
1. Appropriation of surplus reserve			-27,001,051.34	-19,140,912.00			-56,193,450.00
2. Profit distributed to owners (or stockholders)							-56,193,450.00
3. Others							-10,050,000.00

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

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY (CONTINUED)**  
*January to June, 2018*

Prepared by: First Tractor Company Limited

Monetary Unit: RMB

Item	Amount in this period							Total owners' equity	
	Paid-in capital	Other equity instrument	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserve		Retained earnings
(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. Others									
(V) Special reserves									
1. Extraction of special reserves									3,807,701.00
2. Use of special reserves									-3,807,701.00
(VI) Others									
<b>IV. Balance at the end of current year</b>	965,650,000.00	-	1,991,024,611.57	-	10,978,290.91	0.00	349,414,365.51	1,596,937,525.23	4,934,205,368.22

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

Legal Representative:  
**Zhao, Yanshui**

Chief Financial Officer:  
**Yao, Weidong**

Accounting Manager:  
**Zhou, Juan**



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

### **I. GENERAL INFORMATION OF THE COMPANY**

First Tractor Company Limited (referred hereunder as the “Company”) 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. 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, 2018, 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 company is No. 154 Construction Road, Luoyang, Henan Province. The direct controlling shareholder of the Company is YTO Group Corporation (referred hereunder as the “YTO Group”) and the ultimate controlling party of the Company is China National Machinery Industry Corporation (referred hereunder as the “SinoMach Group”).

The Company 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.



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

### II. SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company include 27 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
Luoyang Changhong Industrial Co., Ltd.	wholly-owned subsidiaries	2	100.00	100.00



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

### II. SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The name of subsidiaries	The type of Subsidiaries	Rank	Holding Ratio (%)	Representative Ratio (%)
YTO (Luoyang) Shentong Engineering Machinery Co., Ltd.	wholly-owned subsidiaries	2	100.00	100.00
China YTO Group Finance Limited Liability Company	holding subsidiaries	2	98.79	98.79
YTO (Luoyang) handling machinery Co., Ltd.	holding subsidiaries	2	93.39	93.39
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 (Xinjiang) Dongfanghong equipment Machinery Co., Ltd.	wholly-owned subsidiaries	2	100.00	100.00
YTO France SAS	wholly-owned subsidiaries	2	100.00	100.00
YTO Belarus Technology Co. Ltd.	wholly-owned subsidiaries	2	100.00	100.00

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

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

### **II. SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

The subjects included in the scope of the consolidated financial statements in this period have no change compared with the previous period.

### **III. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

#### **1. Basis of preparation**

Based on the transactions and events incurred, the consolidated financial statements of the Group have been prepared in accordance with the Accounting Standards for Business Enterprises and relevant stipulations (hereafter collectively referred as “ASBEs”) by the Ministry of Finance of the PRC, No.15 Information Disclosures Regulations for Companies Offering Shares in Public – General Rules of Preparing Financial Reports (revised in 2014) issued by China Securities Regulatory Commission (CSRC), disclosure requirements by Rules Governing the Listing of Securities issued by Hong Kong Stock Exchange and Companies Ordinance, and based on the accounting policies stated in the “Note IV. Principal accounting policies and accounting estimates”.

#### **2. Going concern**

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



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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**

#### **Specific accounting policies and accounting estimates**

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

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

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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **Specific accounting policies and accounting estimates (Continued)**

- (d) The fair value of financial assets.

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

- (e) Deferred income tax assets and deferred income tax liabilities.

In recognizing deferred income tax assets, the Company 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 Company's expectation that the deductible temporary difference and the deductible losses can be reversed in the foreseeable future by generating sufficient taxable income through continuing operations.

The Company 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 Company needs to adjust the current income tax and deferred income tax.



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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **Specific accounting policies and accounting estimates (Continued)**

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

#### **1. 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 present truly and completely the consolidated and the financial position of the Company 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 and Futures Commission and the Hong Kong Stock Exchange have both accepted financial statements prepared by Hong Kong listed companies originally from mainland China in accordance to the Chinese ASBEs and audited by accounting firms based in mainland China with relevant qualifications. Approved by the 2014 second extraordinary Shareholders Meeting of the Company 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 Company with consideration of disclosure of the rules of the Hongkong.

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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **2. Accounting year**

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

#### **3. Operating cycle**

The operating cycle of the Company is twelve months.

#### **4. Recording currency**

The recording currency of the Group is Renminbi (RMB). Its subsidiaries, associates and joint operators 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.

#### **5. Accounting method for business combination under the common control and not under the common control**

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

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



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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **5. Accounting method for business combination under the common control and not under the common control (Continued)**

##### **(b) Enterprise merger under common control**

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

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

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



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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **5. Accounting method for business combination under the common control and not under the common control (Continued)**

##### **(c) Enterprise merger not under common control**

The purchase date refers to the date that the Company 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 Company. The Company generally believes that the transfer of control is realized when the following conditions are met:

- I. An enterprise merger contract or agreement has been approved by the internal authority of the Company.
- 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 Company has paid most of the consolidated price and has the ability and plan to pay the surplus.
- V. The Company has actually controlled the financial and operating policies of the purchaser 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 are 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 REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)**

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **5. Accounting method for business combination under the common control and not under the common control (Continued)**

##### ***(d) The costs of merger***

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

#### **6. Preparation of consolidated financial statements**

##### ***(a) Scope of the merger***

The consolidation scope of the Group includes all subsidiaries controlled.

##### ***(b) Consolidated procedures***

Based on the financial statements of their own and each subsidiary, the Company prepare the consolidated financial statements refer to other relevant information. The Company 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 Company, the necessary adjustment period according to the Company's accounting policies and accounting is needed.

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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

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

##### **(b) Consolidated procedures (Continued)**

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

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

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

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



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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

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

#### **8. 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.

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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **9. Foreign exchange translation for financial statements**

##### **(1) *Transactions involving foreign currencies***

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

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 recognised 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 REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)**

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **9. Foreign exchange translation for financial statements (Continued)**

##### ***(2) Foreign currency translation of financial statements (Continued)***

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

#### **10. Financial instruments**

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

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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **10. Financial instruments (Continued)**

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

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

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

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

Financial liabilities are divided into the following two categories:

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



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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **10. Financial instruments (Continued)**

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

###### *(a) Financial assets measured at amortized cost*

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

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

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

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

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



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

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

#### 10. Financial instruments (Continued)

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

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

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

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

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

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

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



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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **10. Financial instruments (Continued)**

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

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

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

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

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

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

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

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

**10. Financial instruments (Continued)**

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

(e) Financial liabilities measured at amortized cost.

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

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



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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **10. Financial instruments (Continued)**

##### **(3) *Measurement method of financial instruments***

###### *(a) Initial measurement*

The Company determines the fair value of financial assets and financial liabilities at initial recognition in accordance with the relevant accounting standards. Fair value is usually the transaction price of the relevant financial asset or financial liability. Where there is a difference between the fair value of a financial asset or financial liability and the transaction price, the following conditions shall be treated:

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

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

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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **10. Financial instruments (Continued)**

##### **(3) Measurement method of financial instruments (Continued)**

###### *(b) Subsequent measurement and disposal*

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

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

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



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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **10. Financial instruments (Continued)**

##### **(3) *Measurement method of financial instruments (Continued)***

##### **(b) *Subsequent measurement and disposal (Continued)***

Gains or losses arising from financial assets measured at amortized cost that are not part of any hedge relationship should be derecognized, reclassified in accordance with accounting standards, amortized using the actual interest rate law or confirmation of the impairment in accordance with the provisions of these standards will be included in the current profit and loss.

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

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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **10. Financial instruments (Continued)**

##### **(4) *Recognition and measurement of financial assets transfer***

(a) When the financial assets transfer occurs, the Company assesses the extent of the risks and rewards of retaining the ownership of financial assets, and handles the following situations:

- I. If almost all risks and rewards of ownership of financial assets are transferred, the financial assets are derecognised and the rights and obligations arising or retained in the transfer are separately recognized as assets or liabilities.
- II. If retain almost all the risks and rewards of ownership of financial assets, continue to confirm the financial assets.
- III. If there is neither transfer nor retention of almost all risks and rewards of ownership of financial assets (ie, 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 Company assumes the risk or reward of changes in the value of the transferred financial assets.



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

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

**10. Financial instruments (Continued)**

**(4) *Recognition and measurement of financial assets transfer (Continued)***

- (b) 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 classified as financial assets measured at fair value through other comprehensive income under Rule 18 of “Accounting Standards for Business Enterprises No. 22–Recognition and Measurement of Financial Instruments”).



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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **10. Financial instruments (Continued)**

##### **(4) *Recognition and measurement of financial assets transfer (Continued)***

- (c) If part of the financial assets is transferred and the transferred part as a whole meets the conditions for derecognition, the book value of the financial assets as a whole will be transferred between the derecognised part and the continuation confirmation part (in this case, the retained service assets shall be deemed to be part of the continuing recognition of the financial assets.) They shall be apportioned according to their respective fair values on the transfer date, and the difference between the following two amounts shall be included in the current profit and loss:
- I. The book value of the derecognised part on the date of termination confirmation.
  - II. The consideration received by the derecognised part is the sum of the amount corresponding to the derecognised part of the cumulative amount of changes in fair value previously included in other comprehensive income. (The financial assets involved in the transfer are financial assets measured at fair value through other comprehensive income.)
- (d) 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.



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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **10. Financial instruments (Continued)**

##### ***(5) 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 Company and the lender sign an agreement to replace the original financial liabilities with new financial liabilities, and the new financial liabilities are substantially different from the original financial liabilities, the original financial liabilities will be terminated and new financial liabilities will be confirmed.

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

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

If the Company 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.

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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **10. Financial instruments (Continued)**

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

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

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

There are no financial assets or financial liabilities in an active market, and valuation techniques are used to determine their fair value. At the time of valuation, the Company 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.



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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **10. Financial instruments (Continued)**

##### ***(7) Preparation for impairment of financial assets (excluding receivables)***

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

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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **10. Financial instruments (Continued)**

##### **(7) *Preparation for impairment of financial assets (excluding receivables) (Continued)***

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.

(c) For purchased or sourced financial assets that have suffered credit impairment, the cumulative change in expected credit losses over the entire duration of the initial recognition is recognized as loss provision on the balance sheet date. On each balance sheet date, the amount of the change in expected credit losses over the entire life period is recognized 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.



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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **10. Financial instruments (Continued)**

##### **(7) *Preparation for impairment of financial assets (excluding receivables) (Continued)***

- (d) Except for the case of (c) the provision for loss of financial instruments, the Company assesses whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition on each balance sheet date, and measures the loss preparation, confirms the expected credit loss and its change according to the following situations:
- I. If the credit risk of the financial instrument has increased significantly since the initial recognition, the loss provision is measured at the amount equivalent to the expected credit loss for the entire duration of the financial instrument. Regardless of whether the Company'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.
- 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 Company 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.

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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **10. Financial instruments (Continued)**

##### **(7) *Preparation for impairment of financial assets (excluding receivables) (Continued)***

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 Company 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, that is 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.

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



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

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

#### 11. Accounts receivables

Receivables include accounts receivable, other receivables etc. Accounts receivable formed by the Company's external sales of goods or provision of labor services shall be deemed as the initial recognition amount based on the fair value of the contract or agreement receivable from the purchaser.

The Company makes provision for bad debts for all receivables based on the expected amount of credit losses during the entire life. The expected credit loss is the weighted average of the credit losses of receivables weighted by the risk of default.

#### **(1) Accounts receivable for expected credit losses based on ageing credit risk characteristics**

For receivables with similar credit risk characteristics, the estimated credit loss rate based on the age combination is based.

<b>Ageing</b>	<b>Estimated loss rate of receivables</b>
	(%)
Within 1 year	1.00–15.00
1–2 years	50.00
2–3 years	100.00
Over 3 years	100.00

#### **(2) Accounts receivable for bad debt provision by risk exposure.**

For accounts receivable involving mortgages, pledges or guarantees, the risks are recognized according to the risk exposure, and the bad debts are recognized as the balance of the receivables minus the recoverable value of the mortgage pledge or collateral that is expected to be recovered.



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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **12. Inventories**

##### **(1) *Classification of inventories***

Inventories are products that our company holds for sale in daily activities, materials consumed in the production process, materials in the process of providing services, in the production process. The inventories of the Group include raw material, packing materials, outside processing materials, work-in-process, semi-finished goods 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 REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)**

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **12. 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 priced and easily worn articles and packaging***

- I. Low priced and easily worn articles adopt once writing-off method.
- II. Packaging adopt once writing-off method.

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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **13. Long-term receivables**

The Company's receivables arising from finance leases and receivables 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.

The fair value of the contract receivable or agreement price refers to the value reflected in the contract or agreement price according to the internal rate of return, the contractual interest rate or the market interest rate of the same type of business.

#### **14. Long-term equity investment**

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

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

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



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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **14. Long-term equity investment (Continued)**

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

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

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

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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **14. Long-term equity investment (Continued)**

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

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

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



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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **14. 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 recognised 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 Company are recycled to investment income for the period on disposal.

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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **14. 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.

#### **15. Investment properties**

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

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



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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **16. Fixed assets**

##### ***(1) Conditions for confirmation of fixed assets***

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

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

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

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

- a. Purchased fixed assets cost including purchase price, import tariffs and other related taxes and fees, as well as the fixed asset for its intended use before the other expenses are directly attributable to the asset.
- b. The cost of building a fixed asset by itself is made up of the necessary expenditure until the construction of the assets has reached the desired state of use.
- c. The fixed assets invested by investors shall be accounted for the value stipulated in the investment contract or agreement. However, if the value of the contract or agreement is not fair, count the fair value.



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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **16. Fixed assets (Continued)**

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

- 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.

Based on the nature and usage of fixed assets, the Company 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.



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

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

**16. Fixed assets (Continued)**

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

*a. Depreciation of fixed assets (Continued)*

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

<b>Classification</b>	<b>Depreciation method</b>	<b>Useful life (year)</b>	<b>The rate of estimated residual value (%)</b>	<b>Annual depreciation rate (%)</b>
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 REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)**

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **16. 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 Company 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.

#### **17. 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 REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)**

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **17. 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 Company'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.

#### **18. Borrowing cost**

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

The borrowing costs, the Company 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 REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)**

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **18. 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 REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)**

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **18. 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 REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

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

#### 19. Intangible assets

##### *(1) The method of costing, service life, impairment test*

An intangible asset is an identifiable non-monetary asset without physical substance. Including land use right, software, patent right, non-patented right, trade mark right etc.

##### *(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.

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: 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.



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

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

**19. Intangible assets (Continued)**

**(1) The method of costing, service life, impairment test (Continued)**

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

The Company 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:

<b>Project</b>	<b>Expect service life</b>	<b>Reason</b>
Land-use life	30–50 years	Benefit years
Software	2–10 years	Benefit years
Patent right	5–10 years	Benefit years

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

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



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

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

#### 19. Intangible assets (Continued)

(1) *The method of costing, service life, impairment test (Continued)*

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

b. Intangible assets with uncertain service life

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

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

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

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



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

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

#### 19. Intangible assets (Continued)

##### **(2) Accounting policy of internal research and development expenditure**

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

The stage of research: a stage of original planning 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.

(2) *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.

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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **19. Intangible assets (Continued)**

##### **(2) Accounting policy of internal research and development expenditure (Continued)**

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

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

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

#### **20. 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.



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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **20. Impairment on long-term assets (Continued)**

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

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

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

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

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

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

### 21. Long-term prepayments

#### (1) *Amortization method*

Long-term prepaid expenses of the Company 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.

#### (2) *Amortization years*

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

### 22. Employee benefits

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

#### (1) *Short-term remuneration*

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



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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

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

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

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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **22. Employee benefits (Continued)**

##### **(3) Termination benefits**

Termination benefits refer to the compensation paid when the Group terminates the employment relationship with employee before the expiry of the employment contracts or provides compensation as an offer to encourage employee to accept voluntary redundancy. For the situation where although the employee does not relieve the labour service contract with the Group, the employee will no longer provide services to the Group in the future and cannot bring economic benefits to the Group, the Group commits to provide the economic compensation with the nature of termination benefits, for instance the situation of “early retirement”. In such a situation, before the formal retirement date of the employee, the Group adopts the treatment according to the treatment to the termination benefits. While after the formal retirement date, the Group adopts the treatment according to the treatment of the welfare after the termination of service.

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

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



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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **22. Employee benefits (Continued)**

##### **(3) Termination benefits (Continued)**

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

##### **(4) Other long-term employment benefit**

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



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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **23. Expected liabilities**

##### **(1) Criteria for expected liabilities**

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

- I. The assumed responsibilities are current liability.
- II. The fulfilment of obligations will cause the outflow of economic benefit from the Group.
- III. The amount of liabilities can be measured reliably.

##### **(2) Measurement method of expected liabilities**

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

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

The best estimates are measured in different situation as follow:



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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **23. Expected liabilities (Continued)**

##### **(2) *Measurement method of expected liabilities (Continued)***

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 Company 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 REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)**

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **24. Revenue**

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

###### *(a) Contract confirmation principle*

When the contract between the Company and the customer meets the following conditions at the same time, the Company 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;
- VI. The contract has commercial substance, that is, fulfilling the contract will change the risk, time distribution or amount of future cash flow of the enterprise;
- V. The consideration that the enterprise has the right to obtain due to the transfer of goods or services to customers is likely to be recovered.



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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

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

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

- I. The customer acquires and consumes the economic benefits brought by the performance of the Company while fulfilling the contract.
- II. Customers can control the products under construction during the Company's performance.
- III. The goods produced during the performance of the enterprise have irreplaceable use, and the Company has the right to collect funds for the part of the performance that has been completed so far throughout the contract period.

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

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

#### 24. Revenue (Continued)

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

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

The Company further divides the performance obligations in the customer contract. For the performance obligation fulfilled at a certain point in time, the Company 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 Company 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 Company's commitment to fulfill the performance obligations), when the performance of the contract can not be reasonably determined, Where the Company 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) *Specific principles of revenue recognition*

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

The Company 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 REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)**

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **24. Revenue (Continued)**

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

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

Where the contract includes two or more performance obligations, the Company 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 Company 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, ie, the customer has the legal title to the goods.
- III. The enterprise has transferred the goods in kind to the customer, that is, the customer has possessed the goods in kind.
- IV. The enterprise has transferred the main risks and rewards of ownership of the goods to the customer, that is, the customer has obtained the main risks and rewards of ownership of the goods.

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

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

#### 24. Revenue (Continued)

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

(e) *Confirmation of revenue (Continued)*

V. The customer has accepted the item.

VI. Other indications that the customer has obtained control of the commodity.

##### (2) *The specific accounting policies related to the main activities of the Company 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 company. According to the contract, the company obtained the relevant evidence for the control of the product, and the company completed the contract performance obligation to confirm the income.

###### *II. Foreign trade income*

Export income mainly refers to the income from engaging in foreign trade. After the company's goods are declared offshore, the company will confirm the income based on the evidence obtained by the other party to obtain control of the product.



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

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

#### 24. Revenue (Continued)

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

##### *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 Company.

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 company's funds, including the deposit of inter-bank periodic interest income, loan interest income, discount interest income and so on. The company 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.

##### *IV. Other*

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



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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **25. Government subsidy**

##### **(1) Classification of government subsidy**

Government subsidy is the monetary assets and non-monetary assets obtained by the Company 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 VI. Notes to the items of the consolidated financial statement Deferred revenue & Non-operating income.

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

##### **(2) Confirmation of government subsidy**

If there is evidence at the end of the period that the Company 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.



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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **25. Government subsidy (Continued)**

##### **(2) Confirmation of government subsidy (Continued)**

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.

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.

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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **25. Government subsidy (Continued)**

##### **(3) Accounting treatment method (Continued)**

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.

#### **26. 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 REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)**

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **26. 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 Company 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, hen the transaction or event occurs, it will neither affect the accounting profits nor affect the temporary difference formed by the taxable income (or deductible loss).
- c. For temporary tax differences related to investment in subsidiaries and joint ventures, the time of temporary difference reversal can be controlled and the temporary difference is unlikely to turn back in the foreseeable future.

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

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

#### 27. Lease

Leases include finance lease and operating lease. A finance lease is a lease that transfers in substance all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

##### (1) *Operating lease accounting treatment*

###### a. *The Run rented assets*

The rental fee paid by the Company for the lease of the assets shall be apportioned according to the straight-line method and included in the current cost. The initial direct expenses related to the leasing transaction are included in the current expenses.

When the lessor undertakes the expenses related to the lease which the Company shall bear, the Company shall deduct the part of the expenses from the total amount of the rent, and the rental expenses shall be apportioned during the lease term and included in the current expenses.

###### b. *Management of leased assets*

The rental fee charged by the Company for the lease of the assets shall be assessed and confirmed as the rental income without deducting the whole tenancy period of the rent-free period. The initial direct expenses related to the lease transaction paid by the Company shall be included in the current expenses; If the amount is larger, the capital shall be capitalized and shall be included in the current period income according to the same basic stage as the rental income.

The Company undertook the shall be borne by the lessee of the costs and expenses relating to this lease, the Company will be the fees deducted from the total amount of rental income, according to the distribution after deduction of the cost of rent during the lease term.



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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **27. Lease (Continued)**

##### **(2) Finance lease accounting treatment**

- a. Financial leasing-in assets: The Company on the lease beginning date, the fair value of the leased asset and the present value of minimum lease payment of the two lower as the entry value of the assets and the difference as the unrecognized financing charges. Identification basis, valuation and depreciation method of financing rented assets can refer to Note4/16. Fixed asset.

The Company adopts the effective interest method to amortize the unrecognized financing expenses and be included in the financial expenses during the asset lease period.

- b. Financial leasing-out assets: the Company recognizes the difference between the sum of the finance lease and the unrecognized residual at the beginning of the lease as the unrealized financing income and recognizes the rental income in the future period in which the rent is received, the initial direct costs incurred by the Company relating to the leasing transaction are included in the initial measurement of the finance lease and the amount recognized in the lease term is reduced.

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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **28. 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.

#### **29. Safety production cost**

The Group accrues safety production cost and records it to the cost of related products or in the profit or loss and transferred to special reserve based on state regulations. The Group shall directly reduce special reserve if the safety production cost is belonging to expense. If fixed asset is arising in using safety production cost, all expenditures are recorded in construction in progress and recognized as fixed asset when the safety project is finished and ready for its intended use; meanwhile, the Group shall reduce special reserve based on the cost of the fixed asset and recognize the accumulated depreciation in the same amount. No depreciation shall be recognised in for this fixed asset in following periods.



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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **30. Five-level classification of the asset quality in financial business**

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

#### **31. General risk reserve**

The subsidiary of the Company 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.



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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **32. Segment information**

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



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

### **IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

#### **33. Changes in significant accounting policies and accounting estimates**

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

In 2017, the Ministry of Finance issued the revised "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments", "Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets", "Accounting Standards for Business Enterprises No. 24 – Hedging Accounting", "Accounting Standards for Business Enterprises No. 37 – Financial Instruments" Presentation. The above guidelines stipulate that enterprises listed at the same time both domestically and internationally shall be implemented from January 1, 2018, and the Company shall implement the new accounting standards in accordance with the above provisions. The standard stipulates that on the implementation date of the standard, the enterprise shall classify and measure the financial instruments according to the regulations. If the data of the previous comparative financial statements are inconsistent with the requirements of this standard, no adjustment is needed. The difference between the original book value of the financial instrument and the new book value at the date of implementation of the standard requires adjustment of retained earnings at the beginning of 2018, other comprehensive income and other items in the financial statements. The items previously accounted for in the available-for-sale financial assets of the Company are designated as financial assets measured at fair value through profit or loss. This accounting change affects the opening of owners' equity at the beginning of the period by RMB528,370,789.42, which increases the initial surplus reserve by RMB2,695,205.08, increases the undistributed profit at the beginning of the period by RMB452,813,926.01, and increases the minority shareholders' equity of the initial period by RMB72,861,658.33. The net profit of the current period increased by RMB54,715,068.22, of which: the net profit attributable to the parent company increased by RMB47,494,396.14, the profit and loss of minority shareholders increased by RMB7,220,672.08, and the cumulative impact of deferred income tax liabilities increased by RMB102,897,504.29.

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

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

#### 33. Changes in significant accounting policies and accounting estimates (Continued)

##### (2) Changes in accounting estimates

The main accounting estimates in this report did not change.

### 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.	17%, 16%
	Provide agricultural machinery sales, tap water, heating, gas, etc.	11%, 10%
	Other taxable sales service behavior	6%
Urban construction and maintenance tax	Payment of the turnover tax	7%, 5%
Education surcharges	Payment of the turnover tax	3%, 2%
Enterprise income tax	Taxable income	25%, 15%
Property tax	The original value of the property of the 70% (or rental income) as the tax base	1.2%, 12%

The income tax rate of different tax subject:

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



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

### **V. TAXATION (CONTINUED)**

#### **(2) The preferential tax policy and the basis**

##### **1. Value added tax (VAT)**

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

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

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

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

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

### V. TAXATION (CONTINUED)

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

##### 2. *Enterprise income tax*

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

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



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

### VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT

For the following disclosed financial statement data, except for otherwise indicated, "Beginning balance" refers to January 1, 2018, "Ending balance" refers to June 30, 2018, "Current period" refers to the period from January 1, 2018 to June 30, 2018, "Last period" refers to the period from January 1, 2017 to June 30, 2017, and the monetary unit is RMB.

#### 1. Monetary funds

*Monetary unit: RMB*

Item	Ending balance	Beginning balance
Cash on hand	554,700.14	814,564.53
Bank deposit	2,298,031,588.61	3,225,295,953.08
Other monetary funds	88,395,064.91	66,873,769.89
<b>Total</b>	<b>2,386,981,353.66</b>	<b>3,292,984,287.50</b>
Including: total amount deposited abroad	73,483,180.23	100,459,281.64

The restricted monetary funds are as follows:

Item	Ending balance	Beginning balance
Deposit of bank acceptance	44,851,425.76	59,188,686.97
Other deposit	12,685,846.62	7,610,859.39
Deposited investments fund		
Deposit reserve requirement for central banks	258,486,749.78	279,449,913.29
<b>Total</b>	<b>316,024,022.16</b>	<b>346,249,459.65</b>

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

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

**2. Lendings to banks and other financial institutions**

*Monetary unit: RMB*

<b>Item</b>	<b>Ending balance</b>	Beginning balance
Banks	<b>0.00</b>	0.00
Non-bank financial institutions	<b>100,000,000.00</b>	0.00
<b>Total</b>	<b>100,000,000.00</b>	0.00

**3. Financial assets measured at fair value with changes in value recognized in profit or loss**

*Monetary unit: RMB*

<b>Item</b>	<b>Ending balance</b>	Beginning balance
Subtotal of financial assets held for trading	<b>14,821,311.03</b>	13,478,838.50
Debt instrument investment	<b>285,030.00</b>	0.00
Equity instrument investment	<b>14,536,281.03</b>	13,478,838.50
Subtotal of designated as financial assets measured at fair value and its movement recorded through profit or loss	<b>874,112,703.34</b>	215,129,341.41
Equity instrument investment	<b>874,112,703.34</b>	188,129,341.41
Trust products	<b>0.00</b>	27,000,000.00
<b>Total</b>	<b>888,934,014.37</b>	228,608,179.91



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

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

**4. Notes receivable**

**(1) Classification of notes receivable**

*Monetary unit: RMB*

Item	Ending balance	Beginning balance
Bank acceptance notes	<b>271,243,541.11</b>	492,719,837.02
Commercial acceptance notes	<b>32,236,116.37</b>	38,810,317.01
<b>Total</b>	<b>303,479,657.48</b>	531,530,154.03

**(2) Notes receivable which have been pledged at the end of the period**

*Monetary unit: RMB*

Item	Amount pledged at the end of the period
Bank acceptance notes	52,722,467.69
Commercial acceptance notes	0.00
<b>Total</b>	<b>52,722,467.69</b>



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

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

**4. Notes receivable (Continued)**

**(3) Notes receivable which have been endorsed or discounted but not yet due at the end of the period**

Monetary unit: RMB

Item	Amount de-recognized at the end of the period	Amount not de-recognized at the end of the period
Bank acceptance notes	1,075,853,109.61	0.00
Commercial acceptance notes	0.00	0.00
<b>Total</b>	1,075,853,109.61	0.00

**5. Accounts receivable**

**(1) Disclosure of accounts receivable**

Monetary unit: RMB

Item	As at the end of the reporting period	As at the beginning of the reporting period
Book balance	1,909,281,729.43	1,756,324,108.27
Bad debt provision	505,818,409.89	518,038,504.32
Book value	1,403,463,319.54	1,238,285,603.95



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

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

**5. Accounts receivable (Continued)**

**(2) Aging analysis of accounts receivable**

Aging	Ending balance		Net book value
	Accounts receivable	Bad debt allowance	
Within 1 year	1,310,889,001.27	37,101,561.18	1,273,787,440.09
1-2 years	34,018,038.75	14,378,950.72	19,639,088.03
2-3 years	97,495,132.31	30,098,259.19	67,396,873.12
Over 3 years	466,879,557.10	424,239,638.80	42,639,918.30
<b>Total</b>	<b>1,909,281,729.43</b>	<b>505,818,409.89</b>	<b>1,403,463,319.54</b>

Aging	Beginning balance		Net book value
	Accounts receivable	Bad debt allowance	
Within 1 year	1,064,473,612.54	41,297,821.75	1,023,175,790.79
1-2 years	37,497,622.63	11,202,953.05	26,294,669.58
2-3 years	199,787,962.58	52,836,429.98	146,951,532.60
Over 3 years	454,564,910.52	412,701,299.54	41,863,610.98
<b>Total</b>	<b>1,756,324,108.27</b>	<b>518,038,504.32</b>	<b>1,238,285,603.95</b>

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

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

**5. Accounts receivable (Continued)**

**(3) Accounts receivable classification**

a. *Accounts receivable with expected credit losses based on risk exposures such as collateral*

Project name	Ending balance			Reason for provision
	Accounts receivable	Amount of bad debts	Accrual percentage (%)	
Accounts receivable with collateral	<u>228,972,591.20</u>	<u>105,896,523.49</u>	<u>46.25</u>	Estimated credit loss rate
<b>Total</b>	<u><u>228,972,591.20</u></u>	<u><u>105,896,523.49</u></u>	<u><u>46.25</u></u>	

Project name	Beginning balance			Reason for provision
	Accounts receivable	Amount of bad debts	Accrual percentage (%)	
Accounts receivable with collateral	<u>723,438,880.30</u>	<u>138,328,203.78</u>	<u>19.12</u>	Estimated credit loss rate
<b>Total</b>	<u><u>723,438,880.30</u></u>	<u><u>138,328,203.78</u></u>	<u><u>19.12</u></u>	



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

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

**5. Accounts receivable (Continued)**

**(3) Accounts receivable classification (Continued)**

*b. Accounts receivable for expected credit losses by age combination*

Aging	Ending balance		Accrual percentage (%)
	Accounts receivable	Bad debt allowance	
Within 1 year	1,307,262,152.80	37,109,948.64	2.84
1-2 years	20,470,095.37	10,235,047.70	50.00
2-3 years	20,913,757.46	20,913,757.46	100.00
Over 3 years	331,663,132.60	331,663,132.60	100.00
<b>Total</b>	<b>1,680,309,138.23</b>	<b>399,921,886.40</b>	<b>23.80</b>

Aging	Beginning balance		Accrual percentage (%)
	Accounts receivable	Bad debt allowance	
Within 1 year	656,994,491.14	13,910,271.44	2.12
1-2 years	20,181,415.07	10,090,707.34	50.00
2-3 years	40,010,110.43	40,010,110.43	100.00
Over 3 years	315,699,211.33	315,699,211.33	100.00
<b>Total</b>	<b>1,032,885,227.97</b>	<b>379,710,300.54</b>	<b>36.76</b>

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

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

**5. Accounts receivable (Continued)**

**(4) Details of accrual, collection or reversal of bad debt allowance**

The net increase in bad debt provision for the current period was RMB16,635,409.37.

**(5) Details of accounts receivable actually written off.**

There were no accounts receivable actually written off during the reporting period.

**(6) Details of top five accounts receivables with the ending balance classified by the borrowers**

Monetary unit: RMB

Company name	Ending balance	Proportion to the ending balance of accounts receivable (%)	Accrual of bad debt provision
Liaoning Dongsheng Machinery Equipment Co., Ltd.	82,195,403.55	4.31	82,195,403.55
CUBA TECNOIMPORT	80,739,453.46	4.23	4,209,165.82
Ningxia Boxin Hengtong Machinery Equipment Co., Ltd.	69,519,718.35	3.64	69,519,718.35
Urumqi Shifeng Agricultural Machinery Co., Ltd.	63,122,726.45	3.31	63,122,726.45
Shaanxi Linfeng Construction Machinery Co., Ltd.	21,561,186.09	1.13	21,561,186.09
<b>Total</b>	<b>317,138,487.90</b>	<b>16.62</b>	<b>240,608,200.26</b>



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

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

**5. Accounts receivable (Continued)**

**(7) *Receivables that have not been terminated by the transfer of financial assets.***

There are no receivables that have not been terminated by the transfer of financial assets.

**(8) *No amount of assets and liabilities formed without the transfer of receivables and continued involvement.***

There are no amount of assets and liabilities formed without the transfer of receivables and continued involvement.

**6. Advances to suppliers**

**(1) *Aging analysis of advances to suppliers***

*Monetary unit: RMB*

Aging	Ending balance			Beginning balance		
	Amount	Percentage (%)	Bad debt allowance	Amount	Percentage (%)	Bad debt allowance
Within 1 year	135,935,000.75	82.91	0.00	226,503,758.83	96.15	0.00
1-2 years	22,844,509.86	13.93	0.00	4,146,459.72	1.76	0.00
2-3 years	782,289.40	0.48	0.00	1,413,490.86	0.60	0.00
Over 3 years	4,387,602.98	2.68	2,060,418.45	3,517,437.66	1.49	1,876,537.60
<b>Total</b>	<b>163,949,402.99</b>	<b>100.00</b>	<b>2,060,418.45</b>	<b>235,581,147.07</b>	<b>100.00</b>	<b>1,876,537.60</b>

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

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

**6. Advances to suppliers (Continued)**

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

*Monetary unit: RMB*

<b>Company name</b>	<b>Ending balance</b>	<b>Percentage in the ending balance of advances to suppliers (%)</b>	<b>Aging</b>	<b>Reason</b>
Anyang Iron and Steel Co., Ltd.	17,598,538.20	10.73	Within 1 year	Unsettled
Hebei Longfengshan Casting Co., Ltd.	10,909,664.20	6.65	Within 1 year	Unsettled
Germany ZUSEHULLERHILLE	9,014,803.88	5.50	Within 1 year	Unsettled
Luoyang Tuoyan Power Technology Co., Ltd.	8,000,000.00	4.88	Within 1 year	Unsettled
Zhejiang Shengnuo Fastener Co., Ltd	<u>6,770,717.76</u>	<u>4.13</u>	Within 1 year	Unsettled
<b>Total</b>	<u><u>52,293,724.04</u></u>	<u><u>31.89</u></u>		



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

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

**7. Interest receivable**

**(1) Classification of interest receivable**

*Monetary unit: RMB*

<b>Item</b>	<b>Ending balance</b>	Beginning balance
Interest on fixed term deposits	<b>9,803,082.09</b>	14,148,062.85
<b>Total</b>	<b>9,803,082.09</b>	14,148,062.85

**8. Dividends receivable**

*Monetary unit: RMB*

<b>Invested entity</b>	<b>Ending balance</b>	Beginning balance
Luoyin Financial Leasing Co., Ltd.	<b>11,000,000.00</b>	0.00
<b>Total</b>	<b>11,000,000.00</b>	0.00

**9. Other receivables**

**(1) Disclosure of other receivables**

*Monetary unit: RMB*

<b>Item</b>	<b>As at the end of the reporting period</b>	As at the beginning of the reporting period
Book balance	<b>133,873,623.26</b>	143,939,584.58
Bad debt provision	<b>27,034,959.92</b>	20,514,082.45
Book value	<b>106,838,663.34</b>	123,425,502.13



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

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

**9. Other receivables (Continued)**

**(2) Aging analysis of other receivables**

Aging	Ending balance		Accrual percentage (%)
	Other receivables	Bad debt allowance	
Within 1 year	105,385,423.44	5,794,004.79	5.50
1-2 years	5,965,636.59	3,010,011.40	50.46
2-3 years	1,726,943.49	1,726,943.49	100.00
Over 3 years	20,795,619.74	16,504,000.24	79.36
<b>Total</b>	<b>133,873,623.26</b>	<b>27,034,959.92</b>	<b>20.19</b>

Aging	Beginning balance		Accrual percentage (%)
	Other receivables	Bad debt allowance	
Within 1 year	102,756,441.06	1,953,613.09	1.90
1-2 years	12,585,720.06	1,281,733.54	10.18
2-3 years	6,594,836.80	868,843.74	13.17
Over 3 years	22,002,586.66	16,409,892.08	74.58
<b>Total</b>	<b>143,939,584.58</b>	<b>20,514,082.45</b>	<b>14.25</b>



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

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

**9. Other receivables (Continued)**

**(3) Explanation of other receivables classification**

a. *Other receivables with expected to be credit losses based on risk exposures such as collateral*

Project name	Ending balance			Reason for provision
	Other receivables	Bad debt allowance	Accrual percentage (%)	
Other receivables with collateral	6,907,960.94	2,507,657.06	36.30	Comprehensive assessment of the loss rate
<b>Total</b>	<b>6,907,960.94</b>	<b>2,507,657.06</b>	<b>36.30</b>	

Project name	Beginning balance			Reason for provision
	Other receivables	Bad debt allowance	Accrual percentage (%)	
Other receivables with collateral	6,907,960.94	2,507,657.06	36.30	Comprehensive assessment of the loss rate
<b>Total</b>	<b>6,907,960.94</b>	<b>2,507,657.06</b>	<b>36.30</b>	

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

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

**9. Other receivables (Continued)**

**(3) Explanation of other receivables classification (Continued)**

*b. Other receivables with estimated credit losses by aging analysis*

Aging	Ending balance		Accrual percentage (%)
	Other receivables	Bad debt allowance	
Within 1 year	105,385,423.44	5,794,004.79	5.50
1-2 years	5,693,925.65	2,846,984.84	50.00
2-3 years	1,726,943.49	1,726,943.49	100.00
Over 3 years	14,159,369.74	14,159,369.74	100.00
<b>Total</b>	<b>126,965,662.32</b>	<b>24,527,302.86</b>	<b>19.32</b>

Aging	Beginning balance		Accrual percentage (%)
	Other receivables	Bad debt allowance	
Within 1 year	28,708,610.82	1,790,586.53	6.24
1-2 years	2,563,467.07	1,281,733.54	50.00
2-3 years	868,843.74	868,843.74	100.00
Over 3 years	14,065,261.58	14,065,261.58	100.00
<b>Total</b>	<b>46,206,183.21</b>	<b>18,006,425.39</b>	<b>38.97</b>



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

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

**9. Other receivables (Continued)**

**(3) Explanation of other receivables classification (Continued)**

*c. Other receivables with other methods for provision for bad debts*

Portfolio name	Other receivables	Beginning balance	Accrual percentage (%)
		Bad debt allowance	
Risk-free portfolio of deposits and petty cash	90,825,440.43	0.00	0.00
<b>Total</b>	<b>90,825,440.43</b>	<b>0.00</b>	<b>0.00</b>

**(4) Details of accrual, collection or reversal of bad debt allowance**

The amount of bad debt provision for the current period is RMB7,483,626.61. The amount of bad debt provision recovered or turned back in current period is RMB0.00.

**(5) No other receivables actually written off during the reporting period.**

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

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

**9. Other receivables (Continued)**

**(6) Classification of other receivables by nature**

*Monetary unit: RMB*

<b>Nature of payment</b>	<b>Ending book value</b>	Beginning book value
Receivables and payments between companies	<b>41,987,848.25</b>	62,716,087.28
Deposits and petty cash	<b>32,984,543.16</b>	18,113,027.33
Collection and payment of social insurance withheld	<b>2,271,114.71</b>	4,251,566.90
Tax refund for export receivables	<b>12,354,651.14</b>	20,155,412.14
Receivables from government subsidies	<b>8,500,000.00</b>	10,000,000.00
Others	<b>8,740,506.08</b>	8,189,408.48
<b>Total</b>	<b>106,838,663.34</b>	123,425,502.13



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

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

**9. Other receivables (Continued)**

**(7) Details of top five other receivables with the ending balance classified by the borrowers**

*Monetary unit: RMB*

Company name	Nature of payment	Ending balance	Aging	Percentage in the ending balance of other receivables (%)	Ending balance of bad debt allowance
Luoyang Houhede Real Estate Development Co., Ltd.	Payment and receivables on current accounts	24,406,883.74	Within 1 year	18.23	3,452,017.16
Henan Industrial and Information Technology Commission	Receivables from government subsidies	10,000,000.00	Within 1 year	7.47	1,500,000.00
China YTO Group Co., Ltd.	Deposit and payment and receivables on current accounts	7,215,930.05	Within 1 year RMB6,074,055.31, 1-2years RMB30,000.00, Over 3 years RMB1,111,874.74	5.39	1,078,624.74
Luoyang City, Jianxi State Taxation Bureau	Refundable export tax refund	9,952,882.78	Within 1 year	7.43	
Tax credit competitiveness employment	Payment and receivables on current accounts	6,748,585.29	Within 1 year	5.04	
<b>Total</b>		<b>58,324,281.86</b>		<b>43.56</b>	<b>6,030,641.90</b>

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

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

**9. Other receivables (Continued)**

**(8) Other receivables involving government subsidies**

*Monetary unit: RMB*

<b>Company name</b>	<b>Name of government subsidy project</b>	<b>Ending balance</b>	<b>Aging</b>	<b>The time, amount and basis expected to be collected</b>
Henan Provincial Industry and Information Committee	The first (set) major technical equipment award and premium subsidy of Henan Province	10,000,000.00	Within 1 year	The results of the review of the first (set) major technical equipment award and premium subsidy funds in Henan stated that it is expected to be collected in 2018.
<b>Total</b>	/	10,000,000.00	/	/

**(9) Other receivables that have not been terminated for the transfer of financial assets.**

**(10) No amount of assets and liabilities formed without the transfer of other receivables and continued involvement.**



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

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

**10. Buying back the sale of financial assets**

**(1) Analysis according to the nature of the counterparty**

*Monetary unit: RMB*

Item	Ending balance	Beginning balance
Domestic interbank institutes	<b>150,438,466.94</b>	80,207,776.70
Domestic other financial institutes	<b>0.00</b>	0.00
<b>Total</b>	<b>150,438,466.94</b>	80,207,776.70

**(2) Analysis according to the asset type**

*Monetary unit: RMB*

Item	Ending balance	Beginning balance
Bonds	<b>150,438,466.94</b>	80,207,776.70
<b>Total</b>	<b>150,438,466.94</b>	80,207,776.70

**(3) Analysis according to the remaining days to the maturity**

*Monetary unit: RMB*

Item	Ending balance	Beginning balance
Due within one month	<b>150,438,466.94</b>	80,207,776.70
<b>Total</b>	<b>150,438,466.94</b>	80,207,776.70



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

### VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT

#### 11. Inventories

##### (1) Classification of inventories

Monetary unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Raw materials	595,420,998.00	61,131,252.92	534,289,745.08	539,256,453.22	59,088,195.81	480,168,257.41
Work in progress	242,042,260.15	13,514,855.62	228,527,404.53	230,435,730.54	12,701,477.66	217,734,252.88
Finished goods	605,359,296.22	23,586,105.25	581,773,190.97	475,006,527.76	15,831,448.89	459,175,078.87
Turnover materials	12,979,408.41	3,015,728.16	9,963,680.25	13,575,785.59	2,972,287.14	10,603,498.45
<b>Total</b>	<b>1,455,801,962.78</b>	<b>101,247,941.95</b>	<b>1,354,554,020.83</b>	<b>1,258,274,497.11</b>	<b>90,593,409.50</b>	<b>1,167,681,087.61</b>

##### (2) Impairment provision for inventories

Monetary unit: RMB

Item	Beginning balance	Increase in this period		Decrease in this period		Ending balance
		Provision	Others	Reversed	Other transfer out	
Raw materials	59,088,195.81	9,746,629.06	0.00	7,703,571.95	0.00	61,131,252.92
Work in progress	12,701,477.66	2,373,181.28	0.00	1,559,803.32	0.00	13,514,855.62
Finished goods	15,831,448.89	8,307,709.16	-167,116.50	385,936.30	0.00	23,586,105.25
Turnover materials	2,972,287.14	43,441.02	0.00	0.00	0.00	3,015,728.16
<b>Total</b>	<b>90,593,409.50</b>	<b>20,470,960.52</b>	<b>-167,116.50</b>	<b>9,649,311.57</b>	<b>0.00</b>	<b>101,247,941.95</b>

Explanation of impairment provision for inventories: The stock price drop is prepared for the expected price minus the expected cost.



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

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

**12. Current portion of non-current assets**

*Monetary unit: RMB*

Item	Ending balance	Beginning balance
Original value of long-term receivables due within one year	<b>80,515,666.50</b>	0.00
Less: unconfirmed financing charges	<b>6,936,204.38</b>	0.00
Bad debt provision	<b>2,076,385.92</b>	0.00
	<b>71,503,076.20</b>	0.00
<b>Total</b>	<b>71,503,076.20</b>	0.00

**13. Other current assets**

*Monetary unit: RMB*

Item	Ending balance	Beginning balance
Deferred expenses	<b>2,423,442.15</b>	232,033.19
Structured deposit (Note 1, 2)	<b>100,000,000.00</b>	357,000,000.00
Prepaid enterprise income tax	<b>35,628,759.44</b>	49,316,297.26
Entrusted loans	<b>14,450,000.00</b>	17,000,000.00
Financial products (Note 3)	<b>50,000,000.00</b>	700,000,000.00
Value-added tax left for deduction	<b>421,452,449.76</b>	364,024,794.23
Restrictive collective asset management plan (Note 4)	<b>318,626,437.99</b>	206,000,000.00
Advance payment of value-added tax	<b>3,280,769.76</b>	1,120,830.32
Advance payment of other tax	<b>49,333.48</b>	966.00
	<b>945,911,192.58</b>	1,694,694,921.00
<b>Total</b>	<b>945,911,192.58</b>	1,694,694,921.00

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

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

#### **13. Other current assets (Continued)**

Explanation of other current assets:

- (1) On June 28, 2018, the Company and Luoyang Branch of Pingdingshan Bank Co., Ltd. signed the “structured deposit contract”, at the amount of RMB50 million. The annual rate of return is 4.70%. The starting date to calculate the return is June 28, 2018 and the maturity date is December 18, 2018. The product is a guaranteed floating income type product. The principal and return will be returned at one time at maturity.
- (2) On June 25, 2018, the subsidiary of the Company, YTO (Luoyang) Fuel Injection Co., Ltd and China Everbright Bank Luoyang Xiyuan Road Branch signed the “Public structured deposit contract”, to purchase the structured product with the contract number of “2108101045737” at the amount of RMB50 million. The annual rate of return is 4.25%. The starting date to calculate the return is June 25, 2018 and the maturity date is August 25, 2018. The product is a guaranteed income type product. The principal and return will be returned at one time at maturity.
- (3) On December 4, 2017, the Company and Luoyang branch of China Communications Bank signed a series of contracts to purchase the “Yun Tong wealth – A long time pension – Monthly rich” at the amount of RMB50 million, with the annual rate of return of 4.70%. The starting date to calculate the return is December 5, 2017 and the maturity date is July 2, 2018. The product is a guaranteed income type product. The principal and return will be returned at one time at maturity.



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

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

#### 13. Other current assets (Continued)

- (4) The subsidiary of the Company, YTO Group Finance Co., Ltd purchased the "Ying Duo Duo Collective asset management plan" from Donghai Securities Co., Ltd, a product with RMB318,626,437.99 which was not due by the end of the period. The details were as following:

Product name	Amount	Starting date	Termination date
Ying Duo Duo A0DY58	20,000,000.00	20180125	20180725
Ying Duo Duo A0DY94	20,000,000.00	20180208	20180808
Ying Duo Duo A0DY64	20,000,000.00	20180213	20180815
Ying Duo Duo A0DY61	20,000,000.00	20180308	20180905
Ying Duo Duo A0DY83	20,000,000.00	20180315	20180912
Ying Duo Duo A0DY40	20,000,000.00	20180322	20180919
Ying Duo Duo A0DY28	5,000,000.00	20180322	20180917
Ying Duo Duo A0DY78	15,000,000.00	20180403	20181010
Ying Duo Duo A0DY85	10,000,000.00	20180411	20180711
Ying Duo Duo A0DY73	20,000,000.00	20180412	20181010
Ying Duo Duo A0DY34	10,000,000.00	20180418	20180718
Ying Duo Duo A0DY47	20,000,000.00	20180419	20181017
Ying Duo Duo A0DY36	1,000,000.00	20180419	20181015
Ying Duo Duo A0DY19	10,000,000.00	20180425	20180725
Ying Duo Duo A0DY86	5,000,000.00	20180426	20181022
Ying Duo Duo A0DY49	20,000,000.00	20180426	20181024
Ying Duo Duo A0DY39	30,000,000.00	20180509	20180808
Ying Duo Duo A0DY66	20,000,000.00	20180510	20181107
Ying Duo Duo A0DY69	10,000,000.00	20180620	20180919
Ying Duo Duo A0DY90	2,626,437.99	20180621	20181219
Ying Duo Duo A0DY09	10,000,000.00	20180627	20180926

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

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

**13. Other current assets (Continued)**

<b>Product name</b>	<b>Amount</b>	<b>Starting date</b>	<b>Termination date</b>
Ying Duo Duo A0DY51	10,000,000.00	20180628	20181226
<b>Total</b>	<b>318,626,437.99</b>		

**14. Loans and advances to customers**

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

*Monetary unit: RMB*

<b>Item</b>	<b>Ending balance</b>	<b>Beginning balance</b>
Individual loans and advances	<b>27,322,681.01</b>	2,709,019.94
Property mortgages	<b>42,981.01</b>	61,719.94
Others	<b>27,279,700.00</b>	2,647,300.00
Corporate loans and advances	<b>1,032,588,791.15</b>	965,236,933.58
Loans	<b>914,780,190.00</b>	851,074,540.00
Discounting	<b>117,808,601.15</b>	114,162,393.58
Total loans and advances	<b>1,059,911,472.16</b>	967,945,953.52
Less: Impairment provision of loans	<b>35,071,226.25</b>	33,204,129.15
Including: Provision made on individual basis	<b>0.00</b>	0.00
Provision made on portfolio basis	<b>35,071,226.25</b>	33,204,129.15
<b>Total carrying value of loans and advances</b>	<b>1,024,840,245.91</b>	934,741,824.37



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

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

**14. 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	1,032,588,791.15	97.42	965,236,933.58	99.72
Individuals	27,322,681.01	2.58	2,709,019.94	0.28
Total loans and advances	1,059,911,472.16	100.00	967,945,953.52	100.00
Less: Impairment provision of loans	35,071,226.25	3.31	33,204,129.15	3.43
Including: Provision made on individual basis	0.00	0.00	0.00	0.00
Provision made on portfolio basis	35,071,226.25	3.31	33,204,129.15	3.43
<b>Total carrying value of loans and advances</b>	<b>1,024,840,245.91</b>	<b>-</b>	<b>934,741,824.37</b>	<b>-</b>

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

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

**14. Loans and advances to customers (Continued)**

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

*Monetary unit: RMB*

<b>Geographic distribution</b>	<b>Ending balance</b>	<b>Percentage (%)</b>	<b>Beginning balance</b>	<b>Percentage (%)</b>
Northeast China	<b>280,463,550.00</b>	<b>26.46</b>	216,500,000.00	22.37
Central China	<b>771,663,122.16</b>	<b>72.81</b>	750,330,953.52	77.52
Northwest China	<b>7,784,800.00</b>	<b>0.73</b>	1,115,000.00	0.11
Total loans and advances	<b>1,059,911,472.16</b>	<b>100.00</b>	967,945,953.52	100.00
Less: Impairment provision of loans	<b>35,071,226.25</b>	<b>3.31</b>	33,204,129.15	3.43
Including: Provision made on individual basis	<b>0.00</b>	<b>0.00</b>	0.00	0.00
Provision made on portfolio basis	<b>35,071,226.25</b>	<b>3.31</b>	33,204,129.15	3.43
<b>Total carrying value of loans and advances</b>	<b>1,024,840,245.91</b>	<b>-</b>	934,741,824.37	-



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

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

**14. Loans and advances to customers (Continued)**

**(4) Distribution details by type of credit guarantee modes**

*Monetary unit: RMB*

Item	Ending balance	Beginning balance
Credit loans	<b>275,800,000.00</b>	246,000,000.00
Guaranteed loans	<b>624,170,940.00</b>	566,397,840.00
Loans secured by collateral	<b>159,940,532.16</b>	155,548,113.52
Including: Mortgage loans	<b>42,131,931.01</b>	41,385,719.94
Pledged loans	<b>117,808,601.15</b>	114,162,393.58
Total loans and advances	<b>1,059,911,472.16</b>	967,945,953.52
Less: Impairment provision of loans	<b>35,071,226.25</b>	33,204,129.15
Including: Provision made on individual basis	<b>0.00</b>	0.00
Provision made on portfolio basis	<b>35,071,226.25</b>	33,204,129.15
<b>Total carrying value of loans and advances</b>	<b><u>1,024,840,245.91</u></b>	<b><u>934,741,824.37</u></b>

**(5) Provision for losses on loans**

*Monetary unit: RMB*

Item	Amount in this period		Amount in last period	
	Individual	Portfolio	Individual	Portfolio
Beginning balance	0.00	33,204,129.15	0.00	22,889,251.53
Current year provision	0.00	1,867,097.10	0.00	10,314,877.62
<b>Ending balance</b>	<b>0.00</b>	<b>35,071,226.25</b>	<b>0.00</b>	<b>33,204,129.15</b>
	<b>0.00</b>	<b>35,071,226.25</b>	<b>0.00</b>	<b>33,204,129.15</b>



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

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

**15. Held-to-maturity investments**

**(1) Details of held-to-maturity investments**

*Monetary unit: RMB*

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Bonds	<u>113,827,052.18</u>	<u>56,222,258.70</u>	<u>57,604,793.48</u>	<u>114,566,778.18</u>	<u>56,222,258.70</u>	<u>58,344,519.48</u>
<b>Total</b>	<u><u>113,827,052.18</u></u>	<u><u>56,222,258.70</u></u>	<u><u>57,604,793.48</u></u>	<u><u>114,566,778.18</u></u>	<u><u>56,222,258.70</u></u>	<u><u>58,344,519.48</u></u>

**(2) Significant held-to-maturity investments in the ending balance**

*Monetary unit: RMB*

Bond item	Face value	Coupon rate	Real interest rate	Date of maturity
15 short term financing bills Guoyu logistics CP001	50,000,000.00	7.00%	7.60%	2016/08/06
15 short term financing bills Guoyu logistics CP002	10,000,000.00	7.00%	7.50%	2016/10/28
15 short term financing bills Guoyu logistics CP002	30,000,000.00	7.00%	8.00%	2016/10/28
Corporate bonds 16 Luoyang municipality	<u>20,000,000.00</u>	7.50%	7.50%	2019/06/03
<b>Total</b>	<u><u>110,000,000.00</u></u>			



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

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

#### **15. Held-to-maturity investments (Continued)**

##### **(3) Other explanation for held-to-maturity**

The subsidiary of the Company, YTO Group Finance Co., Ltd purchased the short-term financing bonds “Guoyu logistics CP001” of RMB50 million, and “Guoyu logistics CP002” of RMB40 million in January 2016. The issuer Wuhan Guoyu Logistics Group Co., Ltd could not pay the funds to discharge the due debts at the full amount in accordance with the agreement. The two items of held to maturity investments held by YTO Group Finance Co., Ltd were not recovered and were past due. Combined with the information such as corporate governance, financial condition, according to the “Five level classification standard of asset quality of YTO Group Finance Co., Ltd”, the investments were identified as suspicious claims. At the end of the period, the 60% impairment provision of RMB56,222,258.70 was accrued on the two items of held to maturity investments held.

In March 2017, the Company sued the Wuhan Guoyu Group Co. Ltd., asking them to pay the principal and interest of the bonds. October 2017, Hubei provincial senior person hair court issued civil mediation Letter (2017) EMINCHU No. 18. The Company’s subsidiary China YITUO Group Finance Company Limited and the issuer of Wuhan Guoyu Group Ltd. reached a settlement agreement that Wuhan Guoyu Group Co. repay the bond principal RMB90 million, interest RMB6 million 300 thousand, RMB13 million 71 thousand and 240 penalty in three periods. At the same time, the Company has applied for and frozen Wuhan Guoyu material Trade Co., Ltd. Wuhan Guoyu Group Limited and its holdings of Wuhan Jiangyu Shipping Development Co., Ltd. 98.6% stake.

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

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

**16. Long-term receivables**

*Monetary unit: RMB*

Nature of money	Ending Balance			Book value	Discount interval
	Book balance	Unconfirmed financing costs	Impairment preparation		
Sale goods by installment	257,487,206.36	25,075,351.98	4,749,401.60	227,662,452.78	5.1%–5.5%
Finance lease payments	1,083,176.12	70,176.12	0.00	1,013,000.00	
<b>Total</b>	<b>258,570,382.48</b>	<b>25,145,528.10</b>	<b>4,749,401.60</b>	<b>W228,675,452.78</b>	

Continued:

Nature of money	Beginning Balance			Book value	Discount interval
	Book balance	Unconfirmed financing costs	Impairment preparation		
Sale goods by installment	0.00	0.00	0.00	0.00	
Finance lease payments	0.00	0.00	0.00	0.00	
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	



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

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

### 17. Long-term equity investments

#### (1) Classification of long term equity investments

Monetary unit: 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 other companies											
YTO (Shenyang) Co., Ltd (Note 1)	16,200,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	16,200,000.00	16,200,000.00
Subtotal	16,200,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	16,200,000.00	16,200,000.00
II. Investments in associates											
ZF-YTO (Luoyang) Drive Axle Co., Ltd	140,461,266.85	0.00	0.00	-1,018,589.36	0.00	0.00	0.00	0.00	0.00	139,442,677.49	0.00
YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	841,443.56	0.00	0.00	-45,069.65	0.00	0.00	0.00	0.00	0.00	796,373.91	0.00
Luoyang Fusaite Auto Co., Ltd (Note 2)	7,004,515.65	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7,004,515.65	7,004,515.65
Luoyang I&C Technology Consulting Co., Ltd	165,563.01	0.00	0.00	-101,801.91	0.00	0.00	0.00	0.00	0.00	63,761.10	0.00
Subtotal	148,472,789.07	0.00	0.00	-1,165,460.92	0.00	0.00	0.00	0.00	0.00	147,307,328.15	7,004,515.65
<b>Total</b>	<b>164,672,789.07</b>	<b>0.00</b>	<b>0.00</b>	<b>-1,165,462.92</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>163,507,328.15</b>	<b>23,204,515.65</b>

Explanation of long term equity investments:

*Note 1:* YTO (Shenyang) Co., Ltd has been in the state of discontinued operations. The Group is no longer involved in the operation and liquidation of the Company and drawn the related assigned staff back. Full impairment has been provided for investments in above companies. Therefore, it is no longer include the Company in the consolidated financial statements of the Company.

*Note 2:* Luoyang Fusaite Auto Co., Ltd has been in the state of discontinued operations. The Group is no longer involved in the operation and liquidation of the Company and drawn the related assigned staff back. Full impairment has been provided for investments in the Company.

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

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

### 18. Fixed assets

#### (1) Detail spreadsheet of fixed assets

Monetary unit: RMB

Item	Land	Buildings	Machinery	Transportation equipment	Electronic and office equipment	Other equipment	Total
<b>I. Original book balance</b>							
1. Beginning balance	8,059,777.65	2,171,370,541.99	4,101,695,563.78	55,432,453.03	103,217,357.62	5,273,134.69	6,445,048,828.76
2. Increase amount in this period	0.00	11,750,862.87	33,399,758.81	831,373.46	1,927,739.32	-372,308.96	47,537,425.50
Reclassification	0.00	0.00	0.00	0.00	925,538.05	-925,538.05	0.00
Purchase	0.00	196,162.00	1,141,711.64	0.00	423,710.39	553,229.09	2,314,813.12
Transferred from construction in progress	0.00	11,554,700.87	32,258,047.17	831,373.46	562,984.08	0.00	45,207,105.58
Others	0.00	0.00	0.00	0.00	15,506.80	0.00	15,506.80
3. Decrease amount in this period	0.00	310,328.66	13,191,339.77	1,406,436.00	1,198,967.30	62,388.09	16,169,459.82
Disposal of scrapped	0.00	298,801.23	12,931,522.85	1,168,062.11	1,197,794.81	4,550.00	15,600,731.00
Others	0.00	11,527.43	259,816.92	238,373.89	1,172.49	57,838.09	568,728.82
4. Ending balance	8,059,777.65	2,182,811,076.20	4,121,903,982.82	54,857,390.49	103,946,129.64	4,838,437.64	6,476,416,794.44
<b>II. Accumulated depreciation</b>							
1. Beginning balance	0.00	882,559,906.05	2,386,566,158.33	33,349,292.88	74,258,007.75	3,614,945.68	3,380,348,310.69
2. Increase amount in this period	0.00	32,625,706.58	115,183,408.74	1,918,961.69	4,478,185.73	-452,871.65	153,753,391.09
Reclassification	0.00	0.00	0.00	0.00	733,620.50	-733,620.50	0.00
Provision	0.00	32,625,706.58	115,183,408.74	1,918,961.69	3,744,565.23	280,748.85	153,753,391.09
Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Decrease amount in this period	0.00	257,176.08	12,040,540.67	1,301,745.58	1,109,611.57	15,419.38	14,724,493.28
Disposal of scrapped	0.00	254,464.50	11,886,448.63	1,063,371.69	1,101,508.63	4,322.50	14,310,115.95
Others	0.00	2,711.58	154,092.04	238,373.89	8,102.94	11,096.88	414,377.33
4. Ending balance	0.00	914,928,436.55	2,489,709,026.40	33,966,508.99	77,626,581.91	3,146,654.65	3,519,377,208.50
<b>III. Impairment provision</b>							
1. Beginning balance	0.00	9,327,739.08	22,878,508.25	2,143,737.75	49,922.43	78,226.35	34,478,133.86



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

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

### 18. Fixed assets (Continued)

#### (1) Detail spreadsheet of fixed assets (Continued)

Monetary unit: RMB

Item	Land	Buildings	Machinery	Transportation equipment	Electronic and office equipment	Other equipment	Total
2. Increase amount in this period	0.00	0.00	0.00	0.00	78,226.35	-78,226.35	0.00
Reclassification	0.00	0.00	0.00	0.00	78,226.35	-78,226.35	0.00
Provision	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Decrease amount in this period	0.00	0.00	5,359.09	0.00	0.00	0.00	5,359.09
Disposal of scrapped	0.00	0.00	5,359.09	0.00	0.00	0.00	5,359.09
Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Ending balance	0.00	9,327,739.08	22,873,149.16	2,143,737.75	128,148.78	0.00	34,472,774.77
<b>IV. Book value</b>							
1. Ending balance of book value	8,059,777.65	1,258,554,900.57	1,609,321,807.26	18,747,143.75	26,191,398.95	1,691,782.99	2,922,566,811.17
2. Beginning balance of book	8,059,777.65	1,279,482,896.86	1,692,250,897.20	19,939,422.40	28,909,427.44	1,579,962.66	3,030,222,384.21

#### (2) Fixed assets leased out by operating lease

Monetary unit: RMB

Item	Book value
Houses and buildings	47,552,454.99
Machine and equipment	2,247,871.72
<b>Total</b>	<b>49,800,326.71</b>

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

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

**18. Fixed assets (Continued)**

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

*Monetary unit: RMB*

Item	Book value	Reason for property right certificate not yet processed
Main Factory house and office building of subsidiary Fulaige Zhengzhou Branch	14,255,917.00	Land title was obtained in April 2012. Administration Committee of Economic Development Zone and Haima Company had requirement on the progress of the construction project and the project must be completed as planned. They required the construction project to commence before the application of relevant formalities to be started. The application of planning permit of construction project is in progress. Bidding file, construction permit, fire file, quality testing and project completion acceptance shall all be applied after receiving the planning permit of construction project. And the property ownership certificate is expected to be obtained at the end. In this issue, the newly added dormitory and canteen additional investment plan of the audited entity is under examination and approval.



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

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

**18. Fixed assets (Continued)**

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

*Monetary unit: RMB*

Item	Book value	Reason for property right certificate not yet processed
Subsidiary transportation machinery plant and office building	14,569,765.32	The land was bought from Cijian Town People's Government Xin'an County in August 2004. According to the agreement signed by both two parties, land transfer fee, certificate fee and relevant taxes should all be included in the total price. However, during the application process for property ownership certificate, the developer refused to pay the taxes for deed and farmland occupation. With the unsuccessful negotiation with the developer, the enterprise cannot afford such a relatively large amount of taxes because of the consecutive business losses suffered in the recent years. Therefore, the property ownership certificate application is still in progress.
The factory buildings of the 100 thousand light diesel engines of the subsidiary, Jiangyan Power	17,445,086.41	The property right of that real estate has not been completed
Subsidiary Xinjiang Company Base Project	61,135,973.15	The procedures for handling real estate licenses are not yet complete.
<b>Total</b>	<u><u>107,406,741.88</u></u>	



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

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

#### 18. Fixed assets (Continued)

##### (4) Other description of fixed assets:

The increase of depreciation in this period is RMB153,753,391.09.

At the end of the period, the original value of the fixed assets on which the accumulated depreciation was fully accrued and still in use continuously was RMB1,490,185,907.32.

Refer to the statement in the Note “VI.67” for detailed information about the ending balance of pledge on fixed assets.

#### 19. Construction in progress

##### (1) Detail spreadsheet of construction in progress

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Core capacity upgrading project on new wheeled tractor	863,530.08	0.00	863,530.08	721,164.55	0.00	721,164.55
Agricultural high-power diesel engine project	1,675,213.67	0.00	1,675,213.67	23,273,423.54	0.00	23,273,423.54
New giant parts workshop of No. 3 Assembling Factory	4,316,930.94	0.00	4,316,930.94	3,346,057.15	0.00	3,346,057.15
Forged crankshaft machining line project	154,282.44	0.00	154,282.44	2,283,995.61	0.00	2,283,995.61
Technical innovation project	17,309,106.85	9,273,284.29	8,035,822.56	15,855,194.00	9,273,284.29	6,581,909.71
Construction in progress in France	13,871,524.30	6,414,270.83	7,457,253.47	12,583,106.04	6,414,270.83	6,168,835.21
Enhancement of the heat treatment	70,447.95	0.00	70,447.95	70,447.95	0.00	70,447.95
400 and LF904 fender welding automatic production line	0.00	0.00	0.00	5,876,070.81	0.00	5,876,070.81



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

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

**19. Construction in progress (Continued)**

**(1) Detail spreadsheet of construction in progress (Continued)**

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Electrophoresis line	4,571,112.96	0.00	4,571,112.96	4,571,112.96	0.00	4,571,112.96
New model application project of new wheeled tractor intelligent manufacturing	173,579,015.72	0.00	173,579,015.72	119,905,855.09	0.00	119,905,855.09
Pouring machine	5,976,068.55	0.00	5,976,068.55	5,976,068.55	0.00	5,976,068.55
Core robot	3,230,769.23	0.00	3,230,769.23	3,230,769.23	0.00	3,230,769.23
Key product testing and testing platform project	14,412,201.70	0.00	14,412,201.70	13,083,571.33	0.00	13,083,571.33
Horizontal machining unit	6,764,957.27	0.00	6,764,957.27	6,764,957.27	0.00	6,764,957.27
Belarus staff quarters	2,728,635.62	0.00	2,728,635.62	5,002,498.63	0.00	5,002,498.63
Dongchen mold equipment relocation project	3,661,158.52	0.00	3,661,158.52	3,342,444.67	0.00	3,342,444.67
Plant foundation	2,206,437.39	0.00	2,206,437.39	2,206,437.39	0.00	2,206,437.39
Technical innovation project of the Company	19,368,077.35	0.00	19,368,077.35	20,386,283.41	0.00	20,386,283.41
Public rental housing project	4,088,382.85	0.00	4,088,382.85	0.00	0.00	0.00
Diesel engine upgrading project	38,369,230.70	0.00	38,369,230.70	12,789,743.55	0.00	12,789,743.55
Belarus office building	10,200,495.23	0.00	10,200,495.23	0.00	0.00	0.00
Painting line upgrade project	5,386,748.18	0.00	5,386,748.18	2,737,979.87	0.00	2,737,979.87
MES project	2,265,184.97	0.00	2,265,184.97	765,990.60	0.00	765,990.60
Small and medium-sized molding line transformation project	6,715,191.63	0.00	6,715,191.63	0.00	0.00	0.00
Other	55,353,086.79	841,856.21	54,511,230.58	42,342,605.04	678,845.21	41,663,759.83
<b>Total</b>	<b>397,137,790.89</b>	<b>16,529,411.33</b>	<b>380,608,379.56</b>	<b>307,115,777.24</b>	<b>16,366,400.33</b>	<b>290,749,376.91</b>

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

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

#### 19. Construction in progress (Continued)

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

Project name	Beginning balance	Increase in this period	Transferred in this period fixed assets	Decrease in this period	Ending balance
Core capacity upgrading project on new wheeled tractor	721,164.55	142,365.53			863,530.08
Agricultural high-power diesel engine project	23,273,423.54	657,121.72	20,279,742.14	1,975,589.45	1,675,213.67
New giant parts workshop of No. 3 Assembling Factory	3,346,057.15	970,873.79			4,316,930.94
Forged crankshaft machining line project	2,283,995.61			2,129,713.17	154,282.44
Technical innovation project	15,855,194.00	1,462,521.45	8,608.60		17,309,106.85
Construction in progress in France	12,583,106.04	3,068,561.54		1,780,143.28	13,871,524.30
Enhancement of the heat treatment 400 and LF904 fender welding automatic production line	70,447.95				70,447.95
Electrophoresis line	5,876,070.81		5,876,070.81		
New model application project of new wheeled tractor intelligent manufacturing	4,571,112.96				4,571,112.96
Pouring machine	119,905,855.09	54,069,839.88		396,679.25	173,579,015.72
Core robot	5,976,068.55				5,976,068.55
Key product testing and testing platform project	3,230,769.23				3,230,769.23
Horizontal machining unit	13,083,571.33	1,826,444.63	497,814.26		14,412,201.70
Belarus staff quarters	6,764,957.27				6,764,957.27
	5,002,498.63		2,273,863.01		2,728,635.62



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

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

**19. Construction in progress (Continued)**

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

<b>Project name</b>	<b>Beginning balance</b>	<b>Increase in this period</b>	<b>Transferred in this period fixed assets</b>	<b>Decrease in this period</b>	<b>Ending balance</b>
Dongchen mold equipment relocation project	3,342,444.67	380,252.31	61,538.46		<b>3,661,158.52</b>
Plant foundation	2,206,437.39				<b>2,206,437.39</b>
Technical innovation project of the Company	20,386,283.41	4,120,312.66	5,138,518.72		<b>19,368,077.35</b>
Public rental housing project		4,088,382.85			<b>4,088,382.85</b>
Diesel engine upgrading project	12,789,743.55	25,579,487.15			<b>38,369,230.70</b>
Belarus office building		10,200,495.23			<b>10,200,495.23</b>
Painting line upgrade project	2,737,979.87	2,648,768.31			<b>5,386,748.18</b>
MES project	765,990.60	1,499,194.37			<b>2,265,184.97</b>
Small and medium-sized molding line transformation project		6,715,191.63			<b>6,715,191.63</b>
Other	42,342,605.04	24,342,405.91	11,070,949.58	260,974.58	<b>55,353,086.79</b>
<b>Total</b>	<b>307,115,777.24</b>	<b>141,772,218.96</b>	<b>45,207,105.58</b>	<b>6,543,099.73</b>	<b>397,137,790.89</b>

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

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

#### 19. Construction in progress (Continued)

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

Project name	Budget	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
Core capacity upgrading project on new wheeled tractor	596,300,000.00	95.00	100.00	-	-	-	Fund-raising
Agricultural high-power diesel engine project	199,000,000.00	93.00	100.00	12,829,031.02	-	4.404-6.9	Fund-raising
New giant parts workshop of No. 3 Assembling Factory	93,000,000.00	99.00	100.00	-	-	-	Self-raised
Forged crankshaft machining line project	58,000,000.00	98.00	100.00	819,901.92	-	4.404-6.9	Self-raised
Technical innovation project	44,168,540.00	-	-	-	-	-	Self-raised
Construction in progress in France	35,157,889.13	58.00	58.00	-	-	-	Self-raised
Enhancement of the heat treatment	14,800,000.00	98.00	100.00	-	-	-	Self-raised
400 and LF904 fender welding automatic production line	6,950,000.00	95.00	95.00	-	-	-	Self-raised
Electrophoresis line	4,900,000.00	53.29	53.29	-	-	-	Self-raised
New model application project of new wheeled tractor intelligent manufacturing	316,100,000.00	55.00	95.00	-	-	-	Self-raised
Pouring machine	7,960,000.00	75.00	70.00	-	-	-	Self-raised
Core robot	14,000,000.00	15.00	70.00	-	-	-	Self-raised
Key product testing and testing platform project	53,810,000.00	83.00	90.00	-	-	-	Self-raised
Horizontal machining unit	9,000,000.00	90.00	90.00	-	-	-	Self-raised
Belarus staff quarters	5,500,000.00	91.00	98.00	-	-	-	Self-raised
Dongchen mold equipment relocation project	8,370,400.00	75.00	75.00	-	-	-	Self-raised
Plant foundation	3,268,000.00	68.00	68.00	-	-	-	Self-raised
Technical innovation project of the Company	602,106,067.34	-	-	-	-	-	Self-raised/Fund-raising
Public rental housing project	90,000,000.00	78.00	100.00	-	-	-	Self-raised
Diesel engine upgrading project	53,000,000.00	60.00	72.00	-	-	-	Self-raised
Belarus office building	11,000,000.00	93.00	95.00	-	-	-	Self-raised
Painting line upgrade project	7,750,000.00	70.00	90.00	-	-	-	Self-raised
MES project	3,500,000.00	65.00	60.00	-	-	-	Self-raised
Small and medium-sized molding line transformation project	49,060,000.00	14.00	30.00	-	-	-	Self-raised
<b>Total</b>	<b>2,286,700,896.47</b>	<b>-</b>	<b>-</b>	<b>13,648,932.94</b>	<b>-</b>	<b>-</b>	<b>-</b>



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

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

### 20. Intangible assets

#### (1) Detail spreadsheet of intangible assets

Monetary unit: RMB

Item	Land use right	Patents	Trademarks	Software	Others	Total
<b>I. Original book balance</b>						
1. Beginning balance	910,924,304.91	4,225,658.17	59,526,000.00	67,954,573.85	10,857,273.77	1,053,487,810.70
2. Increase amount in this period	0.00	263,658.16	0.00	2,281,723.26	42,688.25	2,588,069.67
Purchase	0.00	0.00	0.00	1,885,044.01	42,688.25	1,927,732.26
Others	0.00	263,658.16	0.00	396,679.25	0.00	660,337.41
3. Decrease amount in this period	0.00	25,150.52	0.00	0.00	42,253.88	67,404.40
Disposal	0.00	0.00	0.00	0.00	0.00	0.00
Others	0.00	25,150.52	0.00	0.00	42,253.88	67,404.40
4. Ending balance	910,924,304.91	4,464,165.81	59,526,000.00	70,236,297.11	10,857,708.14	1,056,008,475.97
<b>II. Accumulated amortization</b>						
1. Beginning balance	139,458,978.51	4,039,730.37	0.00	47,328,307.97	2,939,704.19	193,766,721.04
2. Increase amount in this period	11,803,171.70	232,276.27	0.00	3,048,511.70	424,154.67	15,508,114.34
Provision	11,803,171.70	232,276.27	0.00	3,048,511.70	424,154.67	15,508,114.34
Others	0.00	0.00	0.00	0.00	0.00	0.00
3. Decrease amount in this period	0.00	24,823.89	0.00	0.00	11,263.28	36,087.17
Disposal	0.00	0.00	0.00	0.00	0.00	0.00
Others	0.00	24,823.89	0.00	0.00	11,263.28	36,087.17
4. Ending balance	151,262,150.21	4,247,182.75	0.00	50,376,819.67	3,352,595.58	209,238,748.21
<b>III Impairment provision</b>						
<b>IV Book value</b>						
1. Ending balance of book value	759,662,154.70	216,983.06	59,526,000.00	19,859,477.44	7,505,112.56	846,769,727.76
2. Beginning balance of book value	771,465,326.40	185,927.80	59,526,000.00	20,626,265.88	7,917,569.58	859,721,089.66

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

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

#### **20. Intangible assets (Continued)**

##### **(2) Explanation of intangible assets**

- a. There are no intangible assets formed by the Company's internal research and development at the end of the report
- b. The intangible assets with indefinite useful life at the end of the year are two trademarks "Yi Tuo" and "Dong Fang Hong" purchased from YTO Group Corporation with a total amount of RMB59,526,000.00 in 2011. The recoverable amount of the trademark uses right and the production license is the value in use calculated using the discounted cash flow method. This method includes the cash flow of the affiliated companies in five years until 31 December 2022 (perpetual afterwards). As for the years after the regulated years matured, hypothetical sustainable growth rate of 5% has been applied to the perpetual period. The expected growth rate is consistent with the expectation of the business development. The present value of the cash flow is calculated using the discount rate before tax of 4.3%. The Company determines that these two trademarks and patents are intangible assets with indefinite useful life and impairment test is carried out annually at year end. No indication for impairment is identified for the current year.
- c. There is no land use right without property right certificate at the end of the term.



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

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

**21. Development expenditure**

*Monetary unit: 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	0.00	15,343,327.43	0.00	15,343,327.43	0.00	0.00
Research and development for dynamical machinery products	0.00	17,386,686.62	0.00	17,386,686.62	0.00	0.00
Technological process research and development	0.00	20,341,736.15	0.00	20,341,736.15	0.00	0.00
Fundamental research	0.00	6,607,199.24	0.00	6,607,199.24	0.00	0.00
Research and development of tractor products	0.00	101,992,275.68	0.00	101,992,275.68	0.00	0.00
<b>Total</b>	0.00	161,671,225.12	0.00	161,671,225.12	0.00	0.00



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

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

**22. Goodwill**

**(1) Original value of goodwill**

Monetary unit: 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	0.00	0.00	0.00	0.00	14,297,893.81
<b>Total</b>	14,297,893.81	0.00	0.00	0.00	0.00	14,297,893.81

**(2) Impairment provision for goodwill**

Monetary unit: 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	0.00	0.00	0.00	0.00	14,297,893.81
<b>Total</b>	14,297,893.81	0.00	0.00	0.00	0.00	14,297,893.81



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

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

**23. Long-term deferred expenses**

*Monetary unit: RMB*

<b>Item</b>	<b>Beginning balance</b>	<b>Increase in this period</b>	<b>Amortization in this period</b>	<b>Other decrease in this period</b>	<b>Ending balance</b>
Patent use right	39,173.78	0.00	5,341.88	0.00	<b>33,831.90</b>
Amortization of equipment relocation expenses	1,913,178.45	0.00	106,287.72	0.00	<b>1,806,890.73</b>
Mold amortization	34,482,154.73	3,008,780.69	6,210,203.78	0.00	<b>31,280,731.64</b>
Amortization of maintenance expenditure	8,799,991.53	1,467,986.36	1,216,102.61	0.00	<b>9,051,875.28</b>
Others	788,742.23	383,673.79	193,687.15	0.00	<b>978,728.87</b>
<b>Total</b>	<u>46,023,240.72</u>	<u>4,860,440.84</u>	<u>7,731,623.14</u>	<u>0.00</u>	<u><b>43,152,058.42</b></u>

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

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

**24. Deferred tax assets and deferred tax liabilities**

**(1) Deferred tax assets recognized**

*Monetary unit: RMB*

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred tax asset	Deductible temporary difference	Deferred tax asset
Provision for asset impairment	60,817,664.40	10,474,901.60	42,871,642.47	7,234,185.49
Deductible losses	250,130,732.03	82,543,141.57	250,130,732.03	82,543,141.57
Termination welfare	9,761,951.54	1,596,327.50	9,870,196.45	1,612,564.25
Wages payable and accrued expense	100,046,985.92	19,777,124.62	120,829,754.03	25,751,177.53
Deferred revenue	118,929,117.45	18,605,485.36	127,277,099.43	19,091,564.92
Internal transaction unrealized profit	251,189.55	37,678.43	0.00	0.00
Others (changes in fair value of trading financial assets)	14,970.00	3,742.50	0.00	0.00
<b>Total</b>	<b>53,995,2610.89</b>	<b>133,038,401.58</b>	<b>550,979,424.41</b>	<b>136,232,633.76</b>



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

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

**24. Deferred tax assets and deferred tax liabilities (Continued)**

**(2) Deferred tax liabilities recognized**

Monetary unit: 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	<b>110,936,171.24</b>	<b>27,734,042.81</b>	114,967,265.72	28,741,816.43
Valuation of trading financial instruments	<b>685,983,361.93</b>	<b>102,897,504.29</b>	0.00	0.00
<b>Total</b>	<b><u>796,919,533.17</u></b>	<b><u>130,631,547.10</u></b>	<b><u>114,967,265.72</u></b>	<b><u>28,741,816.43</u></b>

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

Monetary unit: RMB

Item	Ending balance	Beginning balance
Provision for asset impairment	<b>800,061,134.57</b>	770,247,022.91
Deductible losses	<b>514,833,372.99</b>	496,827,421.43
<b>Total</b>	<b><u>1,314,894,507.56</u></b>	<b><u>1,267,074,444.34</u></b>

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

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

**24. Deferred tax assets and deferred tax liabilities (Continued)**

**(4) Deductible losses unrecognized as deferred tax liabilities due in the following year**

Monetary unit: RMB

<b>Year</b>	<b>Ending balance</b>	Beginning balance
Year of 2018	<b>0.00</b>	70,882,355.67
Year of 2019	<b>92,734,684.04</b>	92,771,757.23
Year of 2020	<b>115,079,233.65</b>	117,402,747.39
Year of 2021	<b>124,897,989.64</b>	112,109,886.57
Year of 2022	<b>132,113,780.67</b>	103,660,674.57
Year of 2023	<b>50,007,684.99</b>	0.00
<b>Total</b>	<b>514,833,372.99</b>	496,827,421.43

**25. Short-term borrowings**

**(1) Classification of borrowings**

Monetary unit: RMB

<b>Item</b>	<b>Ending balance</b>	Beginning balance
Mortgaged loans	<b>70,000,000.00</b>	70,000,000.00
Credit loans	<b>2,270,917,357.13</b>	1,963,879,689.22
<b>Total</b>	<b>2,340,917,357.13</b>	2,033,879,689.22



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

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

**25. Short-term borrowings (Continued)**

**(1) Classification of borrowing (Continued)**

*Explanation of short-term loans*

The subsidiary of the Group, Changtuo Agriculture Equipment Co., Ltd. drawn short-term loan of RMB70,000,000 from Jilin Bank Dong Sheng Branch, using the building and land use right with the net book value of RMB74,547,343.20 as mortgages.

**26. Absorption of deposits and interbank deposits**

*Monetary unit: RMB*

Item	Ending balance	Beginning balance
Demand deposit	<b>605,770,929.71</b>	229,663,863.41
Including: Corporate	<b>604,365,085.51</b>	229,478,533.87
Individuals	<b>1,405,844.20</b>	185,329.54
Time deposit (including notice deposit)	<b>386,761,594.84</b>	550,531,665.33
Including: Corporate	<b>386,761,594.84</b>	550,531,665.33
Individuals	<b>0.00</b>	0.00
<b>Total</b>	<b>992,532,524.55</b>	<b>780,195,528.74</b>

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

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

**27. Deposits from banks and other financial institutes (Continued)**

*Monetary unit: RMB*

Item	Ending balance	Beginning balance
Deposits from banks	0.00	0.00
Deposits from non-bank financial institutions	0.00	300,000,000.00
<b>Total</b>	<b>0.00</b>	<b>300,000,000.00</b>

**28. Derivative financial liabilities**

*Monetary unit: RMB*

Item	Ending balance	Beginning balance
Currency forward and swap	5,000,000.00	12,800,000.00
<b>Total</b>	<b>5,000,000.00</b>	<b>12,800,000.00</b>

*Other explanation:*

*Note:* Our company signed a working capital loan contract with Bank of Communications Ltd Luoyang branch in September 28, 2017. Our company applied for a one-time 100-million-dollar loan amount to the lender. At the same time, the Company signed a swap agreement with the Bank of Communications Ltd Luoyang branch. It agreed to buy 100 million dollars at the rate of 6.7781 before September 28, 2018, and then repurchase the foreign exchange, so as to repay the loan mentioned above. According to the provisions of the accounting standards "Enterprises No. 22 – confirmation and measurement of financial instruments", the Company should confirm a financial asset or financial liability when the Company becomes a part of financial instruments.



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

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

**29. Notes payable**

*Monetary unit: RMB*

<b>Types of notes</b>	<b>Ending balance</b>	Beginning balance
Bank acceptance notes	<b>1,001,094,169.85</b>	759,850,627.14
Commercial acceptance notes	<b>148,848,715.15</b>	60,650,971.80
<b>Total</b>	<b>1,149,942,885.00</b>	820,501,598.94

**30. Accounts payable**

**(1) Accounts payable**

*Monetary unit: RMB*

<b>Item</b>	<b>Ending balance</b>	Beginning balance
Purchase payable	<b>1,344,527,509.16</b>	1,353,217,785.45
Purchase of construction equipment payable	<b>70,712,820.44</b>	76,968,976.12
Service payment payable	<b>20,463,519.42</b>	21,953,786.89
Others	<b>33,929,369.16</b>	13,189,905.85
<b>Total</b>	<b>1,469,633,218.18</b>	1,465,330,454.31



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

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

**30. Accounts payable (Continued)**

**(2) Aging analysis of accounts payable**

*Monetary unit: RMB*

<b>Item</b>	<b>Ending balance</b>	Beginning balance
Within 1 year	<b>1,344,307,866.23</b>	1,332,527,809.68
1–2 years	<b>42,766,966.22</b>	70,530,505.26
2–3 years	<b>35,669,129.65</b>	26,219,998.30
Over 3 years	<b>46,889,256.08</b>	36,052,141.07
<b>Total</b>	<b><u><u>1,469,633,218.18</u></u></b>	<b><u><u>1,465,330,454.31</u></u></b>

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

*Monetary unit: RMB*

<b>Company name</b>	<b>Ending balance</b>	<b>Reason for not paid or reversed</b>
Hong Kong LLAFF INTERNATIONAL CO., LTD	<b>10,103,407.25</b>	Unsettled
Henan Haina Heavy Industry Machinery Technology Co., Ltd.	<b>4,611,327.35</b>	Quality guarantee deposit
CUBA AZUIMPORT	<b>3,175,968.00</b>	Unsettled
CUBA GRUPO EMPRESARIAL DE LOGISTICA DEL MINAG	<b>2,778,972.00</b>	Unsettled
CUBA EMPRESA CUBANA EXPORTADORA E IMPORTADORA DE PRODUCTOS TECNICOS/TECNOIMPORT	<b>1,852,648.00</b>	Unsettled
<b>Total</b>	<b><u><u>22,522,322.60</u></u></b>	



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

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

**31. Advance from customers**

**(1) Advance from customers**

*Monetary unit: RMB*

Item	Ending balance	Beginning balance
Within 1 year (including 1 year)	<b>131,059,515.86</b>	203,384,149.97
Over 1 year	<b>40,296,179.44</b>	32,836,818.63
<b>Total</b>	<b>171,355,695.30</b>	236,220,968.60

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

*Monetary unit: RMB*

Company name	Ending balance	Reason for not paid or reversed
Bangladesh M/SSARKERKABIRAHAMED	<b>7,757,940.18</b>	Unsettled
Poly Technology Co., Ltd.	<b>4,291,619.50</b>	Unsettled
Ningxia Boxin Hengtong Machinery Equipment Co., Ltd.	<b>3,560,000.00</b>	Unsettled
Philippine FORD TRACTOR (PHILS) INC	<b>2,571,312.15</b>	Transaction not completed
<b>Total</b>	<b>18,180,871.83</b>	

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

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

**32. Employee benefits payable**

**(1) Classification of employee benefits payable**

*Monetary unit: RMB*

<b>Item</b>	<b>Beginning balance</b>	<b>Increase in this period</b>	<b>Decrease in this period</b>	<b>Ending balance</b>
Short-term remuneration	95,709,139.98	471,357,360.98	473,547,890.73	<b>93,518,610.23</b>
Post-employment welfare –				
Defined contribution plan	2,210,656.30	72,222,107.92	72,667,464.79	<b>1,765,299.43</b>
Termination welfare	<u>25,601,717.01</u>	<u>7,368,067.05</u>	<u>9,083,403.04</u>	<b><u>23,886,381.02</u></b>
<b>Total</b>	<b><u><u>123,521,513.29</u></u></b>	<b><u><u>550,947,535.95</u></u></b>	<b><u><u>555,298,758.56</u></u></b>	<b><u><u>119,170,290.68</u></u></b>



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

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

**32. Employee benefits payable (Continued)**

**(2) Short-term remuneration**

*Monetary unit: RMB*

<b>Item</b>	<b>Beginning balance</b>	<b>Increase in this period</b>	<b>Decrease in this period</b>	<b>Ending balance</b>
Wages or salaries, bonuses, allowances and subsidies	63,175,087.43	317,837,947.78	322,470,944.12	<b>58,542,091.09</b>
Staff welfare expense	4,118,142.65	29,376,722.13	26,636,361.91	<b>6,858,502.87</b>
Social insurance expense	513,195.02	32,818,575.50	33,177,726.28	<b>154,044.24</b>
Including: Medical insurance expense	453,336.86	28,362,792.87	28,662,085.49	<b>154,044.24</b>
Work-related injury insurance	38,479.91	2,905,208.87	2,943,688.78	<b>0.00</b>
Maternity insurance	21,378.25	1,550,573.76	1,571,952.01	<b>0.00</b>
Housing funds	2,673,367.82	30,353,491.13	32,658,205.75	<b>368,653.20</b>
Union & employee education funds	24,924,193.78	10,575,578.04	8,209,606.27	<b>27,290,165.55</b>
Others	305,153.28	50,395,046.40	50,395,046.40	<b>305,153.28</b>
<b>Total</b>	<b>95,709,139.98</b>	<b>471,357,360.98</b>	<b>473,547,890.73</b>	<b>93,518,610.23</b>

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

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

**32. Employee benefits payable (Continued)**

**(3) Defined contribution plan**

*Monetary unit: RMB*

<b>Item</b>	<b>Beginning balance</b>	<b>Increase in this period</b>	<b>Decrease in this period</b>	<b>Ending balance</b>
Basic endowment insurance	1,232,358.74	60,531,469.15	61,343,832.89	<b>419,995.00</b>
Unemployment insurance premium	29,929.71	2,300,503.05	2,330,432.76	<b>0.00</b>
Enterprise annuity payment	948,367.85	9,390,135.72	8,993,199.14	<b>1,345,304.43</b>
<b>Total</b>	<u>2,210,656.30</u>	<u>72,222,107.92</u>	<u>72,667,464.79</u>	<u><b>1,765,299.43</b></u>

Other explanation:

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

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

**33. Taxes payable**

*Monetary unit: RMB*

Item	Ending balance	Beginning balance
Value-added tax (VAT)	<b>3,141,326.40</b>	2,285,941.96
Enterprise income tax	<b>4,084,932.54</b>	2,969,764.17
Individual income tax	<b>559,352.02</b>	4,856,580.72
Urban maintenance and construction tax	<b>105,311.95</b>	134,047.47
Property tax	<b>5,655,403.01</b>	4,508,683.32
Land use tax	<b>2,187,854.15</b>	1,697,953.13
Education surcharge	<b>75,222.82</b>	95,747.85
Other taxes	<b>399,154.18</b>	812,601.28
<b>Total</b>	<b>16,208,557.07</b>	17,361,319.90

**34. Interests payable**

*Monetary unit: RMB*

Item	Ending balance	Beginning balance
Interest payable on corporate bonds		50,334,301.22
Interests payable on bank loans	<b>193,516.00</b>	3,078,130.20
Interests payable on deposits absorbed	<b>3,330,448.23</b>	8,450,507.27
<b>Total</b>	<b>3,523,964.23</b>	61,862,938.69

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

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

**35. Dividends payable**

*Monetary unit: RMB*

Item	Ending balance	Beginning balance
Natural person shareholders	55.83	55.83
<b>Total</b>	<b>55.83</b>	<b>55.83</b>

**36. Other payables**

**(1) Classification of other payables by nature**

*Monetary unit: RMB*

Nature of payment	Ending balance	Beginning balance
Receivables and payments between companies	90,843,615.63	86,468,102.96
Cash pledge and deposits	54,258,909.23	63,036,461.77
Expenses payable	85,287,970.21	77,300,212.31
Collection and payment on behalf of others	24,209,274.03	25,898,311.64
Others	13,153,290.28	23,418,320.38
<b>Total</b>	<b>267,753,059.38</b>	<b>276,121,409.06</b>



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

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

**36. Other payables (Continued)**

**(2) Significant amount of other payables aged over 1 year**

*Monetary unit: RMB*

<b>Company name</b>	<b>Ending balance</b>	<b>Reason for not paid or reversed</b>
YTO Group Corporation	<b>52,108,144.60</b>	Unsettled
Undertakings subsidy	<b>5,036,014.04</b>	Unsettled
Funds for housing construction and maintenance	<b>2,593,021.90</b>	Unsettled
Subsidies to the surviving defendants of workers injured on the job	<b>1,492,183.95</b>	Unsettled
<b>Total</b>	<b>61,229,364.49</b>	

**37. Non-current liabilities due within one year**

*Monetary unit: RMB*

<b>Item</b>	<b>Ending balance</b>	<b>Beginning balance</b>
Long-term loans due within 1 year	<b>30,000,000.00</b>	9,752,875.00
Bonds payable due within 1 year	<b>0.00</b>	1,499,228,820.52
Deferred revenues due within 1 year	<b>11,884,479.21</b>	13,058,479.21
<b>Total</b>	<b>41,884,479.21</b>	1,522,040,174.73



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

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

**38. Other current liabilities**

*Monetary unit: RMB*

<b>Item</b>	<b>Ending balance</b>	Beginning balance
Discount and allowance	<b>3,690,992.53</b>	58,600,777.57
Warranty fee for 3 after sale services included	<b>33,470,829.80</b>	28,426,282.13
Agent service fees	<b>0.00</b>	1,716,981.13
Transportation fee	<b>23,971,390.00</b>	8,071,390.00
Others	<b>6,700,396.87</b>	1,027,038.50
<b>Total</b>	<b>67,833,609.20</b>	97,842,469.33

**39. Long-term loans**

**(1) Classification of loans**

*Monetary unit: RMB*

<b>Classification of loans</b>	<b>Ending balance</b>	Beginning balance
Guarantee loan	<b>76,714,000.00</b>	39,011,500.00
Credit loans	<b>850,000,000.00</b>	659,752,875.00
Subtotal	<b>926,714,000.00</b>	698,764,375.00
Less: due within 1 year	<b>30,000,000.00</b>	9,752,875.00
Including: credit loans	<b>30,000,000.00</b>	9,752,875.00
Due after 1 year	<b>896,714,000.00</b>	689,011,500.00



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

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

**39. Long-term loans (Continued)**

**(1) Classification of loans (Continued)**

Guarantee loan: YTO (France) agricultural equipment Co., Ltd., one subsidiary of our group, Ltd, is guaranteed by our company to obtain 10,000,000.00 euros from the China Construction Bank Paris branch which is equivalent to RMB76,714,000.00.

**(2) Due date analysis of long-term loans**

*Monetary unit: RMB*

Due date	Ending balance	Beginning balance
Over than 1 year after the balance sheet date, but not over than 2 years	<b>30,000,000.00</b>	60,000,000.00
Over than 2 years after the balance sheet date, but not over than 5 years	<b>866,714,000.00</b>	629,011,500.00
Over 5 years	<b>0.00</b>	0.00
<b>Total</b>	<b>896,714,000.00</b>	689,011,500.00

**(3) At June 30, 2018, the Company do not have a loan that has expired and unpaid.**

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

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

**40. Estimated liabilities**

*Monetary unit: RMB*

<b>Item</b>	<b>Ending balance</b>	Beginning balance	<b>Reason for occurring</b>
Other	<b>3,321,156.24</b>	13,699,471.42	It was formed during the sale of Yituo (Luoyang) Forklift Co., Ltd. in 2017. Part of the payment was made in the current period, and the balance was not paid.
<b>Total</b>	<b><u><u>3,321,156.24</u></u></b>	<b><u><u>13,699,471.42</u></u></b>	

**41. Deferred revenue**

*Monetary unit: RMB*

<b>Item</b>	Beginning balance	<b>Increase in this period</b>	<b>Decrease in this period</b>	<b>Ending balance</b>	<b>Reason</b>
Government subsidies related assets	167,103,332.74	2,750,000.00	7,134,466.21	<b>162,718,866.53</b>	Refer to chart 1
Government subsidies related benefit	<u>17,556,808.39</u>	<u>3,908,680.00</u>	<u>3,125,047.86</u>	<b><u>18,340,440.53</u></b>	Refer to chart 1
<b>Total</b>	<b><u><u>184,660,141.13</u></u></b>	<b><u><u>6,658,680.00</u></u></b>	<b><u><u>10,259,514.07</u></u></b>	<b><u><u>181,059,307.06</u></u></b>	



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

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

#### 41. Deferred revenue (Continued)

##### *Item of government grants*

*Monetary unit: RMB*

Item of government grants	Beginning balance	Increase of subsidy in this period	Amount recognized as non-operating income in this period	Other changes	Ending balance	Related to assets/related to income
Intelligent tractor positioning and remote monitoring system	950,000.00	50,000.00	1,000,000.00	0.00	<b>0.00</b>	Related to income
Research on Fault Warning and Remote Diagnosis Technology for Tractor Operation Information Collection	0.00	529,000.00	31,984.18	0.00	<b>497,015.82</b>	Related to income
"Heluo artisans" talent team construction funds	100,000.00	100,000.00	0.00	0.00	<b>200,000.00</b>	Related to income
Equipment complex parts personalized rapid customization intelligent manufacturing new model demonstration verification	418,864.23	0.00	218,963.91	0.00	<b>199,900.32</b>	Related to assets
Tractor whole machine detection technology research and system development	499,000.00	0.00	0.00	0.00	<b>499,000.00</b>	Related to income
Key Technology Research and Machine Development of Hilly Mountain Tractor	1,209,363.92	0.00	70,263.79	0.00	<b>1,139,100.13</b>	Related to income
Medium power energy-saving and environmentally friendly agricultural diesel engine integrated development and machine matching	5,363,217.84	0.00	110,983.68	0.00	<b>5,252,234.16</b>	Related to assets
Integration and demonstration application of agricultural machine navigation operation technology based on Beidou	0.00	1,767,380.00	66,488.21	0.00	<b>1,700,891.79</b>	Related to assets
High-power non-road diesel engine	49,000,000.00	0.00	0.00	0.00	<b>49,000,000.00</b>	Related to income
C Series Government Project Grant	2,148,000.00	0.00	358,000.00	0.00	<b>1,790,000.00</b>	Related to income
New wheeled tractor core capacity improvement	41,109,090.90	0.00	2,418,181.82	0.00	<b>38,690,909.08</b>	Related to income

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

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

#### 41. Deferred revenue (Continued)

##### Item of government grants (Continued)

Monetary unit: RMB

Item of government grants	Beginning balance	Increase of subsidy in this period	Amount recognized as non-operating income in this period	Other changes	Ending balance	Related to assets/related to income
Annual production of 1,000 high-power power shift heavy-duty wheel tractors	2,125,000.00	2,750,000.00	1,500,000.00	0.00	<b>3,375,000.00</b>	Related to assets
Energy-saving and environmentally friendly diesel engine crankshaft machining production line project	3,735,000.00	0.00	270,000.00	0.00	<b>3,465,000.00</b>	Related to assets
New wheeled tractor intelligent manufacturing new model application project	11,900,000.00	0.00	0.00	0.00	<b>11,900,000.00</b>	Related to assets
Modern agricultural equipment smart cockpit digital factory	7,000,000.00	0.00	0.00	0.00	<b>7,000,000.00</b>	Related to assets
Industrial revitalization and technological transformation	11,000,000.00	0.00	1,098,000.00	0.00	<b>9,902,000.00</b>	Related to assets
Improve independent research and development capabilities	13,351,314.83	0.00	651,810.79	0.00	<b>12,699,504.04</b>	Related to assets
Special funds for urban security housing projects	8,352,000.00	0.00	144,000.00	0.00	<b>8,208,000.00</b>	Related to assets
Key product testing platform	12,500,524.60	0.00	694,473.60	0.00	<b>11,806,051.00</b>	Related to assets
Development of key core components for new energy-saving and environmentally friendly agricultural diesel engines	1,658,222.92	0.00	397,393.09	0.00	<b>1,260,829.83</b>	Related to assets
Research and system development of reliability testing technology for tractor Key Parts	1,322,407.76	1,252,300.00	177,806.39	0.00	<b>2,396,901.37</b>	Related to assets
Agricultural machinery pollution emission control technology and system research project	1,118,003.09	0.00	37,975.25	0.00	<b>1,080,027.84</b>	Related to assets
Agricultural machinery intelligent control technology research and development and industrialization	2,040,000.00	0.00	0.00	0.00	<b>2,040,000.00</b>	Related to assets



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

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

**41. Deferred revenue (Continued)**

***Item of government grants (Continued)***

*Monetary unit: RMB*

<b>Item of government grants</b>	<b>Beginning balance</b>	<b>Increase of subsidy in this period</b>	<b>Amount recognized as non-operating income in this period</b>	<b>Other changes</b>	<b>Ending balance</b>	<b>Related to assets/related to income</b>
Application research of intelligent design platform in the development of high power tractor	931,754.86	0.00	146,452.23	0.00	<b>785,302.63</b>	Related to income
Research on key technologies of clean and combustion of agricultural diesel engine	280,000.00	0.00	0.00	0.00	<b>280,000.00</b>	Related to income
Research on control of agricultural machinery exhaust aftertreatment system and key technologies of OBD	705,000.00	0.00	10,777.84	0.00	<b>694,222.16</b>	Related to income
China Association for Science and Technology Young Talents Lifting Project	0.00	210,000.00	0.00	210,000.00	<b>0.00</b>	Related to income
Development of Intelligent Electric Tractor (Double-Motor Coupling Drive Electric Tractor (35) Horsepower Integrated Machine Creation and Test Assessment)	316,894.50	0.00	1,880.02	0.00	<b>315,014.48</b>	Related to income
Research on Field Operation Quality and Test Performance Verification Technology of Tractor Unit	644,079.27	0.00	644,079.27	0.00	<b>0.00</b>	Related to income
Mechanical industry measurement value traceability transmission basic support service capacity improvement	4,750,000.00	0.00	0.00	0.00	<b>4,750,000.00</b>	Related to income
Other projects	132,402.41	0.00	0.00	0.00	<b>132,402.41</b>	Related to income
<b>Total</b>	<b>184,660,141.13</b>	<b>6,658,680.00</b>	<b>10,049,514.07</b>	<b>210,000.00</b>	<b>181,059,307.06</b>	

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

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

#### 41. Deferred revenue (Continued)

##### *Item of government grants (Continued)*

In the current period of the current profit and loss, the other income is RMB9,905,514.07 and the government subsidy of RMB144,000.00 is included in the non-operating income.

In other changes, the amount of reclassification to non-current liabilities due within one year is RMB210,000.00.

#### 42. Share capital

Monetary unit: RMB

Item	Beginning balance	Changes in current period(+/-)				Subtotal	Ending balance
		Issue new stock	Bonus share	Equity fund transferred into shares	Others		
Total amount of shares	985,850,000.00	0.00	0.00	0.00	0.00	0.00	985,850,000.00

#### 43. Capital reserve

Monetary unit: RMB

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Capital stock premium	1,851,848,375.56	0.00	0.00	1,851,848,375.56
Others capital reserve	247,784,237.55	0.00	0.00	247,784,237.55
<b>Total</b>	<b>2,099,632,613.11</b>	<b>0.00</b>	<b>0.00</b>	<b>2,099,632,613.11</b>



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

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

### 44. Other comprehensive income

Monetary unit: RMB

Item	Beginning balance	Before income tax amount incurred in this period	Amount incurred in this period		Less: Income tax expense	Attributable to the parent company after tax	Attributable to the minority shareholders after tax	Ending balance
			Less: recognized into other comprehensive income in prior period and transferred into current period profit or loss	Less: Income tax expense				
1. Other comprehensive income that will not be reclassified into profit or loss afterwards	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Other comprehensive income that will be subsequently reclassified to profit and loss	-16,268,084.50	341,720.81	0.00	0.00	314,097.41	27,623.40	-15,953,987.09	
Exchange differences from retranslation of foreign currency financial statements	-16,268,084.50	341,720.81	0.00	0.00	314,097.41	27,623.40	-15,953,987.09	
<b>Total other comprehensive income</b>	<u>-16,268,084.50</u>	<u>341,720.81</u>	<u>0.00</u>	<u>0.00</u>	<u>314,097.41</u>	<u>27,623.40</u>	<u>-15,953,987.09</u>	



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

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

**45. Special reserves**

*Monetary unit: RMB*

<b>Item</b>	<b>Beginning balance</b>	<b>Increase in this period</b>	<b>Decrease in this period</b>	<b>Ending balance</b>
Safety production expense	3,674,350.81	7,177,094.39	7,032,458.15	<b>3,818,987.05</b>
<b>Total</b>	<u>3,674,350.81</u>	<u>7,177,094.39</u>	<u>7,032,458.15</u>	<u><b>3,818,987.05</b></u>

**46. Surplus reserve**

*Monetary unit: RMB*

<b>Item</b>	<b>Beginning balance</b>	<b>Adjust the initial value</b>	<b>Increase in this period</b>	<b>Decrease in this period</b>	<b>Ending balance</b>
Statutory surplus reserve	437,670,919.67	2,695,205.08	0.00	0.00	<b>440,366,124.75</b>
Discretionary surplus reserve	<u>771,431.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u><b>771,431.00</b></u>
<b>Total</b>	<u>438,442,350.67</u>	<u>2,695,205.08</u>	<u>0.00</u>	<u>0.00</u>	<u><b>441,137,555.75</b></u>

*Note:* Due to changes in accounting policies, the impact of the beginning of the surplus reserve of RMB2,695,205.08, see Note IV, 33 Changes in significant accounting policies and accounting estimates.



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

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

**47. General risk reserves**

*Monetary unit: RMB*

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
General risk reserves	12,754,318.98	0.00	0.00	<b>12,754,318.98</b>

**48. Retained earnings**

*Monetary unit: RMB*

Item	Current period	Last period
Ending balance of last year	<b>1,273,219,846.84</b>	1,289,413,464.37
Add: Adjustment on beginning balance of retained earnings	<b>452,813,926.01</b>	0.00
Beginning balance of this period	<b>1,726,033,772.85</b>	1,289,413,464.37
Add: Net profit for the year attributable to shareholders of the parent company	<b>-144,979,881.65</b>	32,265,644.86
Less: Appropriation of the statutory surplus reserve	<b>0.00</b>	0.00
Accrual of discretionary surplus reserves	<b>0.00</b>	0.00
Provision of general risk reserves	<b>0.00</b>	0.00
Common stock dividends payable	<b>0.00</b>	56,193,450.00
Ordinary shares dividends transferred to share capital	<b>0.00</b>	0.00
Ending balance of this period	<b>1,581,053,891.20</b>	1,265,485,659.23

Adjustment of undistributed profit at the beginning of the period:

Due to changes in accounting policies, the impact of the beginning balance of retained earnings of RMB452,813,926.01, see Note IV. 33 Changes in significant accounting policies and accounting estimates.

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

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

**49. Operating revenue and operating costs**

*Monetary unit: RMB*

Item	Amount incurred in this period		Amount incurred in last period	
	Income	Cost	Income	Cost
Main business	3,465,129,814.31	3,108,957,733.72	4,175,159,288.14	3,565,365,712.99
Other business	44,288,151.18	24,724,444.49	28,160,936.92	8,320,849.11
<b>Total</b>	<b>3,509,417,965.49</b>	<b>3,133,682,178.21</b>	<b>4,203,320,225.06</b>	<b>3,573,686,562.10</b>

**50. Net interest income**

*Monetary unit: RMB*

Item	Cumulative amount in this period	Cumulative amount in last period
<b>Interest income</b>	<b>70,915,637.16</b>	61,175,720.09
Including: From deposits in other banks	<b>36,879,073.14</b>	35,148,636.79
From deposits in central bank	<b>2,266,350.30</b>	2,185,316.68
Lending funds	<b>6,379,055.54</b>	2,960,722.22
Loans and advances granted	<b>24,101,695.68</b>	18,379,447.71
Including: Individual loans and advances	<b>219,178.54</b>	54,625.17
Corporate loans and advances	<b>20,619,901.29</b>	15,559,765.51
Notes discounting	<b>3,262,615.85</b>	2,765,057.03
Buying back the sale of financial assets	<b>1,287,684.74</b>	2,163,212.29
Other	<b>1,777.76</b>	338,384.40



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

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

**50. Net interest income (Continued)**

*Monetary unit: RMB*

<b>Item</b>	<b>Cumulative amount in this period</b>	Cumulative amount in last period
<b>Interest expense</b>	<b>6,683,589.47</b>	6,034,067.26
Including: From deposits in other banks	<b>0.00</b>	0.00
From deposits in central bank	<b>0.00</b>	0.00
Deposits from banks and other financial institutes	<b>981,068.06</b>	146,178.47
Deposits adsorption	<b>5,702,521.41</b>	5,887,888.79
Sale of repurchase financial assets	<b>0.00</b>	0.00
Others	<b>0.00</b>	0.00
<b>Net interest income</b>	<b>64,232,047.69</b>	55,141,652.83

**51. Fees and net commission income**

*Monetary unit: RMB*

<b>Item</b>	<b>Amount in this period</b>	Amount in last period
<b>Fees and commission income</b>	<b>1,056,364.22</b>	245,706.19
Clearing and settlement fees	<b>25,982.72</b>	36,523.11
Agent fees	<b>70,141.50</b>	64,999.99
Credit commitment fees and commissions	<b>86,628.10</b>	133,065.16
Others	<b>873,611.90</b>	11,117.93
<b>Fees and commission expense</b>	<b>169,071.50</b>	92,186.59
Service fee expense	<b>169,071.50</b>	92,186.59
Commission expense	<b>0.00</b>	0.00
<b>Fees and net commission income</b>	<b>887,292.72</b>	153,519.60

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

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

**52. Taxes and surcharges**

*Monetary unit: RMB*

<b>Item</b>	<b>Amount in this period</b>	Amount in last period
Urban maintenance and construction tax	<b>1,268,647.59</b>	2,590,723.62
Education surcharge	<b>911,264.75</b>	1,855,477.61
Property tax	<b>11,412,667.89</b>	11,350,849.47
Land use tax	<b>7,052,835.48</b>	4,421,722.36
Vehicle and vessel usage tax	<b>39,939.84</b>	32,440.32
Stamp duty	<b>2,986,166.19</b>	3,293,103.79
Others	<b>1,231,306.10</b>	2,071,522.12
<b>Total</b>	<b>24,902,827.84</b>	25,615,839.29



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

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

**53. Selling expenses**

*Monetary unit: RMB*

<b>Item</b>	<b>Amount in this period</b>	Amount in last period
Transportation expenses	<b>86,035,499.16</b>	77,372,999.00
Employee compensation	<b>42,494,280.68</b>	43,324,669.49
Sales service fees	<b>16,370,118.98</b>	50,960,919.74
Travel expenses	<b>7,896,793.53</b>	7,505,745.79
Packing expenses	<b>6,503,334.88</b>	7,687,402.01
Rental fees	<b>3,406,296.06</b>	5,206,419.51
Publicity fees	<b>2,518,186.73</b>	3,642,606.08
Advertising fees	<b>2,061,850.98</b>	1,924,793.78
Exhibition expenses	<b>1,434,930.08</b>	1,711,445.14
Others	<b>6,560,425.10</b>	7,250,589.49
<b>Total</b>	<b>175,281,716.18</b>	206,587,590.03

**54. Administrative expenses**

*Monetary unit: RMB*

<b>Item</b>	<b>Amount in this period</b>	Amount in last period
Research and development expenses	<b>161,671,225.12</b>	191,086,806.70
Employee compensation	<b>107,043,404.76</b>	124,517,954.84
Depreciation expenses	<b>28,389,564.03</b>	27,340,455.50
Repair expense	<b>17,722,055.36</b>	17,952,078.09
Amortization of intangible assets	<b>12,807,738.00</b>	13,414,582.22
Rent fees	<b>9,255,262.82</b>	7,245,159.26

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

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

**54. Administrative expenses (Continued)**

*Monetary unit: RMB*

<b>Item</b>	<b>Amount in this period</b>	Amount in last period
Labor insurance premium	<b>6,510,012.01</b>	5,341,018.31
Labor costs	<b>5,414,423.28</b>	4,933,650.74
Party construction work expenses	<b>2,830,196.71</b>	0.00
Business entertainment expense	<b>2,159,643.44</b>	2,628,828.88
Office fee	<b>2,048,946.45</b>	3,202,617.07
Overseas personnel expenses	<b>1,972,336.47</b>	1,177,280.44
Travelling expenses	<b>1,794,305.17</b>	1,964,231.19
Utility fee	<b>1,650,852.39</b>	1,990,811.86
Other	<b>20,532,695.38</b>	17,073,710.78
<b>Total</b>	<b><u><u>381,802,661.39</u></u></b>	<u><u>419,869,185.88</u></u>

**55. Finance expenses**

*Monetary unit: RMB*

<b>Item</b>	<b>Amount in this period</b>	Amount in last period
Interest expense	<b>73,055,205.28</b>	59,378,408.59
Less: Interest income	<b>19,245,257.88</b>	16,296,219.45
Add: Exchange loss	<b>4,126,913.45</b>	-10,259,454.81
Add: Other expense	<b>-10,483,427.21</b>	-14,294,861.25
<b>Total</b>	<b><u><u>47,453,433.64</u></u></b>	<u><u>18,527,873.08</u></u>



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

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

**56. Loss on impairment of assets**

*Monetary unit: RMB*

<b>Item</b>	<b>Amount in this period</b>	Amount in last period
I. Loss on bad debts	<b>22,155,930.79</b>	22,224,786.87
II. Inventory price falling loss	<b>10,821,648.95</b>	-3,321,661.38
III. Impairment loss on available-for-sale financial assets	<b>0.00</b>	0.00
IV. Impairment loss on held-to-maturity investment	<b>0.00</b>	0.00
V. Impairment loss on long-term equity investments	<b>0.00</b>	0.00
VI. Impairment loss on investment properties	<b>0.00</b>	0.00
VII. Impairment loss on fixed assets	<b>0.00</b>	0.00
VIII. Impairment loss on construction materials	<b>0.00</b>	0.00
IX. Impairment loss on construction in process	<b>318,011.00</b>	0.00
X. Impairment loss on productive biological asset	<b>0.00</b>	0.00
XI. Impairment loss on oil and gas assets	<b>0.00</b>	0.00
XII. Impairment loss on intangible assets	<b>0.00</b>	0.00
XIII. Impairment loss on goodwill	<b>0.00</b>	0.00
XIV. Others	<b>4,433,452.22</b>	608,579.07
<b>Total</b>	<b>37,729,042.96</b>	19,511,704.56

**57. Gain/Loss from changes in fair value**

*Monetary unit: RMB*

<b>Source of gain from changes in fair value</b>	<b>Amount in this period</b>	Amount in last period
Financial assets measured at fair value and its movement recorded through profit and loss	<b>65,240,168.04</b>	2,267,854.03
Fair value gains arising from derivative financial instruments	<b>7,800,000.00</b>	-9,881,714.82
<b>Total</b>	<b>73,040,168.04</b>	-7,613,860.79



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

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

**58. Investment income**

*Monetary unit: RMB*

<b>Item</b>	<b>Amount incurred in this period</b>	Amount incurred in last period
Investment income from long-term equity investments by equity method	<b>-1,364,851.82</b>	1,862,338.14
Investment income from disposal of long term equity investments	<b>0.00</b>	0.00
Investment income on financial assets measured at fair value and its movement recorded through profit and loss in the holding period	<b>11,054,096.25</b>	28,456,659.15
Investment income on disposal of financial assets measured at fair value and its movement recorded through profit and loss in the current period	<b>6,957,793.33</b>	-505,750.07
Investment returns on held-to-maturity investment during the holding period through profit and loss in the current period	<b>717,239.61</b>	709,485.65
Investment income of available-for-sale financial assets during the holding period		



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

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

**58. Investment income (Continued)**

*Monetary unit: RMB*

Item	Amount incurred in this period	Amount incurred in last period
Investment returns on disposal of financial assets available-for-sale	0.00	0.00
After the loss of control, gains from remeasuring the remaining equity at fair value	0.00	0.00
<b>Total</b>	<b>17,364,277.37</b>	30,522,732.87

**59. Assets disposal income**

*Monetary unit: RMB*

Item	Amount incurred in this period	Amount incurred in last period
Profit or loss of the disposal of fixed assets	497,857.69	-391,959.48
<b>Total</b>	<b>497,857.69</b>	-391,959.48

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

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

**60. Other income**

*Monetary unit: RMB*

Item	Amount incurred in this period	Amount incurred in last period
Government grants	<b>14,201,314.07</b>	20,126,291.58
<b>Total</b>	<b>14,201,314.07</b>	20,126,291.58

**(1) Government grants included in other income**

*Monetary unit: RMB*

Item	Amount in this period	Amount in last period	Related to assets/related to income
Equipment complex parts personalized rapid customization intelligent manufacturing new model demonstration verification	<b>218,963.91</b>		Related to income
National Key Laboratory of Tractor Power System Award Fund		1,000,000.00	Related to income
Research and application of key technologies for fully automatic intelligent precision forging demonstration line		2,000,000.00	Related to income
Agricultural Machinery Casting Rapid Prototyping Technology Henan Engineering Laboratory		150,000.00	Related to income



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

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

**60. Other income (Continued)**

***Government grants recognized into current profit or loss***

*Monetary unit: RMB*

<b>Item</b>	<b>Amount in this period</b>	<b>Amount in last period</b>	<b>Related to assets/related to income</b>
Key Technology Research and Machine Development of Hilly Mountain Tractor	<b>70,263.79</b>		Related to income
Medium power energy-saving and environmentally friendly agricultural diesel engine integrated development and machine matching	<b>110,983.68</b>	21,277.00	Related to income
Research on Fault Warning and Remote Diagnosis Technology for Tractor Operation Information Collection	<b>31,984.18</b>		Related to income
Integration and demonstration application of agricultural machine navigation operation technology based on Beidou	<b>66,488.21</b>		Related to income
Intelligent tractor positioning and remote monitoring system	<b>1,000,000.00</b>		Related to income
Wheel tractor technical transformation	<b>1,384,000.00</b>	1,384,000.00	Related to assets
C Series Government Project Grant	<b>358,000.00</b>	358,000.00	Related to assets
Energy-saving and environmentally friendly diesel engine crankshaft machining production line project	<b>270,000.00</b>	270,000.00	Related to assets
New wheeled tractor core capacity improvement	<b>2,418,181.82</b>	2,418,181.82	Related to assets

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

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

**60. Other income (Continued)**

***Government grants included in other income (Continued)***

*Monetary unit: RMB*

<b>Item</b>	<b>Amount in this period</b>	<b>Amount in last period</b>	<b>Related to assets/related to income</b>
Annual production of 1000 high-power power shift heavy-duty wheel tractors	<b>1,500,000.00</b>	125,000.00	Related to assets
Industry support funds	<b>1,534,600.00</b>	1,417,000.00	Related to income
Industrial revitalization and technological transformation	<b>1,098,000.00</b>	1,098,000.00	Related to assets
Development of key core components for new energy-saving and environmentally friendly agricultural diesel engines	<b>397,393.09</b>		Related to income
Research and System Development of Reliability Testing Technology for Tractor Key Parts	<b>177,806.39</b>		Related to income
Agricultural machinery pollution emission control technology and system research project	<b>37,975.25</b>		Related to income
Application Research of Intelligent Design Platform in the Development of High Power Tractor	<b>146,452.23</b>		Related to income
Research on Control of Agricultural Machinery Exhaust Aftertreatment System and Key Technologies of OBD	<b>10,777.84</b>		Related to income



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

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

**60. Other income (Continued)**

***Government grants included in other income (Continued)***

*Monetary unit: RMB*

Item	Amount in this period	Amount in last period	Related to assets/related to income
Improve independent research and development capabilities	<b>651,810.79</b>	647,969.88	Related to assets
Key product testing and testing platform	<b>694,473.60</b>		Related to assets
Central Foreign Economic and Trade Development Special Grant Fund	<b>1,000,000.00</b>	23,800.00	Related to income
Development of Intelligent Electric Tractor (Double-Motor Coupling Drive Electric Tractor (35) Horsepower Integrated Machine Creation and Test Assessment)	<b>1,880.02</b>		Related to income
Research on Field Operation Quality and Test Performance Verification Technology of Tractor Unit	<b>644,079.27</b>		Related to income
Stable subsidy		3,686,405.00	Related to income
Xinjiang Agricultural Construction Project		1,745,245.88	Related to income
Diesel crankshaft forging line		1,695,000.00	Related to assets
Foreign investment and cooperation overseas investment projects		746,700.00	Related to income
Volatile Organics Management Project Fund		500,000.00	Related to income

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

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

**60. Other income (Continued)**

***Government grants included in other income (Continued)***

*Monetary unit: RMB*

Item	Amount in this period	Amount in last period	Related to assets/related to income
The full reward for the part of value-added tax(VAT)paid retained by the local authority		783,800.00	Related to income
Foreign trade growth incentive		16,912.00	Related to income
Major technical equipment premium awards		39,000.00	Related to income
2017 annual corporate R&D expenses provincial financial incentive funds	<b>187,200.00</b>		Related to income
In-depth promotion of industrial economic transformation and upgrading incentive funds	<b>190,000.00</b>		Related to income
<b>Total</b>	<b>14,201,314.07</b>	20,126,291.58	



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

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

**61. Government subsidies**

**(1) Classification of government subsidies**

*Monetary unit: RMB*

<b>Projects of government subsidies</b>	<b>Amount in this period</b>	Amount in last period	Note
Government subsidies included in deferred income	<b>6,658,680.00</b>	18,401,600.00	
Government subsidies included in other income	<b>2,911,800.00</b>	7,563,617.00	
Government subsidies included in non-operating income	<b>0.00</b>	7,618,940.00	
<b>Total</b>	<b>9,570,480.00</b>	33,584,157.00	

**(2) There are no government subsidies which used to reduce the book value of the related assets.**

**(3) There are no government subsidies which used to reduce cost costs.**

**(4) No refunded government subsidies.**



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

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

**62. Non-operating income**

*Details of non-operating income*

*Monetary unit: RMB*

<b>Item</b>	<b>Amount in this period</b>	Amount in last period	<b>Extraordinary gains and losses recognized in this period</b>
Gain on debt restructuring	<b>3,400,243.47</b>	302,261.47	3,400,243.47
Government grants	<b>144,000.00</b>	7,618,940.00	144,000.00
Unpayable payables	<b>2,202,154.98</b>	17,699,922.34	2,202,154.98
Others	<b>1,139,219.26</b>	2,873,305.53	1,139,219.26
<b>Total</b>	<b>6,885,617.71</b>	28,494,429.34	6,885,617.71



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

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

**62. Non-operating income (Continued)**

***Government grants recognized current profit or loss***

*Monetary unit: RMB*

<b>Item</b>	<b>Amount in this period</b>	<b>Amount in last period</b>	<b>Related to assets/ Related to income</b>	<b>Notes</b>
Zombie enterprise subsidy	<b>0.00</b>	7,609,840.00	Related to income	Guo Ji Cai Zi Han[2017]No.14
Special funds for urban security housing projects	<b>144,000.00</b>	0.00	Related to income	Luo Cai Yu [2014] No. 164
Luoyang City Yellow Label vehicles early phase-out subsidy funds	<b>0.00</b>	9,100.00	Related to income	Notice of the Implementation Plan for the Elimination of Yellow Label Vehicles in Luoyang City in 2016 – Luo Zheng Ban [2016] No. 33
<b>Total</b>	<b><u><u>144,000.00</u></u></b>	<b><u><u>7,618,940.00</u></u></b>		

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

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

**63. Non-operating expenses**

*Monetary unit: RMB*

<b>Item</b>	<b>Amount in this period</b>	Amount in last period	<b>Extraordinary gains and losses recognized in this period</b>
Debt restructuring	<b>110,643.22</b>	415,872.75	110,643.22
Donations to outside party	<b>8,000.00</b>	0.00	8,000.00
Others	<b>308,296.49</b>	495,136.82	308,296.49
<b>Total</b>	<b>426,939.71</b>	911,009.57	426,939.71

**64. Income tax expenses**

**(1) Chart of income tax expenses**

*Monetary unit: RMB*

<b>Item</b>	<b>Amount in this period</b>	Amount in last period
Current income tax expenses	<b>26,360,411.29</b>	28,491,647.61
Deferred income tax expense	<b>11,842,058.84</b>	1,833,734.51
<b>Total</b>	<b>38,202,470.13</b>	30,325,382.12



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

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

**65. Notes to items of cash flow statement**

**(1) Cash receipts from other operating activities**

*Monetary unit: RMB*

Item	Amount in this period	Amount in last period
Cash receipts from interest income of bank deposits	<b>5,698,129.26</b>	7,000,585.81
Cash receipts from other receivables	<b>11,884,647.65</b>	44,622,039.48
<b>Total</b>	<b>17,582,776.91</b>	51,622,625.29

**(2) Cash payments to other operating activities**

*Monetary unit: RMB*

Item	Amount in this period	Amount in last period
Payment of selling and administrative expenses	<b>274,896,213.28</b>	226,037,441.86
Payment of other payables	<b>45,207,236.14</b>	32,645,222.64
<b>Total</b>	<b>320,103,449.42</b>	258,682,664.50

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

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

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

**(3) Cash receipts from other investing activities**

*Monetary unit: RMB*

<b>Item</b>	<b>Amount in this period</b>	Amount in last period
Cash received from assets-related government grants	<u>2,750,000.00</u>	<u>11,900,000.00</u>
<b>Total</b>	<u><u>2,750,000.00</u></u>	<u><u>11,900,000.00</u></u>

**(4) Other cash payments relating to financing activities**

*Monetary unit: RMB*

<b>Item</b>	<b>Amount in this period</b>	Amount in last period
Repurchase H shares	<u>0.00</u>	<u>17,910,139.34</u>
<b>Total</b>	<u><u>0.00</u></u>	<u><u>17,910,139.34</u></u>



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

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

**66. Supplementary information for consolidated cash flow statement**

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

*Monetary unit: RMB*

Item	Amount in this period	Amount in last period
1. Reconciliation of net profit to cash flows from operating activities		
Net profit	<b>-152,954,729.28</b>	34,717,884.38
Add: Provision for asset impairment	<b>37,729,042.96</b>	19,511,704.56
Depreciation of fixed asset	<b>153,753,391.09</b>	148,545,931.75
Amortization of intangible assets	<b>15,508,114.34</b>	15,562,928.74
Amortization of long-term deferred expenses	<b>7,731,623.14</b>	6,391,285.33
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain listed as "-")	<b>-497,857.69</b>	391,959.48
Loss on disposal of fixed assets (Gain listed as "-")	<b>0.00</b>	81,529.32
Gain or loss from changes in fair value (Gain listed as "-")	<b>-73,040,168.04</b>	7,613,860.79
Financial expenses (Gain listed as "-")	<b>56,756,107.00</b>	28,122,747.23
Loss on investments (Gain listed as "-")	<b>-17,364,277.37</b>	-30,522,732.87
Decrease in deferred tax assets (Increase listed as "-")	<b>3,194,232.18</b>	1,829,662.44
Increase in deferred tax liabilities (Decrease listed as "-")	<b>8,647,826.65</b>	396,315.41
Decrease in inventories (Increase listed as "-")	<b>-197,527,465.67</b>	-86,740,438.78

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

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

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

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

Monetary unit: RMB

Item	Amount in this period	Amount in last period
Decrease in operating receivables (Increase listed as "-")	<b>-484,111,476.41</b>	-486,568,281.07
Increase in operating payables (Decrease listed as "-")	<b>138,793,244.55</b>	-605,890,013.20
Others	<b>20,963,163.61</b>	-2,698,370.47
Net cash flow generated from operating activities	<b>-482,419,228.94</b>	-949,254,026.96
2. Significant non-cash investing and financing activities		
Conversion of debts into capital	<b>0.00</b>	0.00
Convertible bonds repayable within 1 year	<b>0.00</b>	0.00
Fixed assets acquired under finance lease arrangement	<b>0.00</b>	0.00
3. Net changes in cash and cash equivalents		
Ending balance of cash	<b>2,070,957,331.50</b>	2,250,438,476.71
Less: Beginning balance of cash	<b>2,946,734,827.85</b>	2,894,305,807.48
Add: Ending balance of cash equivalents	<b>0.00</b>	0.00
Less: Beginning balance of cash equivalents	<b>0.00</b>	0.00
Net increase in cash and cash equivalents	<b>-875,777,496.35</b>	-643,867,330.77



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

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

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

**(2) Cash and cash equivalents**

*Monetary unit: RMB*

Item	Ending balance	Beginning balance
1. Cash	<b>2,070,957,331.50</b>	2,946,734,827.85
Including: Cash on hand	<b>554,700.14</b>	814,564.53
Bank deposits ready for payment	<b>2,039,544,838.82</b>	2,945,846,039.79
Other monetary funds ready for payment	<b>30,857,792.54</b>	74,223.53
Deposit in the Central Bank ready for payment	<b>0.00</b>	0.00
Interbank deposits	<b>0.00</b>	0.00
Loans to other banks	<b>0.00</b>	0.00
2. Cash equivalents		
Including: Bond investments due within 3 months	<b>0.00</b>	0.00
3. Ending balance of cash and cash equivalents	<b>2,070,957,331.50</b>	2,946,734,827.85
Including: Cash and cash equivalents with restricted use of the parent company or the subsidiaries of the Group	<b>0.00</b>	0.00



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

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

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

Monetary unit: RMB

Item	Ending balance of book value	Reason
Monetary funds	316,024,022.16	Bank acceptance bill deposits, letter of credit deposits, deposits, letter of guarantee deposits, risk reserves, investment funds deposited out, investment funds deposited out in the bank deposits, and the statutory deposit reserve deposit
Notes receivable	52,722,467.69	Pledged
Fixed assets	57,652,988.95	Short-term loan mortgage guarantee
Intangible assets	16,894,354.25	Short-term loan mortgage guarantee
<b>Total</b>	<b>443,293,833.05</b>	

#### Other explanation:

In the monetary funds restricted by ownership, which is, the other monetary funds, the bank acceptance deposits are RMB44,851,425.76, the L/C Guarantee deposits RMB1,394,680.41, the guarantee deposits are RMB10,727,223.00, forward settlement money deposit of RMB529,068.11, the lawsuit deposit is RMB34,875.10. Statutory deposit reserve in the central bank included in bank deposit is RMB258,486,749.78.

The amount of notes receivable with restricted ownership is the amount of notes receivable pledged in the bank in the current period.

The land and properties with restricted ownership of which the net book value of RMB74,547,343.20 are used as a mortgage to obtain the short-term borrowings of RMB70 million in Dongsheng Branch of Bank of Jilin in the current period.



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

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

**68. Net current assets**

Item	Ending balance	Beginning balance
Current assets	<b>7,894,795,831.57</b>	8,605,270,185.15
Less: current liabilities	<b><u>6,645,755,695.76</u></b>	<u>7,747,678,120.64</u>
<b>Net current assets</b>	<b><u><u>1,249,040,135.81</u></u></b>	<u><u>857,592,064.51</u></u>

**69. Total assets deduct current liabilities**

Item	Ending balance	Beginning balance
Total assets	<b>13,672,354,514.73</b>	14,102,773,527.68
Less: current liabilities	<b><u>6,645,755,695.76</u></b>	<u>7,747,678,120.64</u>
<b>Total assets deduct current liabilities</b>	<b><u><u>7,026,598,818.97</u></u></b>	<u><u>6,355,095,407.04</u></u>

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

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

**70. Loan**

*Monetary unit: RMB*

Item	Ending balance	Beginning balance
Short-term bank loan	<b>1,640,917,357.13</b>	1,333,879,689.22
Short-term entrustment loan	<b>700,000,000.00</b>	700,000,000.00
Long-term loans due in one year	<b>30,000,000.00</b>	9,752,875.00
Bonds payable within one year	<b>0.00</b>	1,499,228,820.52
Long-term loan	<b>896,714,000.00</b>	689,011,500.00
Bonds payable	<b>0.00</b>	0.00
<b>Total</b>	<b>3,267,631,357.13</b>	4,231,872,884.74

**(1) Analysis of loan**

*Monetary unit: RMB*

Item	Ending balance	Beginning balance
Bank loan		
Paid within one year	<b>2,370,917,357.13</b>	1,343,632,564.22
Paid after one year	<b>896,714,000.00</b>	689,011,500.00
Subtotal	<b>3,267,631,357.13</b>	2,032,644,064.22
Other loan		
Paid within one year	<b>0.00</b>	2,199,228,820.52
Paid after one year	<b>0.00</b>	0.00
Subtotal	<b>0.00</b>	2,199,228,820.52
<b>Total</b>	<b>3,267,631,357.13</b>	4,231,872,884.74



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

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

**70. Loan (Continued)**

**(2) Maturity date analysis of loan**

Item	Ending balance	Beginning balance
Bank loan		
Within 1 year	<b>2,370,917,357.13</b>	1,343,632,564.22
1–2 years	<b>30,000,000.00</b>	60,000,000.00
2–5 years	<b>866,714,000.00</b>	629,011,500.00
Over 5 years	<b>0.00</b>	0.00
Subtotal	<b><u>3,267,631,357.13</u></b>	<u>2,032,644,064.22</u>
Other loan		
Within 1 year	<b>0.00</b>	2,199,228,820.52
1–2 years	<b>0.00</b>	0.00
2–5 years	<b>0.00</b>	0.00
Over 5 years	<b>0.00</b>	0.00
Subtotal	<b><u>0.00</u></b>	<u>2,199,228,820.52</u>
<b>Total</b>	<b><u><u>3,267,631,357.13</u></u></b>	<u><u>4,231,872,884.74</u></u>

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

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

**71. Foreign currency monetary items**

**(1) Foreign currency monetary items**

<b>Item</b>	<b>Ending balance of foreign currency</b>	<b>Exchange rate</b>	<b>Ending balance converted into RMB</b>
<b>Monetary funds</b>			
USD	14,736,603.26	6.62	97,506,209.16
EUR	2,021,470.03	7.76	15,682,212.37
HKD	56,012,296.84	0.84	47,223,967.47
YEN	21,712,514.00	0.06	1,300,883.56
AUD	704,114.15	4.86	3,424,318.35
XOF	162,781,330.00	0.01	1,898,030.31
ZAR	4,344,251.38	0.48	2,086,543.94
BYR	12,758.20	3.31	42,184.73
<b>Accounts receivable</b>			
USD	68,923,947.74	6.62	456,042,192.59
EUR	1,352,819.87	7.76	10,494,291.90
AUD	2,240,743.72	4.32	9,684,761.61
XOF	127,903,197.22	0.01	1,491,351.28
ZAR	28,164,700.85	0.48	13,527,505.82
<b>Long-term loans</b>			
EUR	10,000,000.00	7.67	76,714,000.00
<b>Other receivables</b>			
EUR	2,288,264.58	7.76	17,760,365.53
XOF	64,501,798.00	0.01	752,090.96
ZAR	74,669.79	0.48	35,683.90



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

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

**71. Foreign currency monetary items (Continued)**

**(1) Foreign currency monetary items (Continued)**

Item	Ending balance of foreign currency	Exchange rate	Ending balance converted into RMB
<b>Advances to suppliers</b>			
USD	1,082,232.00	6.66	7,206,037.96
EUR	2,508,046.47	8.10	20,304,128.61
XOF	20,268,803.00	0.01	236,334.24
<b>Other current assets</b>			
BYR	36,000.00	3.31	119,033.33
<b>Accounts payable</b>			
USD	478,565.60	6.62	3,166,477.15
EUR	1,027,639.84	7.76	7,976,026.61
XOF	5,892,501.00	0.01	68,706.56
BYR	3,000.00	3.31	9,919.44
<b>Other payables</b>			
EUR	810,841.09	7.76	6,293,343.12
XOF	113,365,862.53	0.01	1,321,845.96
ZAR	22,792,771.61	0.82	18,607,622.41
BYR	3,000.00	3.31	9,919.44

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

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

**71. Foreign currency monetary items (Continued)**

**(1) Foreign currency monetary items (Continued)**

Item	Ending balance of foreign currency	Exchange rate	Ending balance converted into RMB
<b>Advance from customers</b>			
USD	2,692,165.26	3.58	9,644,634.25
EUR	151,602.77	7.65	1,160,015.99
XOF	32,870,228.76	0.01	383,266.87
<b>Short-term borrowings</b>			
USD	100,000,000.00	6.62	661,660,000.00
XOF	879,704,728.00	0.01	10,257,357.13



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

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

#### 71. Foreign currency monetary items (Continued)

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

Company name	Overseas main business place	Recording currency	The basis for recording currency selection
Brilliance China Machinery Holdings Co., Ltd	Hong Kong	USD	Business environment and the main settlement currency
YITWO Agro-Industrial	Cote d'Ivoire	XOF	Business environment and the main settlement currency
CAD FUND MACHINERY (SA) (PTY) LTD.	South Africa	ZAR	Business environment and the main settlement currency
YTO FRANCE SAS	France	EUR	Business environment and the main settlement currency
YTO Belarus Technology Co. Ltd.	Belarus	BYR	Business environment and the main settlement currency

#### 72. Reserved funds

According to the applicable law of the Company's registered place of establishment which is in China, the distributable reserve of our company in June 30, 2018 was RMB1,583,749,096.28 and the capital surplus was RMB1,851,848,375.56.



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

### **VII. CHANGES IN SCOPE OF CONSOLIDATION**

#### **1. Business consolidation not under common control**

No business consolidation not under common control in this period.

#### **2. Business consolidation under common control**

No business consolidation under common control in this period.

#### **3. Counter purchase**

None

#### **4. Disposal of subsidiary companies**

No disposal of subsidiary companies in this period.

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

None



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

## 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	0.00	Establishment
Chang Tuo Agricultural Machinery Equipment Group Co., Ltd	China	China	Tractor manufacturing	33.33	0.00	Subsidiaries acquired through business combination not under common control
YTO Heilongjiang Agricultural Machinery Co., Ltd	China	China	Tractor manufacturing	100.00	0.00	Establishment
Luoyang Tractor Research Institute Co., Ltd	China	China	Others	51.00	0.00	Business combination under common control
YTO International Economic and Trade Co., Ltd	China	China	Sale of agricultural machinery	100.00	0.00	Business combination under common control
YTO (Luoyang) Flag Auto-Body Company Limited	China	China	Tractor manufacturing	100.00	0.00	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
Brilliance China Machinery Holding Co., Ltd.	China	Bermuda	Investment shareholding	90.10	0.00	Establishment
Luoyang Changxing Agricultural Machinery Co., Ltd	China	China	Sale of agricultural machinery	70.00	30.00	Establishment
Luoyang Changhong Trading Co., Ltd	China	China	Sale of agricultural machinery	100.00	0.00	Establishment
YTO (Luoyang) Shentong Construction Machinery Co., Ltd	China	China	Other machinery manufacturing	100.00	0.00	Establishment
China YTO Group Finance Co., Ltd	China	China	Finance	94.60	4.80	Establishment
YTO (Luoyang) Transportation Machinery Co., Ltd	China	China	Other machinery manufacturing	93.39	0.00	Establishment

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

## VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

#### (1) Composition of the Group (Continued)

Name of the subsidiary	Main operating place	Registration place	Business nature	Shareholding percentage (%)		Acquisition method
				Direct	Indirect	
YTO (Luoyang) 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	0.00	Subsidiaries acquired through business combination not under common control
YTO (Luoyang) Foundry Company Limited	China	China	Tractor manufacturing	100.00	0.00	Business combination under common control
YTO (Xinjiang) Machinery Co., Ltd	China	China	Tractor manufacturing	100.00	0.00	Establishment
YTO FRANCE SAS	France	France	Tractor manufacturing	100.00	0.00	Establishment
YTO Belarus Technology Co. Ltd	Belarus	Belarus	Research and development	100.00	0.00	Business combination under common control

*Explanation of the difference between the proportion of shareholding in subsidiaries and the percentage of voting rights:*

According to the decision of the first meeting of the sixth board of directors in 2012, the Company raised capital with RMB94,250,000.00 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 REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)**

**VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)**

**1. Interests in subsidiaries (Continued)**

**(2) Significant partially-owned subsidiaries**

*Unit: Yuan Currency: RMB*

<b>Name of the subsidiary</b>	<b>Shareholding percentage of minority shareholders (%)</b>	<b>Profit or loss attributable to minority shareholders</b>	<b>Dividends declared to minority shareholders in this period</b>	<b>Ending balance of minority interests</b>
Brilliance China Machinery Holdings Co., Ltd	9.90	213,571.43	0.00	11,749,676.55
YTO (Luoyang) Transportation Machinery Co., Ltd	6.61	-137,765.72	0.00	-787,590.06
YTO Group Finance Co., Ltd	1.21	455,541.72	0.00	10,272,732.42
China-Africa Heavy Industry Investment Co., Ltd	45.00	455,541.72	0.00	46,129,932.40
Luoyang Tractor Research Institute Co., Ltd	49.00	-275,740.15	0.00	329,084,747.27
YTO (Luoyang) Diesel Engine Co., Ltd	14.53	1,385,326.33	0.00	262,618,003.68
YTO (Luoyang) Fuel Injection Co., Ltd	13.89	-1,625,410.08	0.00	26,050,093.41
Chang Tuo Agricultural Machinery Equipment Group Co., Ltd	66.67	-7,194,469.26	0.00	25,212,261.08

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

## VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

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

Unit: Yuan Currency: RMB

Item	Ending balance/Amount in this period							
	YTO (Luoyang) Transportation Machinery Co., Ltd	Brilliance		China-Africa			Chang Tuo	
		China	YTO Group	Heavy Industry	Luoyang Tractor	YTO (Luoyang)	YTO (Luoyang)	Agricultural
		Machinery Holdings Co., Ltd	Finance Co., Ltd	Investment Co., Ltd	Research Institute Co., Ltd	Diesel Engine Co., Ltd	Fuel Injection Co., Ltd	Machinery Equipment Group Co., Ltd
Current assets	7,105,806.10	106,828,115.41	2,352,608,562.15	131,199,111.09	260,873,642.46	1,726,213,087.43	109,031,146.92	18,149,130.97
Non-current assets	22,785,221.37	9,924,900.00	2,101,282,109.80	2,319,283.20	509,156,164.27	639,040,435.99	110,570,089.18	162,863,001.03
Total assets	29,891,027.47	116,753,015.41	4,453,890,671.95	133,518,394.29	770,029,806.73	2,365,253,523.42	219,601,236.10	181,032,132.00
Current liabilities	41,697,008.59	450,568.99	3,611,527,455.18	33,014,049.18	52,112,428.34	688,101,016.85	34,762,660.92	135,731,289.15
Non-current liabilities					46,315,853.35	117,506,320.79		7,482,409.93
Total liabilities	41,697,008.59	450,568.99	3,611,527,455.18	33,014,049.18	98,428,281.69	805,607,337.64	34,762,660.92	143,213,699.08
Operating income	1,803,198.87		92,955,320.01	57,523,345.13	105,680,213.99	723,213,184.83	35,279,482.22	
Net profit	-2,084,201.51	2,157,287.15	37,638,744.16	-1,803,289.56	-562,735.01	9,996,534.87	-11,704,544.39	-10,791,698.49



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

## VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

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

Item	Beginning balance/Amount in last period							
	YTO (Luoyang)	Brilliance China		China-Africa	Luoyang			Chang Tuo
	Transportation	Machinery	YTO Group	Heavy Industry	Tractor	YTO (Luoyang)	YTO (Luoyang)	Agricultural
	Machinery	Holdings	Finance	Investment	Institute	Diesel Engine	Fuel Injection	Machinery
	Co., Ltd	Co., Ltd	Co., Ltd	Co., Ltd	Co., Ltd	Co., Ltd	Co., Ltd	Group Co., Ltd
Current assets	21,011,978.10	164,251,903.08	3,329,903,268.01	132,575,620.41	255,669,980.52	953,815,625.47	122,396,433.05	18,953,865.23
Non-current assets	23,562,809.77	9,801,300.00	2,002,273,902.56	2,428,418.11	520,054,526.43	763,843,079.72	116,409,891.79	168,461,700.74
Total assets	44,574,787.87	174,053,203.08	5,332,177,170.57	135,004,038.52	775,724,506.95	1,717,658,705.19	238,806,324.84	187,415,565.97
Current liabilities	54,296,567.48	60,808,299.38	4,527,452,697.96	32,588,130.94	55,590,045.07	648,384,374.71	42,263,205.27	131,088,906.33
Non-current liabilities					47,970,201.83	21,043,418.20		7,698,398.23
Total liabilities	54,296,567.48	60,808,299.38	4,527,452,697.96	32,588,130.94	103,560,246.90	669,427,792.91	42,263,205.27	138,787,304.56
Operating income	8,687,302.61		78,132,187.19	33,103,061.31	135,897,831.33	1,055,518,082.83	60,117,629.67	124,143.42
Net profit	-3,600,648.98	2,658,923.12	35,023,392.94	-365,874.94	10,691,457.22	58,524,350.82	-13,878,108.82	-15,488,517.91

#### (4) Major restrictions on the use of enterprise group assets and repayment of enterprise group debt

N/A

#### (5) Financial support or other support provided to the structured body that incorporates the scope of the consolidated financial statements

N/A

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

## VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 2. Situation of which the portion of shareholders' equity in a subsidiary changed but still in control of the subsidiary

The Company does not have this transaction in this period.

### 3. Interests in joint ventures or associates

#### (1) Significant joint ventures or associates

Monetary unit: RMB

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

**VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)**

**3. Interests in joint ventures or associates (Continued)**

**(2) Main financial information of important joint ventures (Continued)**

*Monetary unit: RMB*

Item	Ending balance/Amount incurred in this period		Beginning balance/Amount incurred in last period	
	YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	ZF YTO (Luoyang) Drive Axle Co., Ltd	YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	ZF YTO (Luoyang) Drive Axle Co., Ltd
Current assets	<b>2,941,727.01</b>	<b>124,456,019.75</b>	3,059,751.35	142,549,605.68
Including: Cash and cash equivalents	<b>38,849.47</b>	<b>95,978,814.82</b>	77,765.14	87,831,907.99
Non-current assets	<b>1,463,688.79</b>	<b>194,405,914.25</b>	1,543,792.63	188,565,315.93
Total assets	<b>4,405,415.80</b>	<b>318,861,934.00</b>	4,603,543.98	331,114,921.61
Current liabilities	<b>323,566.19</b>	<b>34,247,306.39</b>	296,346.10	43,906,993.70
Non-current liabilities	<b>100,000.00</b>	<b>0.00</b>	100,000.00	0.00
Total liabilities	<b>423,566.19</b>	<b>34,247,306.39</b>	396,346.10	43,906,993.70



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

## VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 3. Interests in joint ventures or associates (Continued)

#### (2) Main financial information of important joint ventures (Continued)

Item	Ending balance/Amount incurred in this period		Beginning balance/Amount incurred in last period	
	YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	ZF YTO (Luoyang) Drive Axle Co., Ltd	YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	ZF YTO (Luoyang) Drive Axle Co., Ltd
Minority interests	0.00	0.00	0.00	0.00
Equity attributable to the parent company shareholders	3,981,849.61	284,614,627.61	4,207,197.88	287,207,927.91
Share of net assets calculated by shareholding ratio	796,373.91	139,461,167.53	841,443.56	140,731,884.68
Adjusted matters	0.00	-18,490.04	0.00	-270,617.83
– Goodwill	0.00	0.00	0.00	0.00
– Unrealized profits from internal transactions	0.00	-18,490.04	0.00	-270,617.83
– Others	0.00	0.00	0.00	0.00
Book value of equity investments in joint ventures	796,373.91	139,442,677.49	841,443.56	140,461,266.85
Fair value of equity investments in joint ventures with public offer	0.00	0.00	0.00	0.00



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

**VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)**

**3. Interests in joint ventures or associates (Continued)**

**(2) Main financial information of important joint ventures (Continued)**

Item	Ending balance/Amount incurred in this period		Beginning balance/Amount incurred in last period	
	YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	ZF YTO (Luoyang) Drive Axle Co., Ltd	YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	ZF YTO (Luoyang) Drive Axle Co., Ltd
Operating income	0.00	95,958,507.81	447,606.24	122,353,570.04
Finance expenses	43.94	-669,942.00	227.14	-787,162.13
Net profit	-225,348.27	-2,266,556.67	-255,298.51	4,178,619.43
Net profits of discontinuing operation	0.00	0.00	0.00	0.00
Other comprehensive income	0.00	0.00	0.00	0.00
Total comprehensive income	<u>-225,348.27</u>	<u>-2,266,556.67</u>	<u>-255,298.51</u>	<u>4,178,619.43</u>
Dividends from joint ventures for current period	0.00	0.00	0.00	7,056,000.00

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

**VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)**

**3. Interests in joint ventures or associates (Continued)**

**(3) Summary financial information of insignificant associates**

Monetary unit: RMB

Item	Ending balance/Amount incurred in this period	Beginning balance/Amount incurred in last period
Associates total book value of investments	<b>63,761.10</b>	56,953.57
Total amount of the following items calculated by shareholding ratio		
– Net profit	<b>-101,801.91</b>	-37,203.80
– Other comprehensive income	<b>0.00</b>	0.00
– Total comprehensive income	<b>-101,801.91</b>	-37,203.80

**(4) Significant restrictions of the ability to transfer funds from associates or joint ventures to the Company**

None

**(5) Excess loss incurred in associates or joint ventures**

None

**(6) Unconfirmed commitments related to investments in associates**

None

**(7) Contingent liabilities related to investments in associates or joint ventures**

None



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

### **IX. RISK RELATED TO FINANCIAL INSTRUMENTS**

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

#### **1. Credit risk**

The group's credit risks are mainly from monetary funds, notes receivable, accounts receivable, other receivables, long-term receivables, non-current assets due within one year and held-to-maturity investments. Management has made appropriate credit policies and constantly monitors the exposure of these credit risks.

The currency funds held by the Company are mainly stored in the financial institutions such as state-owned banks and other large and medium-sized commercial banks. The management believes that these commercial banks have a higher reputation and assets, so there is no major credit risk and the Company would not have any significant losses which caused by the breach of contract by the institutions.

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

### **IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)**

#### **1. Credit risk (Continued)**

On June 30, 2018, the maximum credit risk exposure that may cause financial losses to the Company was mainly attributable to the risk of failure of customers or counterparties to perform on the maturity date. Specifically, it includes accounts receivable, other receivables, notes receivable, non-current assets due within one year, long-term receivables, and lending business of YTO Group Finance Co., Ltd., a subsidiary of the Company.

The policy of the Group is to make all customers with credit term transactions to go through credit audit procedures. The Company 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 Company will conduct regular monitoring of customer credit records. As for bad credit customers, the Company will use the written reminders, shorten the credit period or cancel the credit period to ensure that the Company'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.

At The end of June 30, 2018, the accounts receivable of top five customers of the Company accounted for 17.04% of our company's total accounts receivable (June 30, 2017: 24.05%), so the Company didn't have significant credit concentration risk.



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

### **IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)**

#### **1. Credit risk (Continued)**

YTO Group Finance Co., Ltd, a subsidiary of the Group, has built up a series of strict credit standards and loan approval systems to control and manage the credit risk. The loan approval committee is responsible for making policies and confirming credit limitations to make a collective review of each credit loan business. The audit department of YTO Group Finance Co., Ltd is responsible for monitoring the policies and inspecting implementations of the systems.

Note receivable is guaranteed by state-owned banks or other reputable financial institution. Therefore, the credit risk of notes receivable is limited.

Regarding the carrying amount of financial assets in the consolidated balance sheet, for financial instruments measured at fair value, the book value reflects its risk exposure but not the maximum risk exposure. The maximum risk exposure will change along with the change of fair value in the future.

The maximum exposure to credit risk of the Company is the carrying amount of each financial asset (including derivative financial instruments) in the balance sheet. Except for the financial guarantees provided by the Company as set out in Note 13, the Company has not provided any other guarantees that may expose the Company to credit risk.

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

### **IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)**

#### **2. Liquidity risk**

Liquidity risk is the risk that the Company is unable to obtain sufficient funds in time to meet the needs of business development or to pay due debt and other payment obligations.

The financial department of the Company continues monitor the short-term and long-term financial needs of the Company to ensure sufficient cash reserves to be maintained. At the same time, continuous monitoring is in line with the provisions of the loan agreement. The sufficient reserve funds which provided by the main financial institutions are used to meet short-term and long-term capital needs.

Cash flow forecast is performed by the operation entity of the Group and calculated in summary by the Group finance. The Group finance monitors the rolling forecast of liquidity requirements to ensure that there are adequate funds to meet operation needs. It also maintains adequate undrawn commitments loan limitations to protect the Group from breaking any loan limitations or terms (if any). Such prediction considers the debt financing plan of the Group, compliance of terms, ratio target of internal financial position statement, and external regulation or legislation (if applicable) like currency restriction.

The difference between the remaining cash held by the operation entity and the amount needed for working capital management is transferred to the Group treasurer. The Group treasurer invests the remaining funds into the fixed deposits, money market deposits and securities which have proper maturity dates or adequate liquidity to provide adequate space for the above forecast.



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

### IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

#### 2. Liquidity risk (Continued)

At the end of year, cash and cash equivalents held by the Group is RMB2,070,957,331.50 (RMB2,946,734,827.85 on December 31, 2017) (Note VI. 66), accounts receivable, notes receivable and non-current assets due within one year of approximate RMB2,293,277,053.41 (RMB2,287,854,262.30 on December 31, 2017) (Note VI 4, 5). Cash flow is expected to real-timely generated to manage the liquidity risk.

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

Amount as of June 30, 2018:

*Monetary unit: RMB*

Item	Net book vale	Ending balance				
		The original book value	Within 1 year or on demand	1-2 years	2-5 years	Over 5 years
Monetary funds	2,386,981,353.66	2,386,981,353.66	2,386,981,353.66			
Financial assets measured at fair value and whose changes are recorded in the profits or losses of the current period	888,934,014.37	888,934,014.37	888,934,014.37			
Notes receivable	303,479,657.48	303,479,657.48	303,479,657.48			
Accounts receivable	1,403,463,319.54	1,909,281,729.43	1,909,281,729.43			
Interests receivable	9,803,082.09	9,803,082.09	9,803,082.09			
Other receivables	106,838,663.34	133,873,623.26	133,873,623.26			
Buying back the sale of financial assets	150,438,466.94	150,438,466.94	150,438,466.94			
Non-current assets due within one year	71,503,076.20	80,515,666.50	80,515,666.50			
Long-term receivables	228,675,452.78	258,570,382.48		123,065,049.85	135,505,332.63	



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

### IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

#### 2. Liquidity risk (Continued)

Item	Net book value	The original book value	Ending balance			
			Within 1 year or on demand	1-2 years	2-5 years	Over 5 years
Held-to-maturity investments	57,604,793.48	113,827,052.18	113,827,052.18			
Loans and advances granting	1,024,840,245.92	1,059,911,472.16	1,059,911,472.16			
Total financial assets	6,632,562,125.80	7,295,616,500.55	7,037,046,118.07	123,065,049.85	135,505,332.63	
Short-term borrowings	2,340,917,357.13	2,340,917,357.13	2,340,917,357.13			
Absorption of deposits and Interbank deposits	992,532,524.55	992,532,524.55	992,532,524.55			
Deposit funds						
Derivative financial liabilities	5,000,000.00	5,000,000.00	5,000,000.00			
Notes payable	1,149,942,885.00	1,149,942,885.00	1,149,942,885.00			
Accounts payable	1,469,633,218.18	1,469,633,218.18	1,469,633,218.18			
Other payables	267,753,059.38	267,753,059.38	267,753,059.38			
Interests payable	3,523,964.23	3,523,964.23	3,523,964.23			
Non-current liabilities due within one year-loan	30,000,000.00	30,000,000.00	30,000,000.00			
Long-term loans	896,714,000.00	896,714,000.00		30,000,000.00	866,714,000.00	
Total financial liabilities	7,156,017,008.47	7,156,017,008.47	6,259,303,008.47	30,000,000.00	866,714,000.00	

Item	Net book value	The original book value	Beginning balance			
			Within 1 year or on demand	1-2 years	2-5 years	Over 5 years
Monetary funds	3,292,984,287.50	3,292,984,287.50	3,292,984,287.50			
Financial assets measured at fair value and whose changes are recorded in the profits or losses of the current period	228,608,179.91	228,608,179.91	228,608,179.91			



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

## IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 2. Liquidity risk (Continued)

Item	Net book value	The original book value	Beginning balance			
			Within 1 year or on demand	1-2 years	2-5 years	Over 5 years
Derivative financial assets						
Notes receivable	531,530,154.03	531,530,154.03	531,530,154.03			
Accounts receivable	1,238,285,603.95	1,756,324,108.27	1,756,324,108.27			
Interests receivable	14,148,062.85	14,148,062.85	14,148,062.85			
Other receivables	123,425,502.13	143,939,584.58	143,939,584.58			
Held-to-maturity investments	58,344,519.48	114,566,778.18	114,566,778.18			
Loans and advances granting	934,741,824.37	967,945,953.52	967,945,953.52			
Total financial assets	6,422,068,134.22	7,050,047,108.84	7,050,047,108.84			
Short-term borrowings	2,033,879,689.22	2,033,879,689.22	2,033,879,689.22			
Absorption of deposits and Interbank deposits	780,195,528.74	780,195,528.74	780,195,528.74			
Lendings to banks and other institutions	300,000,000.00	300,000,000.00	300,000,000.00			
Derivative financial liabilities	12,800,000.00	12,800,000.00	12,800,000.00			
Notes payable	820,501,598.94	820,501,598.94	820,501,598.94			
Accounts payable	1,465,330,454.31	1,465,330,454.31	1,465,330,454.31			
Other payables	276,121,409.06	276,042,179.23	276,042,179.23			
Interests payable	61,862,938.69	61,862,938.69	61,862,938.69			
Non-current liabilities due within one year-loan	1,508,981,695.52	1,508,981,695.52	1,508,981,695.52			
Long-term loans	689,011,500.00	689,011,500.00		60,000,000.00	629,011,500.00	
Total financial liabilities	7,948,684,814.48	7,948,605,584.65	7,259,594,084.65	60,000,000.00	629,011,500.00	

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

### **IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)**

#### **3. Market risk**

##### **(1) Exchange rate risk**

The main business of our company is in China, and the main business is settled in RMB. The Company 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, Hongkong dollar, Euro, Yen, Australian dollar West African francs and Rand). The financial department of the Company is responsible for monitoring the scale of foreign currency transactions and foreign currency assets and liabilities of the Company to minimize the risk of exchange rate so that the Company may achieve the purpose of avoiding the exchange rate risk by signing forward foreign exchange contracts.

*a. The term of forward foreign exchange contract or currency swap contract signed by the Company in this period is as follows:*

Our company signed a working capital loan contract with Bank of Communications Ltd Luoyang branch in September 28, 2017 to apply for a one-time 100-million-dollar loan. At the same time, the Company signed a swap agreement with the Bank of Communications Ltd Luoyang branch. It agreed to buy 100 million dollars at the rate of 6.7781 before September 28, 2018, and then repurchase the foreign exchange which used to repay the loan mentioned above.



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

### IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

#### 3. Market risk (Continued)

##### (1) Exchange rate risk (Continued)

b. By the end of June 30, 2018, 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				
<b>Monetary funds</b>		<b>169,164,349.89</b>		170,464,840.26
USD	14,736,603.26	97,506,209.16	14,225,165.48	92,950,076.26
EUR	2,021,470.03	15,682,212.37	4,356,883.85	33,993,714.86
HKD	56,012,296.84	47,223,967.47	41,920,573.51	35,041,826.60
YEN	21,712,514.00	1,300,883.56	23,567,270.00	1,364,144.29
AUD	704,114.15	3,424,318.35	51,673.72	263,163.92
XOF	162,781,330.00	1,898,030.31	121,796,228.00	1,448,157.15
ZAR	4,344,251.38	2,086,543.94	10,199,286.80	5,382,163.65
BYR	12,758.20	42,184.73	6,519.17	21,593.53
<b>Accounts receivable</b>		<b>491,240,103.20</b>		440,416,788.40
USD	68,923,947.74	456,042,192.59	61,038,833.32	398,839,944.76
EUR	1,352,819.87	10,494,291.90	2,484,049.90	19,381,302.53
AUD	2,240,743.72	9,684,761.61	1,151,250.20	5,863,087.02
XOF	127,903,197.22	1,491,351.28	205,228,297.20	2,440,164.45
ZAR	28,164,700.85	13,527,505.82	26,326,112.64	13,892,289.64

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

### IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

#### 3. Market risk (Continued)

##### (1) Exchange rate risk (Continued)

b. By the end of June 30, 2018, the amount of foreign currency financial assets and foreign currency financial liabilities converted into RMB is listed below:  
(Continued)

Item	Ending balance		Beginning balance	
	Original currency	Converted into RMB	Original currency	Converted into RMB
<b>Other receivables</b>		<b>18,548,140.39</b>		19,802,143.52
XOF	<b>64,501,798.00</b>	<b>752,090.96</b>	62,986,219.50	748,906.15
ZAR	<b>74,669.79</b>	<b>35,683.90</b>	102,608.93	54,146.73
EUR	<b>2,288,264.58</b>	<b>17,760,365.53</b>	2,435,062.82	18,999,090.64
<b>Advances to suppliers</b>		<b>27,746,500.81</b>		10,273,435.02
USD	<b>1,082,232.00</b>	<b>7,206,037.96</b>	782,712.00	5,114,396.75
EUR	<b>2,508,046.47</b>	<b>20,304,128.61</b>	629,962.55	4,915,156.80
XOF	<b>20,268,803.00</b>	<b>236,334.24</b>	20,511,477.84	243,881.47
<b>Accounts payable</b>		<b>11,221,129.76</b>		45,934,551.15
USD	<b>478,565.60</b>	<b>3,166,477.15</b>	5,437,842.03	35,531,947.39
EUR	<b>1,027,639.84</b>	<b>7,976,026.61</b>	1,314,149.28	10,253,386.92
XOF	<b>5,892,501.00</b>	<b>68,706.56</b>	5,892,501.00	70,061.84
ZAR			150,000.00	79,155.00
BYR	<b>3,000.00</b>	<b>9,919.44</b>		



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

**IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)**

**3. Market risk (Continued)**

**(1) Exchange rate risk (Continued)**

b. By the end of June 30, 2018, the amount of foreign currency financial assets and foreign currency financial liabilities converted into RMB is listed below:  
(Continued)

Item	Ending balance		Beginning balance	
	Original currency	Converted into RMB	Original currency	Converted into RMB
<b>Other payables</b>		<b>26,232,730.93</b>		48,877,020.66
USD			3,437,472.96	22,461,135.81
EUR	<b>810,841.09</b>	<b>6,293,343.12</b>	1,724,805.83	13,457,452.53
HKD			13,998,524.72	11,701,506.80
XOF	<b>113,365,862.53</b>	<b>1,321,845.96</b>	105,343,869.50	1,252,538.61
ZAR	<b>22,792,771.61</b>	<b>18,607,622.41</b>	8,313.26	4,386.91
BYR	<b>3,000.00</b>	<b>9,919.44</b>		
<b>Advances from customers</b>		<b>11,187,917.11</b>		71,409,814.54
USD	<b>2,692,165.26</b>	<b>9,644,634.25</b>	1,490,934.61	9,742,064.93
EUR	<b>151,602.77</b>	<b>1,160,015.99</b>	7,848,632.07	61,237,382.00
AUD			11,720.32	59,689.25
XOF	<b>32,870,228.76</b>	<b>383,266.87</b>	31,175,639.76	370,678.36
<b>Short-term borrowings</b>		<b>671,917,357.13</b>		663,879,689.22
USD	<b>100,000,000.00</b>	<b>661,660,000.00</b>	100,000,000.00	653,420,000.00
XOF	<b>879,704,728.00</b>	<b>10,257,357.13</b>	879,704,728.00	10,459,689.22

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

**IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)**

**3. Market risk (Continued)**

**(1) Exchange rate risk (Continued)**

b. By the end of June 30, 2018, the amount of foreign currency financial assets and foreign currency financial liabilities converted into RMB is listed below:  
(Continued)

Item	Ending balance		Beginning balance	
	Original currency	Converted into RMB	Original currency	Converted into RMB
<b>Non-current liabilities due within one year</b>				9,752,875.00
EUR			1,250,000.00	9,752,875.00
<b>Long-term loans</b>		<b>76,714,000.00</b>		39,011,500.00
EUR	<b>10,000,000.00</b>	<b>76,714,000.00</b>	5,000,000.00	39,011,500.00

c. *Sensitivity analysis*

By the end of June 30, 2018, as for the Company of foreign currency of financial assets and financial liabilities, if the RMB against the US dollar and euro currency appreciation or depreciation of 5% and other factors remain unchanged, the Company will reduce or increase the tax net profit of about RMB4,532,173.82 (about RMB16,833,373.41 in January to June, 2017).



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

### **IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)**

#### **3. Market risk (Continued)**

##### **(2) Interest rate risk**

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

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

The Group maintains a proper fixed and floating rate instruments combination, and regularly reviews and monitors the combination to make a proper arrangement to reduce the risk.

On June 30, 2018, interest-bearing debts of the Group are mainly borrowing contracts in RMB and EUR with floating interest rates. The total amount of borrowing contracts with floating interest rates is RMB1,825,714,000.00 (The total amount of borrowing contracts with floating interest rates is RMB1,298,764,375.00 in 2017.). And fixed interest rate contracts denominated in RMB, USD, and XOF is RMB1,441,917,357.13 (2017: RMB2,933,108,509.74).



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

### **IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)**

#### **3. Market risk (Continued)**

##### **(2) Interest rate risk (Continued)**

By the end of June 30, 2018, if the interest rate calculated at floating interest rate has increased or decreased by 1%, while other factors remain unchanged, the Company's pre-tax profit will decrease or increase by about RMB18,257,140.00 (RMB391,981.14 in January to June, 2017).

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**

The price risk generated by our financial instruments mainly refers to the risk that the fair value of equity securities decreases due to the change of stock index level and the value of individual securities.



## **X FINANCIAL REPORT 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, 2018, the Company 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 REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

### X. DISCLOSURE OF FAIR VALUE (CONTINUED)

#### 2. Fair value of the ending balance 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	
<b>I. Continuous fair value measurement</b>				
(I) Financial assets measured at fair value and its movement recorded through profit or loss	14,821,311.03	874,112,703.34		888,934,014.37
1. Trading financial assets	14,821,311.03			14,821,311.03
(1) Investments in debt instruments	285,030.00			285,030.00
(2) Investments in equity instruments	14,536,281.03			14,536,281.03
(3) Derivative financial assets				
2. Designated as financial assets measured at fair value and its movement recorded through profit or loss		874,112,703.34		874,112,703.34
(1) Investments in debt instruments				
(2) Investments in equity instruments		874,112,703.34		874,112,703.34
(II) Available-for-sale financial assets				
(III) Investment properties				
(IV) Biological assets				
<b>Total assets continuously measured at fair value</b>	14,821,311.03	874,112,703.34		888,934,014.37
(V) Trading financial liabilities				
(VI) Designated as financial liabilities measured at fair value and its movement recorded through profit or loss				
(VII) Derivative financial liabilities	5,000,000.00			5,000,000.00
<b>Total liabilities continuously measured at fair value</b>	5,000,000.00			5,000,000.00



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

### **X. DISCLOSURE OF FAIR VALUE (CONTINUED)**

#### **3. Determination basis of the market price of the item measured using the first level of fair value measurement continuously and non-continuously**

The fair value of financial instruments traded in the active market is accounted for the market price on the financial statement date. The market is regarded active when the offer can be real-time and regularly acquired from the stock exchange, traders, brokers, insiders, pricing services, or regulatory agencies and the offer represents actual and regular market transactions with an even bargain reference. The market price of financial assets held by the Group is the bid price at that time. These financial instruments are in the first level. Instruments in the first level include equity investments of the Hengsheng index, the composite index of Shanghai stock exchange and component index of Shenzhen stock exchange.

#### **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 (if any) 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.

#### **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.

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

### **X. DISCLOSURE OF FAIR VALUE (CONTINUED)**

#### **5. Valuation techniques and qualitative and quantitative information on important parameters adopted for the third level of continuous and non-continuous fair value measurement (Continued)**

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. The continuous fair value measurement project, the reason why there is transformation or no transformation between different levels in this period, the reasons for the conversion and the policy of determining the time point of conversion**

The above continuous fair value measurement project of the Company has not changed between different levels in this year.

#### **7. The changes in the valuation technology and the cause of the change in this period**

The fair value valuation technology of the Company's financial instruments has not changed in this year.



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

### X. DISCLOSURE OF FAIR VALUE (CONTINUED)

#### 8. The fair value of financial assets and financial liabilities that are not measured at fair value

Financial assets and liabilities that are not measured at fair value are mainly including: accounts receivable, short-term loans, accounts payables, non-current liabilities and long-term loans due within one year and an equity tool that is not quoted in an active market and its fair value is not reliably measured.

There is little difference between the book value and the fair value of the financial assets and liabilities that are not measured at fair value.

### XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION

#### 1. Information of the parent company of the enterprise

##### (1) Controlling shareholders and ultimate controlling parties

Monetary unit: RMB

Name of controlling shareholder	Registration place	Business nature	Registered capital	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

The ultimate controlling party of the Group is 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 RMB26,000,000,000.00.

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

**XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)**

**1. Information of the parent company of the enterprise (Continued)**

**(2) Registered capital of the controlling shareholders and the movements (RMB ten thousand)**

<b>Controlling shareholder</b>	<b>Beginning balance</b>	<b>Increase in this period</b>	<b>Decrease in this period</b>	<b>Ending balance</b>
YTO Group Corporation	302,374.96	0.00	0.00	<b>302,374.96</b>

**(3) Shares or equity of the controlling shareholder and the changes (RMB ten thousand)**

<b>Controlling shareholder</b>	<b>Shareholding amount</b>		<b>Shareholding percentage</b>	
	<b>Ending balance</b>	<b>Beginning balance</b>	<b>Ending balance Percentage (%)</b>	<b>Beginning balance Percentage (%)</b>
YTO Group Corporation	<b>41,069.06</b>	41,069.06	<b>41.66</b>	41.66



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

### XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

#### 2. Subsidiaries

Please refer to the related content in the Note "VIII 1. (1) Interests in subsidiaries" for details of the subsidiaries.

#### 3. Joint ventures and associates

Please refer to "Note VIII 3 (1) Significant joint ventures or associates" for details.

There are transactions incurred between the joint ventures and associates with the Group in this year or balances due to or from the Group realized in prior period carried forward.

<b>Other associated party names</b>	<b>Relationship to other related parties</b>	<b>Note</b>
YTO (Luoyang) fuel injection Co., Ltd.	The Company's subsidiary and the joint venture of the controlling shareholder of the Company	The Company hold shareholding 10.57%
Luoyang Tractor Research Institute Co., Ltd.	The Company's subsidiary and the joint venture of the controlling shareholder of the Company	The Company hold share holding 49%
Luoyang towing Engineering Vehicle Technology Co., Ltd.	The Company's subsidiary and the joint venture of the controlling shareholder of the Company	The subsidiary of Luoyang Tractor Research Institute Co., Ltd
Luoyang Xiyuan vehicle and Power Inspection Institute Co., Ltd.	The Company's subsidiary and the joint venture of the controlling shareholder of the Company	The subsidiary of Luoyang Tractor Research Institute Co., Ltd



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

### XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

#### 3. Joint ventures and associates (Continued)

Other associated party names	Relationship to other related parties	Note
YTO (Luoyang) Rico Automobile Co. Ltd.	The joint venture of the controlling shareholder of the Company	The Company hold shareholding 45%

*Note:* According to the board rules of the Hongkong 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 Company.

#### 4. Other related parties

Name of other related parties	Relationship to the Company
YTO (Luoyang) Xinnuo Materials Trading Co., Ltd	Under common control
Luoyang Zhongshou Machinery & Equipment Co., Ltd	Under common control
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	Under common control
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	Under common control
YTO (Luoyang) Special Purpose Vehicle Co., Ltd	Under common control
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd	Under common control
YTO (Luoyang) Huide Tooling Co., Ltd	Under common control
YTO (Luoyang) Lubricants Co., Ltd	Under common control
YTO (Luoyang) Logistics Co., Ltd	Under common control
Luoyang Fossett Auto Incorporate Company	Under common control
YTO (Luoyang) Dongchen Mold Technology Co., Ltd	Under common control
YTO (Luoyang) Xinnuo Materials Trading Co., Ltd	Under common control
Luoyang Tianhui Energy Engineering Co., Ltd	Under common control
Luoyang Duoen Advertising Co., Ltd	Under common control



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

### XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

#### 4. Other related parties (Continued)

Name of other related parties	Relationship to the Company
Dongfanghong (Luoyang) Culture Communication Centre	Under common control
SINOMACH-HI (Luoyang) Building Machinery Co., Ltd	Same ultimate control
China (Tianjin) Automotive Equipment Co., Ltd.	Same ultimate control
Beijing Heavy Transport Machinery Design Research Institute	Same ultimate control
Luoyang Bearing Research Institute Co., Ltd.	Same ultimate control
The Fourth Design Institute Co., Ltd of the Ministry of Machinery Industry	Same ultimate control
YTO (Luoyang) Engineering Machinery Co., Ltd	Same ultimate control
China SINOMACH Heavy Industry Corporation	Same ultimate control
China Heavy Machinery Research Institute Stock Company	Same ultimate control
SINOMACH Heavy Equipment Group Co., Ltd	Same ultimate control
YTO (Luoyang) Construction Machinery Co., Ltd	Same ultimate control
China Automobile Industry Engineering Co., Ltd.	Same ultimate control
Fuyang Bearing Co., Ltd.	Same ultimate control
Changsha Gas-electric Auto Parts Co., Ltd	Same ultimate control
The Sixth Design Institute Co., Ltd of the Ministry of Machinery Industry	Same ultimate control
Guangzhou Qingtian Mstar Technology Ltd	Same ultimate control
The Fifth Design Institute of the Ministry of Machinery Industry	Same ultimate control
The Fourth Construction of China Machinery Industry Co., Ltd.	Same ultimate control
China Machine Tool Corporation	Same ultimate control
SINOMACH-HI (Luoyang) Co., Ltd	Same ultimate control

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

**XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)**

**5. Related party transactions**

*(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*

*Monetary unit: RMB*

<b>Item</b>	<b>Amount in this period</b>	Amount in last period
Sales of raw materials and components	<b>9,697,049.39</b>	7,571,279.02
Purchase of raw materials and components	<b>57,660,755.99</b>	3,497,759.23
Interest income	<b>4,866,931.55</b>	2,787,165.56
Pay clients' deposit interest	<b>653,738.05</b>	303,476.24
Commission income	<b>94,713.02</b>	
	<b>=====</b>	<b>=====</b>



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

**XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)**

**5. Related party transactions (Continued)**

**(3) Significant transactions between the Group and YTO Group and the subsidiaries**

Item	Amount in this period	Amount in last period
Sales of raw materials and components	<b>116,979,773.94</b>	109,864,497.77
Purchase of raw materials and components	<b>267,565,000.31</b>	272,254,048.67
Payment and payable of power expense	<b>93,919,797.29</b>	81,389,286.34
Payment and payable of comprehensive services and transportation fees	<b>81,982,597.99</b>	84,751,538.22
Payment and payable of land rental expenses	<b>5,872,109.50</b>	3,133,012.50
Payment and payable of buildings rental expenses	<b>3,863,846.53</b>	4,233,865.35
Payment and payable of equipment rental expenses	<b>2,108,300.63</b>	2,178,651.14
Rental income of leasing buildings and equipment	<b>2,678,473.41</b>	2,011,703.06
Land lease income	<b>1,967,895.86</b>	1,277,040.00
Trademark use income	<b>0.00</b>	80,188.68
Purchase of plant and equipment	<b>1,953,824.75</b>	7,829,336.42
Interest income	<b>18,791,043.46</b>	14,464,626.96
Pay clients' deposit interest	<b>4,753,137.59</b>	3,829,371.56
Commission income	<b>50,709.01</b>	0.00
Payment received of research and development expense	<b>347,873.10</b>	2,438,695.19
	<b>=====</b>	<b>=====</b>

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

**XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)**

**5. Related party transactions (Continued)**

**(4) Related party transactions between the Group and the joint ventures and associates (including the joint ventures and associates of SINOMACH and YTO Group Corporation)**

Item	Amount in this period	Amount in last period
Sales of raw materials and components	<b>20,515,362.28</b>	43,821,480.08
Rental income	<b>7,460,724.38</b>	7,632,698.54
Purchase raw materials and parts	<b>133,514,473.57</b>	193,209,350.15
Pay clients' deposit interest	<b>981,383.66</b>	0.00
Payment of research and development costs	<b>43,973,301.89</b>	47,938,490.57
Providing technology and testing services	<b>228,543.25</b>	183,401.23
Interest income	<b>3,081.32</b>	0.00
	<b>=====</b>	<b>=====</b>

**(5) Borrowing and lending between related parties**

Item	Amount in this period	Amount in last period
Loans granting (including Notes discounted)	<b>903,197,512.19</b>	473,668,133.35
Absorption of deposits and interbank deposits	<b>772,555,332.56</b>	611,154,882.24
	<b>=====</b>	<b>=====</b>

**(6) Related party assets transfer and debt restructuring**

N/A



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

**XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)**

**5. Related party transactions (Continued)**

**(7) Remuneration of key management personnel (Unit: RMB10 thousand)**

Monetary unit: RMB

Item	Amount incurred in this period	Amount incurred in last period
Fees	13.21	19.60
Salaries and other benefits	162.70	237.92
Retirement benefits scheme contribution	27.29	18.09
<b>Total remuneration</b>	<b>203.20</b>	<b>275.61</b>

Analysis of key management personnel remuneration (Unit: RMB10 thousand):

Personnel and duties	Amount in this period			Total
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	
<b>Executive directors</b>				
Zhao, Yanshui		14.7	2.02	16.72
Wang, Erlong		14.7	3.05	17.75
Wu, Yong		14.7	2.02	16.72
<b>Non-executive directors</b>				
Li, Hepeng	0.23			0.23
Xie, Donggang	0.23			0.23
Li, Kai	0.23			0.23
Yin, Dongfang	0.48			0.48

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

**XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)**

**5. Related party transactions (Continued)**

**(7) Remuneration of key management personnel (Unit: RMB10 thousand) (Continued)**

Personnel and duties	Amount in this period			Total
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	
<b>Independent non-executive directors</b>				
Xing, Min	2.27			2.27
Wu, Delong	2.27			2.27
Yu, Zengbiao	2.02			2.02
Yang, Minli	2.27			2.27
<b>Supervisors</b>				
Li, Ping'an		10.50	2.02	12.52
Wang, Jianjun		9.34	2.02	11.36
Zhao, Guozhong		10.56	2.02	12.58
Wang, Yong	1.49			1.49
Huang, Ping	1.72			1.72
<b>Key management personnel</b>				
Wang, Kejun ( <i>Deputy general manager</i> )		12.60	2.02	14.62
Liu, Jiguo ( <i>Deputy general manager</i> )		12.60	2.02	14.62
Zhu, Weijiang ( <i>Deputy general manager</i> )		12.60	2.02	14.62
Su, Wensheng ( <i>Deputy general manager</i> )		12.60	2.02	14.62
Song, Yuping ( <i>Deputy general manager</i> )		12.60	2.02	14.62
<b>Other key management personnel</b>				
Yao, Weidong ( <i>Chief financial officer</i> )		12.60	2.02	14.62
Yu, Li'na ( <i>Deputy general manager and secretary of the board of directors</i> )		12.60	2.02	14.62
<b>Total</b>	<b>13.21</b>	<b>162.70</b>	<b>27.29</b>	<b>203.20</b>



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

**XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)**

**5. Related party transactions (Continued)**

**(7) Remuneration of key management personnel (Unit: RMB10 thousand) (Continued)**

Personnel and duties	Fees	Amount in last period		Total
		Salaries and other benefits	Retirement benefits scheme contributions	
<b>Executive directors</b>				
Zhao, Yanshui		21.00	1.31	22.31
Wang, Erlong		21.45	2.42	23.87
Wu, Yong		21.00	1.31	22.31
<b>Non-executive directors</b>				
Li, Hepeng	0.30			0.30
Xie, Donggang	0.30			0.30
Li, Kai	0.20			0.20
<b>Independent non-executive directors</b>				
Xing, Min		3.30		3.30
Wu, Delong		3.40		3.40
Yu, Zengbiao		3.60		3.60
Yang, Minli		3.30		3.30
<b>Supervisors</b>				
Li, Ping'an		15.00	1.31	16.31
Wang, Jianjun		17.48	1.31	18.79
Zhao, Guozhong		15.99	1.31	17.29
Wang, Yong	2.50			2.50
Huang, Ping	2.70			2.70



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

### XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

#### 5. Related party transactions (Continued)

##### (7) Remuneration of key management personnel (Unit: RMB10 thousand) (Continued)

Personnel and duties	Amount in last period			Total
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	
<b>Key management personnel</b>				
Wang, Kejun ( <i>Deputy general manager</i> )		18.00	1.31	19.31
Liu, Jiguo ( <i>Deputy general manager</i> )		18.00	1.31	19.31
Zhu, Weijiang ( <i>Deputy general manager</i> )		18.00	1.31	19.31
Su, Wensheng ( <i>Deputy general manager</i> )		18.00	1.31	19.31
Song, Yuping ( <i>Deputy general manager</i> )		18.00	1.31	19.31
<b>Other key management personnel</b>				
Yao, Weidong ( <i>Chief financial officer</i> )		18.00	1.31	19.31
Yu, Li'na ( <i>Deputy general manager and secretary of the board of directors</i> )		18.00	1.31	19.31
<b>Total</b>		<u>19.60</u>	<u>18.09</u>	<u>275.61</u>

The Group did not pay any compensation to attract key management personnel to join the Group in this year and last year. No compensation on termination of employment relationship was paid to key management personnel in both last year and this year. Key management personnel did not give up any remuneration in this year and last year.



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

**XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)**

**5. Related party transactions (Continued)**

**(8) Accounts receivable and payable with related parties**

*a. Accounts receivable*

Related parties	Ending balance	Beginning balance
<b>(1) Accounts receivables between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)</b>	<b>3,123,188.29</b>	2,561,496.51
SINOMACH-HI (Luoyang) Building Machinery Co., Ltd	<b>1,143,775.51</b>	1,277,692.82
China (Tianjin) Automotive Equipment Co., Ltd.	<b>680,000.00</b>	340,000.00
Beijing Heavy Transport Machinery Design Research Institute	<b>651,616.50</b>	51,840.00
Luoyang Bearing Research Institute Co., Ltd.	<b>363,724.60</b>	81,234.09
The Fourth Design Institute Co., Ltd of the Ministry of Machinery Industry	<b>271,600.00</b>	135,800.00
YTO (Luoyang) Engineering Machinery Co., Ltd	<b>12,471.68</b>	191,329.60
China SINOMACH Heavy Industry Corporation	<b>0.00</b>	483,600.00
<b>(2) Accounts receivable between the Group and the majority shareholder</b>	<b>89,758,842.36</b>	89,516,635.22
YTO Group Corporation	<b>89,758,842.36</b>	89,516,635.22

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

**XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)**

**5. Related party transactions (Continued)**

**(8) Accounts receivable and payable with related parties**

*a. Accounts receivable (Continued)*

Related parties	Ending balance	Beginning balance
<b>(3) Accounts receivable between the Group and YTO Group and its subsidiaries</b>	<b>49,174,222.81</b>	26,770,567.97
YTO (Luoyang) Xinnuo Materials Trading Co., Ltd	<b>29,322,535.86</b>	3,950,365.42
Luoyang Zhongshou Machinery & Equipment Co., Ltd	<b>8,762,289.29</b>	12,104,272.34
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	<b>5,270,532.89</b>	5,922,226.02
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	<b>3,467,163.33</b>	3,449,655.96
YTO (Luoyang) Special Purpose Vehicle Co., Ltd	<b>874,763.21</b>	874,763.21
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd	<b>674,778.23</b>	417,887.57
YTO (Luoyang) Huide Tooling Co., Ltd	<b>650,000.00</b>	0.00
YTO (Luoyang) Lubricants Co., Ltd	<b>152,160.00</b>	0.00
YTO (Luoyang) Logistics Co., Ltd	<b>0.00</b>	35,097.45
YTO (Luoyang) Special Purpose Vehicle Co., Ltd	<b>0.00</b>	16,300.00



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

**XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)**

**5. Related party transactions (Continued)**

**(8) Accounts receivable and payable with related parties (Continued)**

*a. Accounts receivable (Continued)*

Related parties	Ending balance	Beginning balance
<b>(4) Accounts receivable between the group and other parties</b>	<b>2,229,696.64</b>	2,999,292.96
ZF YTO (Luoyang) axle Co. Ltd.	<b>2,229,696.64</b>	2,765,798.25
YTO (Luoyang) Rico Automobile Co. Ltd.	<b>0.00</b>	233,494.71
Total balance	<b>144,285,950.10</b>	121,847,992.66
Less: bad debt provision	<b>15,366,437.34</b>	1,997,872.25
<b>Total</b>	<b>128,919,512.76</b>	119,850,120.41

*b. Advance to suppliers*

Related parties	Ending balance	Beginning balance
<b>(1) Advance to suppliers between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)</b>	<b>290,886.05</b>	1,723,900.00
China Heavy Machinery Research Institute stock company	<b>224,615.05</b>	224,200.00
China National Machinery Corporation SINOMACH Heavy Equipment Group Co., Ltd	<b>66,271.00</b>	0.00
	<b>0.00</b>	1,499,700.00

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

**XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)**

**5. Related party transactions (Continued)**

**(8) Accounts receivable and payable with related parties (Continued)**

*b. Advance to suppliers (Continued)*

Related parties	Ending balance	Beginning balance
<b>(2) Advance to suppliers between the Group and the majority shareholder</b>	<b>970,575.02</b>	1,223,271.70
YTO Group Corporation	<b>970,575.02</b>	1,223,271.70
<b>(3) Advance to suppliers between the Group and YTO Group and its subsidiaries</b>	<b>3,632,539.65</b>	5,018,401.04
YTO (Luoyang) Huide Tooling Co., Ltd	<b>1,500,000.00</b>	1,500,000.00
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	<b>1,450,180.12</b>	20,077.20
YTO (Luoyang) Logistics Co., Ltd	<b>640,365.53</b>	0.00
Luoyang Fossett Auto Incorporate Company	<b>38,214.00</b>	312,330.00
YTO (Luoyang) Xinnuo Materials Trading Co., Ltd	<b>3,780.00</b>	0.00
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	<b>0.00</b>	156,711.90
Luoyang Zhongshou Machinery & Equipment Co., Ltd	<b>0.00</b>	3,029,281.94
<b>Total</b>	<b>4,894,000.72</b>	7,965,572.74



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

**XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)**

**5. Related party transactions (Continued)**

**(8) Accounts receivable and payable with related parties (Continued)**

*c. Other receivables*

Related parties	Ending balance	Beginning balance
<b>(1) Other receivables between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)</b>	<b>2,783,473.91</b>	2,783,473.91
China National Machinery Industry Corporation	<b>2,603,266.91</b>	2,603,266.91
YTO (Luoyang) Engineering Machinery Co., Ltd	<b>96,314.00</b>	96,314.00
YTO (Luoyang) Construction Machinery Co., Ltd	<b>83,893.00</b>	83,893.00
<b>(2) Other receivables between the Group and the majority shareholder</b>	<b>7,215,930.05</b>	11,562,324.51
YTO Group Corporation	<b>7,215,930.05</b>	11,562,324.51
<b>(3) Other receivables between the Group and YTO Group and its subsidiaries</b>	<b>3,416,502.58</b>	3,625,743.21
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	<b>3,378,158.79</b>	3,586,331.70
YTO (Luoyang) Special Purpose Vehicle Co., Ltd	<b>31,330.00</b>	0.00
Luoyang Zhongshou Machinery & Equipment Co., Ltd	<b>7,009.79</b>	7,009.79
YTO (Luoyang) Lubricants Co., Ltd	<b>4.00</b>	0.00
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	<b>0.00</b>	32,401.72

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

**XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)**

**5. Related party transactions (Continued)**

**(8) Accounts receivable and payable with related parties (Continued)**

*c. Other receivables (Continued)*

Related parties	Ending balance	Beginning balance
<b>(4) Other receivables between the group and other parties</b>	<b>0.00</b>	659,003.26
ZF YTO (Luoyang) axle Co. Ltd.	<b>0.00</b>	659,003.26
Total balance	<b>13,415,906.54</b>	18,630,544.89
Less: bad debt provision	<b>1,410,374.91</b>	1,817,988.00
<b>Total</b>	<b>12,005,531.63</b>	16,812,556.89

*d. Short-term borrowings*

Related parties	Ending balance	Beginning balance
YTO Group Corporation	<b>700,000,000.00</b>	700,000,000.00
<b>Total</b>	<b>700,000,000.00</b>	700,000,000.00



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

**XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)**

**5. Related party transactions (Continued)**

**(8) Accounts receivable and payable with related parties (Continued)**

*e. Accounts payable*

Related parties	Ending balance	Beginning balance
<b>(1) Accounts payables between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)</b>	<b>19,895,809.55</b>	20,606,731.90
China Automobile Industry Engineering Co., Ltd.	<b>12,622,330.00</b>	7,040,950.00
Fuyang Bearing Co., Ltd.	<b>2,852,945.32</b>	600,713.57
The Fourth Design Institute Co., Ltd of the Ministry of Machinery Industry	<b>1,647,545.19</b>	9,434,656.00
Changsha Gas-electric Auto Parts Co., Ltd	<b>1,213,940.79</b>	1,249,474.67
The Sixth Design Institute Co., Ltd of the Ministry of Machinery Industry	<b>484,510.00</b>	299,310.00
Guangzhou Qingtian Mstar Technology Ltd	<b>470,041.67</b>	0.00
The Fifth Design Institute of the Ministry of Machinery Industry	<b>161,600.04</b>	161,600.04
SINOMACH Heavy Equipment Group Co., Ltd	<b>147,300.00</b>	1,647,000.00
SINOMACH Intelligence Technology Co., Ltd.	<b>137,895.25</b>	0.00
China Machine Tool Corporation	<b>102,871.61</b>	99,492.94
YTO (Luoyang) Engineering Machinery Co., Ltd	<b>52,000.00</b>	70,705.00
The Fourth Construction of China Machinery Industry Co., Ltd.	<b>2,829.68</b>	2,829.68



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

**XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)**

**5. Related party transactions (Continued)**

**(8) Accounts receivable and payable with related parties (Continued)**

*e. Accounts payable (Continued)*

Related parties	Ending balance	Beginning balance
<b>(2) Accounts payable between the Group and the majority shareholder</b>	<b>1,383,475.30</b>	3,003,054.78
YTO Group Corporation	<b>1,383,475.30</b>	3,003,054.78
<b>(3) Accounts payable between the Group and YTO Group and its subsidiaries</b>	<b>59,185,754.36</b>	54,892,238.34
YTO (Luoyang) Logistics Co., Ltd	<b>23,086,221.70</b>	26,420,573.38
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	<b>15,254,751.90</b>	9,960,679.25
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	<b>6,668,913.12</b>	7,560,663.99
Luoyang Tianhui Energy Engineering Co., Ltd	<b>3,893,945.61</b>	674,709.89
YTO (Luoyang) Huide Tooling Co., Ltd	<b>3,374,548.81</b>	3,902,605.40
YTO (Luoyang) Lubricants Co., Ltd	<b>2,491,934.82</b>	2,772,531.98
Luoyang Zhongshou Machinery & Equipment Co., Ltd	<b>1,572,566.66</b>	2,688,107.91
YTO (Luoyang) Xinnuo Materials Trading Co., Ltd	<b>1,544,620.74</b>	0.00
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd	<b>927,920.00</b>	0.00
Luoyang Duoen Advertising Co., Ltd	<b>156,793.00</b>	187,711.00
Luoyang Fossett Auto Incorporate Company	<b>75,778.00</b>	12,728.00



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

**XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)**

**5. Related party transactions (Continued)**

**(8) Accounts receivable and payable with related parties (Continued)**

*e. Accounts payable (Continued)*

Related parties	Ending balance	Beginning balance
Dongfanghong (Luoyang) Culture Communication Centre	71,840.00	119,240.00
YTO (Luoyang) Special Purpose Vehicle Co., Ltd	65,920.00	592,687.54
<b>(4) Accounts payable between the group and other parties</b>	<b>4,077,812.57</b>	21,454,363.25
ZF YTO (Luoyang) axle Co. Ltd.	3,776,885.97	20,668,234.14
YTO (Luoyang) Rico Automobile Co. Ltd.	300,926.60	786,129.11
<b>Total</b>	<b>84,542,851.78</b>	99,956,388.27

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

**XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)**

**5. Related party transactions (Continued)**

**(8) Accounts receivable and payable with related parties (Continued)**

*f. Advance from customers*

Related parties	Ending balance	Beginning balance
<b>(1) Advance from customers between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)</b>	<b>0.00</b>	489,132.59
SINOMACH-HI (Luoyang) Co., Ltd	<b>0.00</b>	489,132.59
<b>(2) Between the Group and the majority shareholder</b>	<b>8,089,159.23</b>	6,209,652.14
YTO Group Corporation	<b>8,089,159.23</b>	6,209,652.14
<b>(3) Advance from customers between the Group and YTO Group and its subsidiaries</b>	<b>801,558.08</b>	79,585.00
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	<b>541,558.08</b>	13,585.00
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd	<b>260,000.00</b>	0.00
Luoyang Fossett Auto Incorporate Company	<b>0.00</b>	66,000.00
<b>(4) Advance from customers between the group and other parties</b>	<b>11,191,261.69</b>	1,627,931.90
ZF YTO (Luoyang) Axle Co. Ltd.	<b>11,191,261.69</b>	1,627,931.90
<b>Total</b>	<b>20,081,979.00</b>	8,406,301.63



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

**XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)**

**5. Related party transactions (Continued)**

**(8) Accounts receivable and payable with related parties (Continued)**

*g. Other payables*

Related parties	Ending balance	Beginning balance
<b>(1) Other payables between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)</b>		
Fuyang Bearing Co., Ltd.	<b>4,000.00</b>	204,000.00
Guangzhou Qingtian Mstar Technology Ltd	<b>0.00</b>	150,000.00
The Sixth Design Institute Co., Ltd of the Ministry of Machinery Industry	<b>0.00</b>	50,000.00
	<b>4,000.00</b>	4,000.00
<b>(2) Other payables between the Group and the majority shareholder</b>	<b>54,835,789.99</b>	52,582,810.71
YTO Group Corporation	<b>54,835,789.99</b>	52,582,810.71
<b>(3) Other payables between the Group and YTO Group and its subsidiaries</b>	<b>1,037,209.19</b>	904,287.00
YTO (Luoyang) Logistics Co., Ltd	<b>787,525.64</b>	621,628.00
Luoyang Duoan Advertising Co., Ltd	<b>117,790.00</b>	177,969.00
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	<b>65,093.55</b>	0.00
Dongfanghong (Luoyang) Modern Life Service Center	<b>0.00</b>	36,390.00
Luoyang Tianhui Energy Engineering Co., Ltd	<b>32,800.00</b>	35,300.00
YTO (Luoyang) Xinnuo Materials Trading Co., Ltd	<b>20,000.00</b>	20,000.00
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	<b>9,000.00</b>	8,000.00
Dongfanghong (Luoyang) Culture Communication Centre	<b>5,000.00</b>	5,000.00
<b>Total</b>	<b>55,876,999.18</b>	53,691,097.71

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

### XII. SHARE PAYMENT

The Group does not pay shares.

### 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*

On June 30, 2018, the minimum future payments of irrevocable operating lease on rental items, assumed by the Group as the lessee, for buildings, machineries, and equipment are as the following:

Period	Amount in this period	Amount in last period
Within 1 year	<b>6,065,449.96</b>	11,020,834.73
1-2 years	<b>852,799.98</b>	1,398,036.46
2-3 years	<b>213,333.32</b>	563,000.00
After 3 years	<b>0.00</b>	563,000.00
<b>Total</b>	<b>7,131,583.26</b>	13,544,871.19



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

### XIII. COMMITMENT AND CONTINGENCIES (CONTINUED)

#### 1. Commitment (Continued)

##### (3) *Leased agreement that was signed and performing or commencing to perform and its financial impact (Continued)*

On June 30, 2018, 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	<b>6,985,101.61</b>	6,294,286.42
1–2 years	<b>4,424,933.28</b>	4,717,124.98
2–3 years	<b>3,653,897.07</b>	4,611,438.00
After 3 years	<b>6,823,312.85</b>	6,627,425.00
<b>Total</b>	<b>21,887,244.81</b>	<b>22,250,274.40</b>

*Note:* On January 2018 and ZF YTO (Luoyang) axle Co. Ltd. signed a five-year lease contract, rent is 7,460,724.38 yuan per year contract agreement. In January 2017, the subsidiary Yituo (Xinjiang) Dongfanghong Equipment Machinery Co., Ltd. signed an eight-year house lease contract with Xinjiang Gaoteng Yongye Automobile Sales Co., Ltd., and the contract stipulated that the annual house rent was 632,017.65 yuan.

##### (4) *A merger agreement that has been signed or prepared to perform*

N/A

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

### XIII. COMMITMENT AND CONTINGENCIES (CONTINUED)

#### 1. Commitment (Continued)

##### (5) *A reorganization plan that has been signed or prepared to perform*

N/A

Except for the above, the Group has no other significant commitments as at June 30, 2018.

#### 2. Contingencies

##### (1) *Important contingencies existed on the balance sheet date*

###### 1) *Pending proceeding or arbitration of contingencies and their financial implications*

By the end of June 30, 2018, the Company has no pending proceedings or arbitrations or matters.

###### 2) *Contingencies resulted from external guarantees provided*

As at June 30, 2018, details of the guarantees provided by the Group to other parties are as followings:

Entity guaranteed	Guarantee matters	Amount	Time period	Note
Distributors of Dianpiaotong Business	Buy farm machinery products	14,750,000.00	2018.01.25– 2018.12.13	<i>Note</i>
Product finance business customer	Buy farm machinery products	<u>52,533,940.00</u>	2017.08.18– 2020.12.10	
<b>Total</b>		<u><u>67,283,940.00</u></u>		



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

### XIII. COMMITMENT AND CONTINGENCIES (CONTINUED)

#### 2. Contingencies (Continued)

##### (1) *Important contingencies existed on the balance sheet date (Continued)*

##### 2) *Contingencies resulted from external guarantees provided (Continued)*

*Note:* In 2017, the Group signed a trade finance agreement with its subsidiary, China YTO Group Finance Co., Ltd (hereinafter referred to as "YTO Financial company") and launched trade finance cooperation. According to the agreement, YTO Financial company agreed to provide the group with a total amount of trade financing of RMB280 million. The above trade financing quota is specially applied to the dealers recommended by the group or its authorized enterprises to apply for the opening of a bank acceptance bill to the YTO Financial company to purchase agricultural machinery products from the group or its authorized enterprises. Therefore, the group provides a guarantee in the form of a letter of commitment or agreement.

In 2017, the subsidiary Luoyang Changxing Agricultural Machinery Co., Ltd signed a Product Finance Business Cooperation Agreement with China YTO Group Finance Co., Ltd. According to the agreement, China YTO Group Finance Co., Ltd. agreed to check and ratify the credit line of the product financial business about RMB200 million for Luoyang Changxing Agricultural Machinery Co., Ltd. The above credit line is specially used for the Changxin company to recommend its customers to handle product buyer's credit and financial leasing business within the credit period Luoyang Changxing Agricultural Machinery Co., Ltd. is partly responsible for financing risk exposure.



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

## XIII. COMMITMENT AND CONTINGENCIES (CONTINUED)

### 2. Contingencies (Continued)

#### (1) Important contingencies existed on the balance sheet date (Continued)

##### 3) Letter of guarantee and letter of credit

Opening bank	Beneficiary	Amount	Beginning date	Ending date
China Everbright Bank Incorporated Company Beijing Tianning Temple Branch	China Medium Light International Holding Company	74,750.00	2017.05.16	2018.9.15
Agricultural Bank of China Jianxi Branch	Qingdao Aucma Import and Export Co., Ltd.	32,6000.00	2017.08.30	2019.01.16
Bank of China Chang'an Road Branch	YTO International Economic and Trade Co., Ltd	170,000.00	2018.02.14	2018.08.14
Bank of China Chang'an Road Branch	EMPRESAMINERACOLQUIRI- COMIBOL	<u>8,030,000.00</u>	2018.06.15	2018.07.27
<b>Total</b>		<u><u>8,600,750.00</u></u>		

Except for the above, the Group did not have any other significant contingent matters as at June 30, 2018.



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

### **XIV. SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE**

By the end of the approval of the financial statements date, the Group has no other significant subsequent events to disclose.

### **XV. OTHER SIGNIFICANT MATTERS**

#### **1. Correction of early accounting errors**

##### **(1) *Retrospective restatement***

No early accounting errors in the use of retrospective restatement are found in this reporting period.

##### **(2) *Prospective approach***

No early accounting errors in the use of future applicable law are found in this reporting period.

#### **2. Debt restructuring**

N/A

#### **3. Asset swap**

N/A

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

### **XV. OTHER SIGNIFICANT MATTERS (CONTINUED)**

#### **4. Annuity plan**

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

#### **5. Discontinued operation**

N/A

#### **6. Segment information**

##### **1. *The basis for the determination of the segment report and the accounting policy***

The Company 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 Company 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.



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

### **XV. OTHER SIGNIFICANT MATTERS (CONTINUED)**

#### **6. Segment information (Continued)**

##### **1. *The basis for the determination of the segment report and the accounting policy (Continued)***

- (3) The accounting information, such as the financial situation, the operating results and the cash flow of the component, can be obtained.

The Company 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 REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

### XV. OTHER SIGNIFICANT MATTERS (CONTINUED)

#### 6. 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 Company 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 Company has four reporting divisions: Agricultural Machinery, Power Machinery, Finance, and Other Machinery. The Agricultural Machinery Division is responsible for the production and sale of agricultural tractors, harvesters, etc. The power machinery division is mainly responsible for producing and selling diesel engines. The financial branch mainly for the Company 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 REPORT PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

### XV. OTHER SIGNIFICANT MATTERS (CONTINUED)

#### 6. Segment information (Continued)

##### 3. Reporting segment

Reporting segment for the period of January–June 2018 (Unit: RMB '000)

Item	Agricultural machinery	Power machinery	Other machinery	Finance service	Elimination among segments	Total
Total operating revenue	3,279,924	738,155	4,370	92,955	-534,014	3,581,390
Including: external transaction revenue	3,095,613	409,541	4,264	71,972	0	3,581,390
Revenue between segments	184,311	328,614	106	20,983	-534,014	0
Depreciation and amortization fee	149,323	26,501	741	428	0	176,993
Total profit	-186,042	9,593	-441	50,181	11,957	-114,752
Total assets	10,658,970	2,574,421	56,936	4,396,193	-4,014,165	13,672,355
Total liabilities	7,173,254	828,526	359,833	3,557,467	-4,061,598	7,857,482
Other important non-cash items	0	0	0	0	0	0
(1) Non-cash expenses other than depreciation and amortization	16,325	6,046	125	227	0	22,723
(2) Capital expenditure	116,775	34,032	0	68	0	150,875

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

## XV. OTHER SIGNIFICANT MATTERS (CONTINUED)

### 6. Segment information (Continued)

#### 3. Reporting segment

Reporting segment for the period of January–June 2017 (Unit: RMB '000)

Item	Agricultural machinery	Power machinery	Other machinery	Finance service	Elimination among segments	Total
Total operating revenue	3,779,434	1,064,733	14,850	78,132	-672,407	4,264,742
Including: external transaction revenue	3,506,666	684,477	12,178	61,421	0	4,264,742
Revenue between segments	272,768	380,256	2,672	16,711	-672,407	0
Depreciation and amortization fee	164,103	6,094	1,355	431	0	171,983
Total profit	-33,292	57,616	-4,639	46,946	-1,588	65,043
Total assets	10,244,660	2,170,434	104,855	4,602,268	-4,549,243	12,572,974
Total liabilities	6,554,963	823,045	466,221	3,837,445	-4,578,008	7,103,666
Other important non-cash items						
(1) Non-cash expenses other than depreciation and amortization	22,312	6,311	241	0	0	28,864
(2) Capital expenditure	167,993	11,944	753	85	0	180,775



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

**XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY**

**1. Accounts receivable**

*Monetary unit: RMB*

Item	Ending balance	Beginning balance
Book balance	<b>1,855,448,105.82</b>	1,372,020,598.37
Bad debt provision	<b>196,185,211.27</b>	175,676,504.59
<b>Book value</b>	<b><u><u>1,659,262,894.55</u></u></b>	<b><u><u>1,196,344,093.78</u></u></b>

**(1) Explanation of category of accounts receivable:**

a. *Accounts receivable with expected credit losses based on risk exposures such as collateral*

Project name	Ending balance			Reason for provision
	Original value of accounts receivable	Amount of bad debts	Accrual percentage (%)	
Accounts receivable with collateral	<b>673,892.52</b>	<b>336,946.26</b>	<b>50.00</b>	<b>Estimated credit loss rate</b>
<b>Total</b>	<b>673,892.52</b>	<b>336,946.26</b>	<b>50.00</b>	



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

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

**1. Accounts receivable (Continued)**

**(1) Explanation of category of accounts receivable: (Continued)**

a. *Accounts receivable with expected credit losses based on risk exposures such as collateral (Continued)*

Project name	Original value of accounts receivable	Beginning balance		Reason for provision
		Amount of bad debts	Accrual percentage (%)	
Accounts receivable with collateral	673,892.52	336,946.26	50.00	Estimated credit loss rate
<b>Total</b>	<u><u>673,892.52</u></u>	<u><u>336,946.26</u></u>	<u><u>50.00</u></u>	



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

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

**1. Accounts receivable (Continued)**

**(1) Explanation of category of accounts receivable: (Continued)**

*b. Accounts receivable for expected credit losses by age combination*

Aging	Ending balance		
	Original value of accounts receivable	Bad debt allowance	Accrual percentage (%)
Within 1 year	1,692,624,366.58	38,876,268.40	2.30
1-2 years	10,355,700.24	5,177,850.13	50.00
2-3 years	2,378,498.19	2,378,498.19	100.00
Over 3 years	149,415,648.29	149,415,648.29	100.00
<b>Total</b>	<b>1,854,774,213.30</b>	<b>195,848,265.01</b>	<b>10.56</b>

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

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

**1. Accounts receivable (Continued)**

**(1) Explanation of category of accounts receivable: (Continued)**

*b. Accounts receivable for expected credit losses by age combination (Continued)*

Aging	Original value of accounts receivable	Beginning balance	
		Bad debt allowance	Accrual percentage (%)
Within 1 year	1,217,854,164.08	23,678,917.05	1.94
1-2 years	3,663,800.97	1,831,900.48	50.00
2-3 years	11,839,956.68	11,839,956.68	100.00
Over 3 years	137,988,784.12	137,988,784.12	100.00
<b>Total</b>	<u>1,371,346,705.85</u>	<u>175,339,558.33</u>	<u>12.79</u>

**(2) Details of accrual, collection or reversal of bad debt allowance**

The amount of bad debt allowance accrued in this period is RMB3,085,822.01. There is no reversed bad debt allowance in this period.

**(3) No accounts receivable actually written off during the year.**



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

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

**1. Accounts receivable (Continued)**

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

Monetary unit: RMB

Company name	Ending balance	Proportion to the ending balance of accounts receivable (%)	Accrual of bad debt provision
Luoyang Changxing Agricultural Machinery Co., Ltd	<b>1,302,716,861.42</b>	70.21	26,054,337.23
YTO International Economic and Trade Co., Ltd	<b>93,772,223.41</b>	5.05	6,200,599.57
YTO (Luoyang) harvester Machinery Co., Ltd.	<b>76,447,044.82</b>	4.12	76,447,044.82
YTO (Luoyang) Diesel Engine Co., Ltd	<b>51,979,635.98</b>	2.80	556,541.12
Chang Tuo Agricultural Machinery Equipment Group Co., Ltd	<b>38,132,408.91</b>	2.06	38,132,408.91
<b>Total</b>	<b>1,563,048,174.54</b>	84.24	147,390,931.65

**(5) No accounts receivable that have been terminated due to the transfer of financial assets.**

**(6) No amount of assets and liabilities formed without the transfer of receivables and continued involvement.**

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

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

**2. Other receivables**

**(1) Category of other receivables**

*Monetary unit: RMB*

<b>Item</b>	<b>Ending balance</b>	Beginning balance
Book balance	<b>66,170,764.45</b>	64,593,342.83
Bad debt provision	<b>22,732,170.32</b>	17,787,405.61
<b>Book value</b>	<b>43,438,594.13</b>	46,805,937.22

*a. Other receivables with expected credit risk by age combination*

<b>Aging</b>	<b>Ending balance</b>		
	<b>Original value of other receivables</b>	<b>Bad debt allowance</b>	<b>Accrual percentage (%)</b>
Within 1 year	<b>48,242,550.56</b>	<b>5,450,157.80</b>	<b>11.30</b>
1–2 years	<b>1,292,402.77</b>	<b>646,201.39</b>	<b>50.00</b>
2–3 years	<b>286,835.12</b>	<b>286,835.12</b>	<b>100.00</b>
Over 3 years	<b>16,348,976.01</b>	<b>16,348,976.01</b>	<b>100.00</b>
<b>Total</b>	<b>66,170,764.46</b>	<b>22,732,170.32</b>	<b>34.35</b>



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

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

**2. Other receivables (Continued)**

**(1) Category of other receivables (Continued)**

a. *Other receivables with expected credit risk by age combination (Continued)*

Aging	Original value of other receivables	Beginning balance	
		Bad debt allowance	Accrual percentage (%)
Within 1 year	17,492,425.97	848,291.93	4.85
1-2 years	472,509.69	236,254.85	50.00
2-3 years	734,602.47	734,602.47	100.00
Over 3 years	15,968,256.36	15,968,256.36	100.00
<b>Total</b>	<u>34,667,794.49</u>	<u>17,787,405.61</u>	<u>51.31</u>

Portfolio name	Other receivables	Beginning balance	
		Bad debt allowance	Accrual percentage (%)
Risk-free portfolio of deposits and petty cash	29,925,548.34	0.00	0.00
<b>Total</b>	<u>29,925,548.34</u>	<u>0.00</u>	<u>0.00</u>

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

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

**2. Other receivables (Continued)**

**(2) Details of accrual, collection or reversal of bad debt allowance**

The amount of bad debt allowance accrued in this period is RMB4,944,764.71. There is no bad debt allowance is reserved in this year.

**(3) No other receivables actually written off during the year.**

**(4) Classification of other receivables by nature**

Monetary unit: RMB

Item	Ending book balance	Beginning book balance
Receivables and payments between companies	<b>25,110,772.08</b>	29,377,216.43
Deposits and petty cash	<b>4,943,842.57</b>	2,199,159.83
Collection and payment of social insurance withheld	<b>63,583.53</b>	830,473.20
Receivables from government subsidies	<b>8,500,000.00</b>	10,000,000.00
Others	<b>4,820,395.95</b>	4,399,087.76
<b>Total</b>	<b>43,438,594.13</b>	46,805,937.22



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

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

**2. Other receivables (Continued)**

**(5) Details of top five other receivables with the ending balance classified by the borrowers**

Monetary unit: RMB

Company name	Nature of payment	Ending balance	Aging	Percentage in the ending balance of other receivables (%)	Ending balance of bad debt allowance
Luoyang Houhede Real Estate Development Co., Ltd.	Intercourse funds	<b>24,406,883.74</b>	Within 1 year	36.93	<b>3,452,017.16</b>
Henan Industrial and Information Technology Commission (Luoyang)	Government grants receivable	<b>10,000,000.00</b>	Within 1 year	15.13	<b>1,500,000.00</b>
YTO (Luoyang) Zhongcheng Machinery Co., Ltd.	Intercourse funds	<b>3,378,158.79</b>	Within 1 year	5.11	<b>67,563.18</b>
Jiangsu Qingjiang Tractor Co., Ltd	Intercourse funds	<b>3,315,484.00</b>	over 3 years	5.02	<b>3,315,484.00</b>
Leading Group on Loaning Construction Projects and Wages of Migrant Workers in Luoyang City	Deposit	<b>1,305,120.00</b>	1-2 years	1.97	
<b>Total</b>		<b><u>42,405,646.53</u></b>		<b><u>64.16</u></b>	<b><u>8,335,064.34</u></b>



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

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

**2. Other receivables (Continued)**

**(6) Other receivables involving government subsidies**

*Monetary unit: RMB*

<b>Company name</b>	<b>Name of government subsidy project</b>	<b>Ending balance</b>	<b>Aging</b>	<b>The time, amount and basis expected to be collected</b>
Henan provincial industry and Information Committee	The first (set) major technical equipment award and premium subsidy of Henan Province	<b>10,000,000.00</b>	Within 1 year	The results of the review of the first (set) major technical equipment award and premium subsidy funds in Henan stated that it is expected to be collected in 2018.
<b>Total</b>	/	<b>10,000,000.00</b>	/	/

**(7) No other receivables that have been terminated due to the transfer of financial assets.**

**(8) There is no assets and liabilities formed by no transfer of other receivables and continued involvement.**



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

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

#### 3. Long-term equity investments

Monetary unit: RMB

Nature of investments	Ending balance			Beginning balance		
	Book balance	impairment	Book value	Book balance	impairment	Book value
Subsidiaries	2,842,043,824.40	126,638,632.00	2,715,405,192.40	2,842,043,824.40	2,750,000.00	2,839,293,824.40
Joint venture or associates	146,596,633.60	7,004,515.65	139,592,117.95	147,826,932.92	7,004,515.65	140,822,417.27
Other companies	16,200,000.00	16,200,000.00	0.00	16,200,000.00	16,200,000.00	0.00
Total	<u>3,004,840,458.00</u>	<u>149,843,147.65</u>	<u>2,854,997,310.35</u>	<u>3,006,070,757.32</u>	<u>25,954,515.65</u>	<u>2,980,116,241.67</u>

#### (1) Investments in subsidiaries

Monetary unit: RMB

Name of the subsidiary	Beginning balance	Increase in this period	Decrease in this period	Ending balance	Provision for impairment	Provision for impairment ending balance
YTO France SAS	496,273,468.97	0.00	0.00	496,273,468.97	0.00	0.00
Luoyang Changhong Trading Co., Ltd	2,750,001.00	0.00	0.00	2,750,001.00	0.00	2,750,000.00
YTO (Luoyang) Shentong Construction Machinery Co., Ltd	46,500,046.00	0.00	0.00	46,500,046.00	46,500,046.00	46,500,046.00
YTO (Xinjiang) Machinery Co., Ltd	160,000,000.00	0.00	0.00	160,000,000.00	0.00	0.00
YTO Heilongjiang Agricultural Machinery Co., Ltd	100,000,000.00	0.00	0.00	100,000,000.00	0.00	0.00

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

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

#### 3. Long-term equity investments (Continued)

##### (1) Investments in subsidiaries (Continued)

Name of the subsidiary	Beginning balance	Increase in this period	Decrease in this period	Ending balance	Provision for impairment	Provision for impairment ending balance
Luoyang Changxing Agricultural Machinery Co., Ltd	2,100,000.00	0.00	0.00	2,100,000.00	2,100,000.00	2,100,000.00
YTO (Jiangyan) Power Machinery Co., Ltd.	76,000,000.00	0.00	0.00	76,000,000.00	0.00	0.00
YTO (Luoyang) Transportation Machinery Co., Ltd	52,018,586.00	0.00	0.00	52,018,586.00	36,038,586.00	36,038,586.00
Huachen China Machinery Holding Co., Ltd.	27,869,301.63	0.00	0.00	27,869,301.63	0.00	0.00
YTO Group Finance Co., Ltd	485,040,302.00	0.00	0.00	485,040,302.00	0.00	0.00
China-Africa Heavy Industry Investment Co., Ltd	55,022,000.00	0.00	0.00	55,022,000.00	0.00	0.00
Luoyang Tractor Research Institute Co., Ltd.	281,414,966.36	0.00	0.00	281,414,966.36	0.00	0.00
YTO (Luoyang) Diesel Engine Co., Ltd	392,257,881.14	0.00	0.00	392,257,881.14	0.00	0.00
YTO (Luoyang) Flag Auto-body Co., Ltd	77,192,767.62	0.00	0.00	77,192,767.62	0.00	0.00
YTO (Luoyang) Fuel Injection Co., Ltd	152,989,481.32	0.00	0.00	152,989,481.32	0.00	0.00



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

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

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

**(1) Investments in subsidiaries (Continued)**

Name of the subsidiary	Beginning balance	Increase in this period	Decrease in this period	Ending balance	Provision for impairment	Provision for impairment ending balance
YTO (Luoyang) Foundry Company Limited	200,391,996.60	0.00	0.00	200,391,996.60	0.00	0.00
YTO International Economic and Trade Co., Ltd	75,668,335.13	0.00	0.00	75,668,335.13	0.00	0.00
Chang Tuo Agricultural Machinery Equipment Group Co., Ltd	94,250,000.00	0.00	0.00	94,250,000.00	39,250,000.00	39,250,000.00
YTO Shunxing (Luoyang) Spare Parts Co., Ltd	33,670,762.32	0.00	0.00	33,670,762.32	0.00	0.00
YTO Belarus Technology Co. Ltd.	30,633,928.31	0.00	0.00	30,633,928.31	0.00	0.00
<b>Total</b>	<u>2,842,043,824.40</u>	<u>0.00</u>	<u>0.00</u>	<u>2,842,043,824.40</u>	<u>123,888,632.00</u>	<u>126,638,632.00</u>

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

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

### 3. Long-term equity investments (Continued)

#### (2) Investments in joint venture and associates

Monetary unit: RMB

Invested company	Beginning balance	Additional investment	Reduce investment	Profit and loss on investments by rights and interests law	Changes in this period				Others	Ending balance	Provision for impairment ending balance
					Adjusted comprehensive income	Changes in other interests	Declaration of cash dividends or profits	Provision for impairment			
Associates											
YTO Sichuan Agricultural Equipment Co., Ltd.	841,443.56			-45,069.65						796,373.91	
ZF-YTO (Luoyang) Axle Co. Ltd.	13,998,0973.71			-1,185,229.67						138,795,744.04	
Luoyang Fossett Auto Limited by Share Ltd	7,004,515.65									7,004,515.65	7,004,515.65
<b>Total</b>	<u>147,826,932.92</u>			<u>-1,230,299.32</u>						<u>146,596,633.60</u>	<u>7,004,515.65</u>



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

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

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

**(3) Investments in other companies**

Invested company	Original investment cost	Beginning balance	Increased	Decreased	Ending balance	Provision for impairment	Provision for impairment ending balance
YTO Shenyang Tractor Co., Ltd.	16,200,000.00	16,200,000.00			16,200,000.00		16,200,000.00
<b>Total</b>	<u>16,200,000.00</u>	<u>16,200,000.00</u>			<u>16,200,000.00</u>		<u>16,200,000.00</u>

*Note 1:* YTO Shenyang tractor Co., Ltd. has been in the status of discontinued operations. The Group is no longer involved in the operation and liquidation and drawn the related assigned staff back. Full impairment has been provided for the investment in this company.

**4. Operating revenue and operating costs**

*Monetary unit: RMB*

Item	Amount incurred in this period		Amount incurred in last period	
	Income	Cost	Income	Cost
Main business	<u>2,788,301,883.82</u>	<u>2,441,432,355.26</u>	3,005,490,703.49	2,731,838,976.98
Other business	<u>47,016,230.75</u>	<u>6,344,338.02</u>	33,159,119.27	2,208,997.33
<b>Total</b>	<u><u>2,835,318,114.57</u></u>	<u><u>2,447,776,693.28</u></u>	<u>3,038,649,822.76</u>	<u>2,734,047,974.31</u>

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

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

**5. Investment income**

*Monetary unit: RMB*

<b>Item</b>	<b>Amount incurred in this period</b>	Amount incurred in last period
Long term equity investment earnings calculated by cost method		
Investment income from long-term equity investments by equity method	<b>-1,230,299.32</b>	1,868,144.27
Investment income from disposal of long term equity investments		
Investment income of financial assets measured at fair value through profit or loss during the holding period	<b>11,000,000.00</b>	800,925.00
Investment income from disposal of financial assets measured at fair value through profit or loss	<b>0.00</b>	-679,049.74
<b>Total</b>	<b>9,769,700.68</b>	1,990,019.53



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

### XVII. SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

#### 1. Schedule of gain or loss from extraordinary items in this period

Monetary unit: RMB

Item	Amount in this period	Explanation
Gain or loss on disposal of non-current assets	497,857.69	
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)	14,345,314.07	
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	3,285,931.16	



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

### XVII. SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 1. Schedule of gain or loss from extraordinary items in this period (Continued)

Item	Amount in this period	Explanation
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		
Profit or loss from changes of the fair value of trading financial assets and trading financial liabilities held and investment income from disposal of trading financial assets and trading financial liabilities and financial assets available for sale, except for hedging related to daily operations of the companies	79,997,961.37	



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

### XVII. SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 1. Schedule of gain or loss from extraordinary items in this period (Continued)

Item	Amount in this period	Explanation
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	3,028,746.84	
Gain or loss from other extraordinary items		
Effects on income tax	-4,616,690.64	
Effects on non-controlling interests (after tax)	-10,137,109.15	
<b>Total</b>	<b>86,402,011.34</b>	

**X FINANCIAL REPORT 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 Company	-2.80	-0.1471	-0.1471
Net profit attributable to common shareholders of the Company after non-operating profit or loss	<u><u>-4.47</u></u>	<u><u>-0.2347</u></u>	<u><u>-0.2347</u></u>



## XI. DOCUMENTS AVAILABLE FOR INSPECTION

Documents available for inspection	2018 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 2018 Interim Report signed by the Directors and senior management of the Company

Chairman: Zhao Yanshui

The date of approval by the Board for submission: 29 August 2018