

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)

2015

2012



2010



2015
ANNUAL REPORT

1997



1981



1955



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 annual report (the “Annual Report”), and severally and jointly accept responsibility for the truthfulness, accuracy and completeness of the contents therein.
- II. All Directors attended the Board meeting, save for Mr. Wu Tak Lung, Independent Non-executive Director, who was unable to attend the on-site meeting due to business engagement and appointed Mr. Yu Zengbiao, Independent Non-executive Director to vote on his behalf.
- III. ShineWing Certified Public Accountants LLP issued the standard unqualified audit report to the Company.
- 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 Annual Report.
- V. Proposal of profit distribution or proposal of capitalization from capital reserves for the reporting period (the “Reporting Period”) as considered by the Board

The proposal of profit distribution for the year of 2015 of the Company is to distribute cash dividend of RMB0.41 (tax inclusive) for every ten shares to all shareholders, based on the total share capital of the Company of 995,900,000 shares as at 31 December 2015. The Company does not have any capitalization from capital reserves this year.

- 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 the Annual 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 V “Management Discussion and Analysis” of the Annual Report for detailed description of unfavorable factors and risks which may occur during operation and future development of the Company concluded based on industry and operation situation of the Company under the important principles. Save for the above, the Company did not have any significant risks requiring separate warning.

CONTENTS

Section I	Definitions	6
Section II	Company Profile and Major Financial Indicators	10
Section III	Report of the Chairman of the Board	17
Section IV	Overview of the Business of the Company	21
Section V	Management Discussion and Analysis	24
Section VI	Significant Events	46
Section VII	Changes in Ordinary Shares and Information on Shareholders	66
Section VIII	Preference Shares	73
Section IX	Directors, Supervisors, Senior Management and Employees	74
Section X	Corporate Governance	88
Section XI	Relevant Information on Bonds of the Company	101
Section XII	Report of the Board of Supervisors	105
Section XIII	Supplemental Information on Finance Business	109
Section XIV	Financial Statement Prepared in Accordance With the PRC Accounting Standards for Business Enterprises	111
Section XV	Documents Available for Inspection	364

MAJOR EVENTS OF FIRST TRACTOR IN 2015

January

- Zhao Yanshui, Chairman of the Company, was awarded the lifelong honorary title of “National Outstanding Scientific and Technological worker (全國優秀科技工作者)” by the China Association for Science and Technology.
- Production line of the ten tons lost foam casting of the green technology upgrade and reconstruction project of YTO Foundry was successfully constructed and thermo-regulated.



March

- Dongfanghong – C1402 high horsepower rubber crawler tractor with hydraulic power steering wheel was presented in the Agricultural Machinery Products Trade Fair for the three provinces in Northeast China.



- The Company announced the annual results for the year of 2014.

MAJOR EVENTS OF FIRST TRACTOR IN 2015 (CONTINUED)

April

- “Henan Province Tractor Key Technology Key Laboratory” of the Company passed the inspection and was accepted by Henan Provincial Department of Science and Technology.
- Dongfanghong “e-shopping Mall” was formally launched.



May

- The Company convened the annual general meeting.

August

- The Board of the Company adjusted certain senior management.
- The Company announced the interim results for the year of 2015.
- The Company was rated as an A Class Information Disclosure (Outstanding) Company for the year of 2014 (2014年度信息披露A类(优秀类)公司) by Shanghai Stock Exchange.

September

- Delivery ceremony of hi-powered and mid-powered wheeled tractor products exported to Cuba was held in Havana.



MAJOR EVENTS OF FIRST TRACTOR IN 2015 (CONTINUED)

- The PRC Ministry of Science and Technology approved to construct the Tractor Power System National Key Laboratory in the Company.



October

- Members of the Seventh Board and Board of Supervisors were elected in the extraordinary general meeting of the Company.
- Zhao Yanshui was elected as the Chairman of the Company, Wang Erlong was elected as the vice Chairman of the Company and new session of senior management of the Company was employed in the first meeting of the Seventh Board of the Company.
- Seven products of the Company including Dongfanghong LF2204 tractor and LR6A3L-T received five awards including “Gold Product Award (產品金獎)” and “Innovative Product Award (產品創新獎)” in the 2015 PRC Agricultural Machinery Industry Annual Awards Event (2015中國農機行業年度評獎活動).



MAJOR EVENTS OF FIRST TRACTOR IN 2015 (CONTINUED)

- November**
- The Company received seven awards including the “Top Ten Competitive Brands in Agricultural Machinery Industry (農業機械行業最具市場競爭力十佳品牌)” in the sixth session of the “Agricultural Cup (精耕杯)” awards event. Zhu Weijiang, deputy general manager of the Company, was awarded the title of “Top Ten Persons for the Year in the Agricultural Machinery Industry (農機行業年度“十大風雲人物”)”.



- The core capability improvement project of new type of wheeled tractor of the Company was basically completed.



- December**
- The Company was awarded the prize of “Excellent Board of Directors (優秀董事會)” under the eleventh PRC Boards of Directors of Listed Companies “Gold Table Award (金圓桌獎)”. Yu Lina, deputy general manager and secretary to the Board of the Company, was awarded the prize of “the Most Innovative Secretary to the Board (最具創新力董秘)”.



DEFINITIONS

1. DEFINITIONS

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

A Share	means	ordinary shares as approved by the CSRC which are issued to domestic investors and qualified foreign investors, traded on the PRC domestic stock exchange, denominated, subscribed for and traded in RMB
agricultural machinery	means	various machinery used in the crop farming and animal husbandry production, and the primary processing of agricultural and animal products
auditor	means	the financial statement auditor appointed by the Company, ShineWing Certified Public Accountants LLP, as the Company's auditor for the year of 2015
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
BOL Financial Leasing	means	BOL Financial Leasing Company Limited (洛銀金融租賃股份有限公司), an equity participating company 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
CBRC	means	China Banking Regulatory Commission
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
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
Company	means	First Tractor Company Limited (第一拖拉機股份有限公司)
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

DEFINITIONS (CONTINUED)

crawler tractor	means	tractor with the crawler as walking device
CSRC	means	China Securities Regulatory Commission
diesel engine	means	internal combustion engine that uses diesel as fuel
Group	means	the Company and its controlled subsidiaries
H Share	means	ordinary shares as approved by the CSRC which are issued to foreign investors, and listed with the approval of the Stock Exchange, denominated in RMB, subscribed for and traded in Hong Kong dollars
hi-powered wheeled tractor	means	wheeled tractor with horsepower of 70 (inclusive) horsepower or above
Hong Kong	means	the Hong Kong Special Administrative Region of the PRC
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
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)
low-powered wheeled tractor	means	wheeled tractor with horsepower of less than 25 horsepower
mid-powered wheeled tractor	means	wheeled tractor with horsepower of 25 (inclusive) to 70 horsepower
power machinery	means	products including diesel engine and fuel injection pump
PRC	means	the People's Republic of China which, for the purpose of the Annual Report, excludes Hong Kong, the Macau Special Administrative Region and Taiwan

DEFINITIONS (CONTINUED)

Prospectus	means	the “Prospectus in connection with the Initial Public Offering of A Shares of First Tractor Company Limited” (《第一拖拉機股份有限公司首次公開發行A股股票招股說明書》) prepared under the relevant laws and regulations for the initial public offering of A Shares by the Company
SASAC	means	State-owned Assets Supervision and Administration Commission of the State Council of the PRC
Shanghai Stock Exchange	means	the Shanghai Stock Exchange
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
Stock Exchange	means	The Stock Exchange of Hong Kong Limited
subsidiary	means	a subsidiary as defined under the Listing Rules of the Stock Exchange
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
YTO	means	YTO Group Corporation (中國一拖集團有限公司), the controlling shareholder 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 Drive Axle	means	YTO (Luoyang) Drive Axle Company Limited (一拖(洛陽)車橋有限公司), a wholly-owned 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
YTO Flag	means	YTO (Luoyang) Flag Auto-Body Company Limited (一拖(洛陽)福萊格車身有限公司), a wholly-owned subsidiary of the Company

DEFINITIONS (CONTINUED)

YTO Forklift Truck	means	YTO (Luoyang) Forklift Truck Company Limited (一拖(洛陽)叉車有限公司), a wholly-owned subsidiary of the Company
YTO Foundry	means	YTO (Luoyang) Foundry Company Limited (一拖(洛陽)鑄造有限公司), 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
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
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
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 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
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
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

COMPANY PROFILE AND MAJOR 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) 6496 7038	(86 379) 6497 0213
Facsimile	(86 379) 6496 7438	(86 379) 6496 7438
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	http://www.first-tractor.com.cn
E-mail	mssc0038@ytogroup.com

IV. THE PLACE FOR INFORMATION DISCLOSURE AND 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 annual report as designated by the CSRC	www.sse.com.cn
Website for publication of the Annual Report as designated by the Stock Exchange	www.hkex.com.hk
Place for inspection of the annual report (report for A Shares)	Office of the Board of the Company
Place for inspection of the Annual Report (report for H Shares)	Li & Partners, 22/F, World-Wide House, Central, Hong Kong

COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS (CONTINUED)

V. BASIC INFORMATION OF SHARES OF THE COMPANY

Type	Stock exchanges 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	0038	/

VI. OTHER RELATED INFORMATION

Auditor of the Company (PRC domestic)	Name	ShineWing Certified Public Accountants LLP
	Office address	9/F, Block A, Fu Hua Mansion, No. 8 Chao Yang Men Bei Street, Dong Cheng District, Beijing, the PRC
	Names of the signing accountants	Ma Chuanjun, Song Gang
Sponsor providing on-going supervision and guidance during the Reporting Period	Name	CITIC Securities Company Limited
	Office address	North Tower, Phase II, Excellence Times Square, No. 8 Zhongxin San Road, Futian District, Shenzhen, Guangdong Province, the PRC
	Names of the signing sponsor representatives	Yu Hui, Zhu Yexin
	On-going supervision and guidance period	8 August 2012 to 31 December 2014

Note: The period for CITIC Securities Company Limited, the sponsor, to provide on-going supervision and guidance to the Company expired, but CITIC Securities Company Limited shall continue to supervise the use of raised funds.

COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS (CONTINUED)

VII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS FOR THE LATEST THREE YEARS

(I) Key Accounting Data

Unit: Yuan Currency: RMB

Key accounting data	2015	2014	Increase/Decrease of the Reporting Period as compared with the corresponding period last year (%)	
				2013
Total operating revenue	9,655,491,061.08	9,026,978,821.14	6.96	11,057,843,491.06
Operating revenue	9,299,840,739.37	8,929,316,050.68	4.15	10,985,440,654.79
Net profit attributable to shareholders of the Company	135,322,811.53	167,698,247.35	-19.31	227,084,951.73
Net profit attributable to shareholders of the Company after deduction of non-recurring profit or loss	59,060,936.02	-21,999,386.97	N/A	152,798,652.61
Net cash flows from operating activities	637,795,720.18	74,866,397.52	751.91	-141,519,826.21
	As at the end of 2015	As at the end of 2014	Increase/Decrease as at the end of the Reporting Period as compared with the end of the corresponding period last year (%)	
Net assets attributable to shareholders of the Company	4,673,879,851.60	4,593,468,033.54	1.75	4,503,113,206.30
Total assets	13,272,449,559.98	12,355,694,645.67	7.42	11,699,276,392.53
Total share capital as at the end of the Reporting Period	995,900,000	995,900,000	0.00	995,900,000

COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS (CONTINUED)

(II) Key Financial Indicators

Unit: Yuan Currency: RMB

Key financial indicators	2015	2014	Year-on-year increase/decrease (%)	2013
Basic earnings per share (<i>RMB/share</i>)	0.1359	0.1684	-19.30	0.2280
Diluted earnings per share (<i>RMB/share</i>)	0.1359	0.1684	-19.30	0.2280
Basic earnings per share after deduction of non-recurring profit or loss (<i>RMB/share</i>)	0.0593	-0.0221	N/A	0.1534
Weighted average return on net assets (%)	2.92	3.68	Decreased by 0.76 percentage points	5.07
Weighted average return on net assets after deduction of non-recurring profit or loss (%)	1.27	-0.48	N/A	3.41

Explanation on the key accounting data and financial indicators of the Company for the latest three years as at the end of the Reporting Period:

Basic earnings per share and diluted earnings per share were reduced by 19.30% as compared with the corresponding period of last year, mainly due to the reduction in net profit realized and attributable to shareholders of the Company during the Reporting Period.

VIII. KEY QUARTERLY FINANCIAL INDICATORS IN 2015

Unit: Yuan Currency: RMB

	Q1 (January – March)	Q2 (April – June)	Q3 (July – September)	Q4 (October – December)
Operating revenue	2,987,316,063.13	2,566,468,457.04	2,561,165,465.18	1,184,890,754.02
Net profit attributable to shareholders of the Company	90,710,627.94	57,933,382.10	64,869,133.87	-78,190,332.38
Net profit attributable to shareholders of the Company after deduction of non-recurring profit or loss	74,684,541.00	58,562,179.67	63,383,785.93	-137,569,570.58
Net cash flows from operating activities	-399,957,110.23	656,317,183.18	194,749,046.24	186,686,600.99

COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS (CONTINUED)

IX. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

	<i>Unit: Yuan Currency: RMB</i>		
Non-recurring profit or loss Items	Amounts in 2015	Amounts in 2014	Amounts in 2013
Profit or loss from disposal of non-current assets	-3,503,966.64	160,576,609.27	-2,892,692.78
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)	32,513,241.88	27,077,645.98	20,920,608.99
Profit from the excess of the fair value of the identifiable net assets of investee companies over investment cost of acquisition of the Company's subsidiaries, associates and jointly controlled entities	/	/	84,459,812.32
Profit or loss from debt restructuring	-5,057,432.79	1,741,068.71	1,401,074.99
Corporate restructuring costs, such as employee relocation expenses and integration costs	/	-36,041,618.25	/
Net profit or loss for the Reporting Period from subsidiaries arising from business combination involving entities under common control from the beginning of the period to the date of combination	/	-1,266,667.02	1,707,114.89
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)	60,360,102.36	16,208,980.55	5,845,129.15
Non-operating income and expenses other than those stated above	24,581,807.46	17,020,695.73	4,712,149.16
Profit or loss from the transfer of long-term equity investment	/	51,600,103.86	/
Impact on minority shareholders equity interests	-13,712,233.12	-7,190,659.67	-11,604,673.34
Effect of income tax	-18,919,643.64	-40,028,524.84	-30,262,224.26
Total	76,261,875.51	189,697,634.32	74,286,299.12

COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS (CONTINUED)

X. ITEMS UNDER FAIR VALUE MEASUREMENT

Unit: Yuan Currency: RMB

Items	Balance as at the beginning of the Report Period	Balance as at the end of the Report Period	Change for the Reporting Period	Amount affecting profit for the Reporting Period
Change in fair value of financial assets credited to current profit or loss under fair value measurement (exclusive of derivative financial assets)	354,360,150.44	414,865,981.64	60,505,831.20	61,837,308.15
Available-for-sale financial assets	97,806,400.00	71,305,200.00	-26,501,200.00	18,556,137.79
Total	<u>452,166,550.44</u>	<u>486,171,181.64</u>	<u>34,004,631.20</u>	<u>80,393,445.94</u>

XI. FINANCIAL SUMMARY FOR THE LATEST FIVE YEARS OF THE COMPANY

1. Results

Unit: 0'000 Currency: RMB

Items	2015	For the year ended 31 December			
		2014	2013	2012	2011
Total operating revenue	965,549	902,698	1,105,784	1,150,804	1,170,267
Total profit	22,168	21,189	33,910	46,149	59,923
Income tax expense	8,262	4,766	7,223	7,110	8,494
Net profit	13,905	16,423	26,687	39,039	51,429
Net profit attributable to shareholders of the parent company	13,532	16,770	22,709	32,497	44,005
Profit or loss attributable to minority shareholders	373	-347	3,978	6,542	7,424

COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS (CONTINUED)

2. Assets, liabilities and shareholders equity interests

Unit: 0'000 Currency: RMB

Items	2015	For the year ended 31 December			
		2014	2013	2012	2011
Total assets	1,327,245	1,235,569	1,169,928	1,098,837	945,261
Total liabilities	787,387	703,487	644,176	604,580	550,014
Total shareholders equity interests	539,858	532,082	525,752	494,257	395,247
Total amount attributable to shareholders equity interests of the parent company	467,388	459,347	450,311	441,708	341,457
Minority shareholders equity interests	72,470	72,735	75,441	52,549	53,790

Financial summary for the latest five years of the Company are financial data prepared under the PRC Accounting Standards for Business Enterprises.

REPORT OF THE CHAIRMAN OF THE BOARD



Chairman: Zhao Yanshui

TO ALL SHAREHOLDERS:

I am pleased to present on behalf of the Board of First Tractor Company Limited the Annual Report of the Company and its subsidiaries for the year of 2015 to all shareholders.

During the Reporting Period, the Group realized total operating revenue of RMB9.655 billion, with a year-on-year increase of 6.96% and realized net profits attributable to shareholders of the Company of RMB135 million, with a year-on-year drop of 19.31%. Earnings per share was RMB0.1359, with a year-on-year drop of 19.30%.

REPORT OF THE CHAIRMAN OF THE BOARD (CONTINUED)

BUSINESS REVIEW

In 2015, in the context of increasing PRC domestic economy downturn pressure, deep adjustment occurred in the development of the agricultural machinery industry. Because of the PRC agricultural machinery purchase subsidy policy and client demand, the tractors market remained steady with growth in general and significantly changed in structure. General demand obviously tended to hi-powered and high-end products which speeded up level upgrade. Market demand for hi-powered wheeled tractor with 100 horsepower or above increased significantly.

The Company actively adapted to the new norm of economic development and the new features of industrial development, reinforced and promoted the market position of its main products, continuously improved the quality of its economic operation and further enhanced its basis of corporate quality and efficiency promotion, transformation and upgrade. During the Reporting Period, the Company continued to promote the competitiveness of its main products and realized sale of hi-powered wheeled tractors of 41,500 units with a year-on-year growth of 23.5% which was higher than the industry level growth rate. The Company kept its no. 1 in the industry in terms of market share. Sale of the power shift tractors for which the Company has full intellectual property right had a year-on-year increase of approximately 6.3 times, indicating a firm step in respect of upgrade of main products. The annual sale of diesel engine products was 177,000 units with a year-on-year growth of 12.6% and 112,000 units was exported. The Company completed the upgrade of the existing main diesel engine products to national III in terms of technology and production capacity.

The Company effectively expanded its international business. During the Reporting Period, the Group realized export amount of approximately USD100 million, with a year-on-year increase of approximately 64%, among which more than 1,000 units of hi-powered and mid-powered wheeled tractors were exported to Cuba, which reflected the comprehensive strength of the Company and established a foundation to enter into the market in Latin America.

The Company continuously enhanced its research and development capacity and reinforced its competitiveness. During the Reporting Period, the Company completed system development and performance test of electrical diesel engines. The core capacity promotion project of new type of wheeled tractor was basically completed, further promoting the core manufacturing capacity of main products and consolidating the leading position of the Company in products technology. "Henan Province Tractor Key Technology Key Laboratory" passed the inspection and was accepted by Henan Provincial Department of Science and Technology and was formally established and operating. "Tractor Power System National Key Laboratory" smoothly passed evaluation of and obtained certification from the PRC Ministry of Science and Technology and was formally under preparation. It created advantageous conditions for the Company to reinforce its existing technical advantages and promote its competitive advantages.

The Company kept promoting its management level. The effect of constructing platforms including strategic purchase and customer service gradually showed up. Enhancement on synergy and application of ERP information system and information system in sections including research and development, purchase, manufacturing, sale and finance continued. Level of information management significantly improved. "Dongfanghong e-shopping Mall" was established and operating smoothly, building an e-commerce model with a combination of online operation on internet and offline operation in physical stores for main unit products.

REPORT OF THE CHAIRMAN OF THE BOARD (CONTINUED)

During the Reporting Period, the governance of the Company was effective. The Company smoothly completed change of session of the Board. The composition of the new session of the Board is diverse in order to adapt to the complicated and variable external environment of the Company. The decision making process of the Board was reinforced with professional support from special committees. Standardization and effectiveness of the operation of the Board were enhanced. The Company was again appraised by the Shanghai Stock Exchange as the Excellent Company in Information Disclosure and was also awarded the prize of “Excellent Board of Directors” under the 11th PRC Boards of Directors of Listed Companies “Gold Table Award”.

Reviewing works for the year, under severe and complicated conditions, the Company actively handled changes in market demand, made timely decision to change advantages in research and development and technology to advantages in products and markets, which maintained its steady business development.

PROSPECTS

Affected by factors including the new norm of macro economy, saturation of traditional products and upgrade of customer demand, the agricultural machinery industry is in the transformation period of deep adjustment. There is excessive low and mid-end production capacity and difficulty in demand and supply adjustment reform. The growth power mechanism of the agricultural machinery industry is gradually transforming from the factor expansion growth driven mostly by the subsidy policy in the past to the allocation-optimized growth characterized by integration of industrial resources and the quality-improved growth characterized by promoting quality and efficiency. The industry will continue to grow in low speed. Meanwhile, the assurance from the PRC national food security policy and important measures including mechanization for the whole agricultural production promoted by the Ministry of Agriculture have provided a good environment and opportunity for stable development of the agricultural machinery industry. The basic long-term positive development trend of the agricultural machinery market in transformation period remains unchanged.

Reviewing conditions of the Company, the Company is in the key and necessary transition period and key timing for successful transformation and upgrade. Significant progress was made in adjustment in product structure. There was continuous improvement in competitiveness of main products. However, level of internationalization of corporate operation was low. There was relatively larger loss in some of the internal companies. There is new norm in the macro economy and change in growth power mechanism of the agricultural machinery industry, which indicates that corporates have entered into revolutionary competition period. In order to win, there must be successful transformation and upgrade.

REPORT OF THE CHAIRMAN OF THE BOARD (CONTINUED)

In the current internal and external context, the Company will continue to implement the new development idea of “innovation, coordination, green, open and sharing” and insist on the strategy of “focusing on the core areas for stronger businesses, being innovation-driven and developing whole-set solutions”. The Company will take promotion of product technology as power, promotion of manufacturing level and product quality as basis, promotion of resource integration and operation internationalization as key, and control of reform, enhancement of synergy and employment of talents as guarantee, in order to keep the leading position of its existing core businesses. The Company will also develop innovative new models and whole-set solutions for agricultural equipment.

In 2016, the Company will ensure stable growth, focusing on market target and speeding up our response. The Company will further drive transformation and upgrade, adjust product structure, and increase series of power shift tractor products. The Company will work on strengthening the power of the Company including developing and commercializing the new generation drive system, finalizing the research and development of national IV diesel engine products and developing whole-set solutions. The Company will actively work on the opportunity to implement the strategy of “Made in China 2025” and make use of the mindset of “Internet +” to promote “integration of information and industrialization” by improving the e-commerce and actively exploring application of new technology including Internet of Things, in order to fulfill client needs effectively and efficiently. The Company will further explore commercial model that is suitable to its development by effectively making use of new technology and method in information technology to improve platform construction works including capital market, strategic purchase, sale of components, client service and information disclosure. The Company will work on constructing a commercial platform on the basis of the internet. The internal reform of the Company will be deepened to optimize business management mode and improve incentive and restraint mechanism. The Company will systemically implement construction of teams of talent to speed up formation of new advantage of the Company in human resource. In terms of operation internationalization, the Company will enhance capacity to explore overseas markets to speed up transformation from simple product trading to comprehensive provision of service. The Company will also integrate internal and external resources, optimize internal resource allocation, speed up disposal of low-efficiency and ineffective assets and businesses so as to promote operation efficiency of assets. Core business value chain will be strengthened to promote upgrade of the production and enhance competitiveness of the production chain, which can effectively improve ability to provide whole-set solutions to clients.

By focusing on key points and breaking through difficulties, the Company will complete every work with values, grasp opportunities in challenges and speed up transformation in development. The Company will have a good start and environment for its development in the “13th Five-year Plan” period.

I would like to take this opportunity to express my sincere respect and gratitude on behalf of the Board to all shareholders, clients and the general public for their care and support to the development of the Company, as well as all of our staff for their hard work and dedication contributed to the development of the Company!

Zhao Yanshui
Chairman

OVERVIEW OF THE BUSINESS OF THE COMPANY

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

(I) Principal Businesses

The Company mainly engages in the research and development, manufacturing and sale of products including agricultural machinery and powered machinery. YTO Finance, the controlled subsidiary of the Company, establishes financial services business including fund settlement and financing. During the Reporting Period, principal businesses of the Company did not have any major changes.

Agricultural Machinery Business: includes research and development, manufacturing and sale of full series of wheeled and crawler tractors and key components including castings, forged parts, gears, gear boxes and cover. Tractor products of the Company are mainly used for agricultural production.

Power Machinery Business: Products include off-road diesel engines with displacement from 2L to 12L and power from 10KW to 280KW and their parts including fuel injector and fuel pump. Products are mainly agricultural machinery including tractor and harvesting machinery, and covers construction machinery, low-speed vehicle, vessel machinery, power generation machinery, etc.

Finance Business: YTO Finance, a controlled subsidiary of the Company, provides services for members of the Group including fund settlement, deposit and loan, bills business, financial lease and buyer credit within the scope approved by CBRC.

(II) Main Operation Modes

Most of the products of the Company are general type products while a few of them is personalized and customized products.

Purchase mode: The Company adopts a mode combining collective centralized purchase and collective decentralized purchase. The Group adopts collective centralized purchase for purchase of the main materials and components (such as steel, pig iron, tire and bearing) with high demand and strong versatility in production process. Business units under the Group adopts collective decentralized purchase for specialized raw materials and components according to needs.

Production mode: The Company mainly adopts and operates in mass production in assembly line. The Group reasonably arranges production plan and organizes production of products according to market forecast, product marketing, demand from dealers and seasonal features of sale of products of the Company. Power machinery products of the Company was mainly supplied through execution of annual supply contracts with main unit manufacturers by the Company and production of which is arranged and organized according to demand plans and specific orders.

Sales mode: Tractor products are mainly sold by dealers of the Company. The PRC domestic sales and service network covers thirty-one provinces, municipalities and autonomous regions of the PRC. The sales and service network in the international market is constructing and completing according to the progress of business development, in order to adapt to market needs. Diesel engine products are mainly supplied to main unit manufacturers mostly by direct sale.

OVERVIEW OF THE BUSINESS OF THE COMPANY (CONTINUED)

(III) Industry Development

As at the end of 2015, comprehensive mechanization level of plowing, planting and harvesting of crops in the PRC reached 63%. According to the PRC “Opinion on Promoting Mechanization for the Whole Production Process of Main Crops”, by 2020, comprehensive mechanization level of plowing, planting and harvesting of crops in the PRC will reach over 70%, among which comprehensive mechanization level of plowing, planting and harvesting of the three major crops will all reach over 80%. Mechanization in PRC agriculture will realize upgrade from middle level stage to high level stage. The industry still has high development potential.

Currently, agricultural mechanization in the PRC is developing from partial mechanization towards full-process mechanization and comprehensive mechanization. Demand for high-horsepower and composite high capacity agricultural machinery products and light, convenient, durable, low power consumption middle to small size tilling, planting, harvesting and plant protection machinery increases along with changes in various factors including land policy, consumer body, products property and price.

Meanwhile, after the speedy growth from 2004 to 2013, since 2014, agricultural machinery industry has been in the trend of middle and low growth with obvious slow-down growth. Middle and low-end products in the industry homogenized with over production capacity. Competition in the industry is increasingly fierce. High-end and composite agricultural machinery products are in the trend of growth.

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

During the Reporting Period, guided by the strategic plan and focusing on industrial structural adjustment, the Company completed annual investment in fixed assets of RMB424 million mainly for implementation of the technology reform projects.

As at the end of the Reporting Period, total assets of the Company amounted to RMB13,272,449,559.98, among which offshore assets was RMB281,650,777.88, accounting for 2.12% of the total assets.

III. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

1. The Company has leading technical research and development and independent innovation capability in the industry. The Tractors Research Company under the Company is the largest in size, strongest in technique and longest in history professional tractor research and development unit in the PRC. In 2015, “Tractor Power System National Key Laboratory” was under preparation, which created advantageous conditions for the Company to further reinforce its existing technical advantages and promote its competitive advantages.
2. The Company has the most complete tractor manufacturing system in the PRC. The Company is able to independently manufacture key parts including forged parts, casting, gear, diesel engine, gear box and cover. The advantage of having complete manufacturing system enables the Company to effectively control product quality and property in the whole process and promote price-performance ratio and competitiveness of products.

OVERVIEW OF THE BUSINESS OF THE COMPANY (CONTINUED)

3. A complete marketing and service network and “Dongfanghong”, the most influential brand in the industry. With years of development, the Company has established a complete marketing and service network covering the whole country of the PRC. In recent years, establishment of call center and application of information technology, etc. have enabled the Company to rapidly respond to customers’ demands in busy season of agricultural machinery sales and services to satisfy client demand. Since the brand “Dongfanghong” has established for more than 50 years, it is well-known in the agricultural machinery industry.

In 2015, the Company was dedicated to strengthen core competitiveness, enhance research and development capabilities and system, promote technical upgrade of products, improve process and quality management, improve key projects construction and continuously improve manufacturing capability and level. Meanwhile, the Company actively promoted marketing innovation and brand building to ensure higher competitiveness in the end market. During the Reporting Period, the Company’s core competitiveness was strengthened to a certain extent.

MANAGEMENT DISCUSSION AND ANALYSIS

I. MANAGEMENT DISCUSSION AND ANALYSIS

In 2015, the agricultural machinery industry continued the middle to low growth trend since 2014. The annual revenue from principal business reached RMB452.360 billion for the PRC agricultural machinery enterprises above national scale, with a year-on-year increase of 7.32%. The growth rate continued to decrease, and was the lowest record in the latest 10 years. While the PRC was actively implementing the food safety policies and accelerating important agriculture-supporting and farming-benefiting policies including mechanization of the whole agricultural production, the agricultural machinery industry had a better development than the machine manufacturing industry. However, development speed of the agricultural machinery industry obviously slowed down and the pace of structural adjustment was quickened with increasing degree of transformation and upgrade.

In 2015, the tractor industry recovered due to factors including land transfer, application of deep plow, subsidy guidance and fruitful grain harvest in the northeast area. There was obvious development trend towards hi-powered, high-end and efficient products. According to the product sales statistics for core tractor enterprises by China Association of Agricultural Machinery Manufacturers, annual industrial sales volume of hi-powered and mid-powered wheeled tractors was 307,700 units, with a year-on-year growth of 0.46%, among which 134,600 units of hi-powered wheeled tractors were sold, with a year-on-year growth of 20.31% and 172,800 units of mid-powered wheeled tractors were sold, with a year-on-year drop of 10.88%.

Last year, the Company actively coped with unfavorable impacts from slow growth rate and increasing difficulty in maintaining stable growth of the agricultural machinery industry. The Company actively adapted to the new norm in economic development and new characteristics of industrial development, emphasized on upgrading and transformation of products and adjusted product marketing strategies to adapt to market changes. The Company realized stable progress of various operation goals and task plans. In 2015, the Company realized total sales revenue of RMB9.655 billion, with a year-on-year increase of 6.96%, among which revenue from principal business was RMB8.902 billion, with a year-on-year increase of 4.13%, net profits attributable to shareholders of the Company was RMB135 million, with a year-on-year drop of 19.31%, gross profit rate was 18.09%, with a year-on-year increase of 1.61 percentage points, and net amount of cash flow generated by operation activities was RMB638 million, with a year-on-year increase of inflow of RMB563 million.

- (I) Principal businesses maintained stable development and maintained the advantageous position in the industry

Agricultural machinery business

In 2015, the Company persisted in market orientation, accurately focused on client needs and the main sales regional markets, analyzed market situation in advance and quickly arranged marketing works. The Company realized steady growth in sales volume of high-horsepower tractors products in main sales area through a series of competitive strategies including strengthening product promotion, utilizing product mix strategy and improving sales of weak regional products which utilized potential of channels. Through continuous improvement and upgrading of power shift/reversing tractors product technology, the Company's Dongfanghong power shift/reversing tractor technology was more advanced and intelligent, making it more comfortable and convenient in operation, which won a good reputation among customers and became popular in the market. Doubling sales volume of power shift tractors led to updating and upgrading of main tractors products of the Company. At the same time, the Company actively explore innovative marketing modes and constructed "Dongfanghong e-shopping mall" platform, building a "traditional and internet" and "online to offline" O2O brand franchise model.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

During the Reporting Period, the Company realized sales volume of 77,000 units of hi-powered and mid-powered wheeled tractors, with a year-on-year growth of 4.2% and 3.7 percentage points higher than the industrial level. Dongfanghong kept its no. 1 in the industry in terms of market share of hi-powered and mid-powered wheeled tractors. The Company sold a total of 42,000 units of hi-powered wheeled tractors in 2015, with a year-on-year increase of 23.5% and 3.5 percentage points higher than the industrial level, among which 24,000 units of hi-powered wheeled tractors with 100 horsepower or above were sold, with a year-on-year increase of 45%. More than 3,000 power shift tractors were sold, with a year-on-year increase of more than 6 times. Affected by agricultural machinery subsidy in favour of hi-powered products and upgrade in market demand structure, growth in mid-powered wheeled tractors continued to decrease with an annual sales volume of 35,000 units and a year-on-year decrease of 11.5%, which was a smaller decline than 2014. Sales of low-powered wheeled tractor continued to decrease with an annual sales volume of more than 4,000 units and a year-on-year decrease of 47.5%. During the Reporting Period, the Company exported a total of more than 2,400 units of high and middle horsepower tractors, with a year-on-year increase of 10.8%.

Power machinery business

During the Reporting Period, the Company sold 177,000 units of diesel engine products, with a year-on-year increase of 12.6%, among which external sales volume was 112,000 with a year-on-year increase of 1.1%.

Sales volume of diesel engine products had a higher increase than 2014, mainly due to an increase in sales volume of high-horsepower wheeled tractors and market demands induced by upgrade of non-road use diesel engine emission standard. Due to the impacts from the year-on-year decrease in sales volume of the wheat and corn harvester, external sales volume of the Company's diesel engine products was basically held at the same level. During the Reporting Period, the Company also actively worked on transformation of diesel engine products to national III standard, and upgraded dominant products comprehensively from national II to national III.

Finance and other business

During the Reporting Period, YTO Finance, improved capital usage efficiency by strengthening centralized funds management, and provided important capital support to the Company's production and operation. At the same time, YTO Finance further improved percentage of revenue from funds by developing appropriate investment activities. The annual total profit was RMB106 million, with a year-on-year increase of 16.5%.

Business cooperation between BOL Financial Leasing Company Limited, an equity participating company of the Company, and the Company commenced. BOL Financial Leasing Company Limited provided certain financing support to sale of the Company's power shift tractors.

During the Reporting Period, the Company continued to dispose and decrease the size of other machinery business including forklift truck and mining truck.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(II) Key projects were in good progress and the Company's foundation for sustainable development was consolidated

During the Reporting Period, the Company firmly promoted construction of key projects and research and development of products, laying a solid foundation for technical upgrade of the Company's products.

In terms of construction of key projects, core capability improvement project of new type of wheeled tractors was basically completed. The equipment was under operation trial stage. The independent research and development capability improvement project of the technical center was completed and accepted. Completion of the above programs will result in further improvement to the Company's core competitiveness and leading position in hi-powered wheeled tractors. The Company will continue to implement the sand regeneration system in the casting system green technology upgrade and reconstruction project which can improve production capacity of high-quality casting and realize green, environmentally-friendly and energy-saving casting at the same time.

In terms of key product technology research and development, the Company accelerated the technological improvement to products including power shift tractor and paddy field crawler tractor and the research and development of new product technologies according to market changes and customers' needs. The Company also upgraded various product technologies including change to national III diesel engines and reduction of product noise and energy consumption, providing strong supports to the Company for improving regional market product competitiveness and further consolidating the Company's dominant position in the industry.

During the Reporting Period, the Company's "Tractor Power System National Key Laboratory" passed the evaluation of and was confirmed by the Ministry of Science and Technology of the PRC, and is formally under preparation. Currently, its construction and operation implementation proposals have passed the evaluation in theory and evidence by the experts. The "LF series power shift tractor research and development and industrialization" project was listed in the major scientific and technological projects of Henan Province, which was of great significance for the Company to expand its industrial influence and maintain its dominant position in the industry.

(III) Actively promote management innovation, strengthen risk control and continuously improve management level of the Company

The Company implemented delicacy management and promoted cost optimization. During the Reporting Period, the Company enhanced budget management, reduced non-productive expenditure and realized decreasing cost but higher effectiveness through cost optimization. The Company strengthened management and process control on receivables and inventories. The Company adopted various means to promote its economic operation quality for continuous optimization. While sale of products increased, receivables and inventories had year-on-year decline.

The Company intensified comprehensive risk management, and deepened construction of internal control systems. During the Reporting Period, the Company adopted measures including completion of internal control process, comprehensive arrangement on inspection of risk and strengthening internal control supervision mechanism, the Company control internal control risks.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Company promoted in-depth integration of “information and industrialization” and wide application of information system. During the Reporting Period, the Company emphasized on information works including in-depth application of ERP system, application of purchase management and control information, application of CRM system and application of MES system and made further improvement on working efficiency and level in construction of marketing platform, purchase cost analysis and investment projects management, providing effective support to the development of the Company’s various operation and management works.

II. MAIN OPERATION SITUATION DURING THE REPORTING PERIOD

Please refer to “Management Discussion and Analysis” in part I of this section.

(I) Analysis on principal businesses

Analysis on Changes in Items of Income Statement and Cash Flows Statement

Unit: Yuan Currency: RMB

Items	For the Reporting Period	For the corresponding period of last year	Changes (%)
Revenue	9,299,840,739.37	8,929,316,050.68	4.15
Operating costs	7,617,420,810.89	7,457,744,855.37	2.14
Selling costs	446,334,564.36	393,300,666.51	13.48
Administrative expenses	933,468,993.96	973,938,133.86	-4.16
Finance costs	147,304,923.93	89,732,342.21	64.16
Loss in asset impairment	158,306,457.84	166,499,011.38	-4.92
Gain from change in fair value	3,009,536.29	8,113,671.48	-62.91
Revenue from non-operating activities	59,808,311.35	211,836,734.97	-71.77
Expenses from non-operating activities	11,274,661.44	5,420,715.28	107.99
Income tax expenses	82,623,352.12	47,668,186.23	73.33
Net cash flow generated from operating activities	637,795,720.18	74,866,397.52	751.91
Net cash flow generated from investing activities	-643,001,833.63	-651,099,306.24	N/A
Net cash flow generated from financing activities	-10,693,437.77	707,727,024.91	-101.51
Research and development expenses	389,241,683.88	405,569,602.90	-4.03
Interest revenue	355,264,578.40	97,253,173.58	265.30
Interest costs	243,810,083.69	29,170,550.21	735.81

Gain from change in fair value: decreased by 62.91% as compared with the last period, mainly resulting from the reduction in market price of the Company’s trading financial assets in the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Revenue from non-operating activities: decreased by 71.77% as compared with the last period, mainly resulting from the increase in revenue from selling non-current assets of the Company in the previous period.

Expenses from non-operating activities: increased by 107.99% as compared with the last period, mainly resulting from the increase in loss in debt restructuring of the Company in the Reporting Period.

Income tax expenses: increased by 73.33% as compared with the last period, mainly resulting from the increase in taxable income of the Company in the Reporting Period.

Interest revenue and interest costs: interest revenue increased by 265.30% as compared with the last period and interest costs increased by 735.81% as compared with the last period, mainly due to the significant increase in interest revenue and costs at the same time and increase in net revenue of 63.70%, resulting from the active business products development of YTO Finance, the controlled subsidiary of the Company, which led to significant year-on-year increase in business of transfer discounting and timely issuance of bills in accordance with the liquidity need of the Company.

1. Income and cost analysis

During the Reporting Period, the Company realized revenue of RMB9.29984 billion, increased by 4.15% as compared with the corresponding period in the last year, mainly resulting from the increase in sales of agricultural machinery products.

During the Reporting Period, the top five dealers of the Company accounted for 10.00% of the Company's total revenue from sales.

During the Reporting Period, the top five suppliers of the Company accounted for 14.19% of the Company's total purchases.

(1) Principal businesses by industry, by products and by region

Unit: 0'000 Currency: RMB

Principal business by industry

By industry	Revenue	Operating cost	Profit margin (%)	Increase/decrease in revenue as compared with the last year (%)	Increase/decrease in operating cost as compared with the last year (%)	Increase/decrease in profit margin as compared with the last year (%)
Equipment manufacturing industry	929,984	761,742	18.09	4.15	2.14	Increased by 1.61 percentage points

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Principal businesses by products

By products	Revenue	Operating cost	Profit margin (%)	Increase/decrease in revenue as compared with the last year (%)	Increase/decrease in operating cost as compared with the last year (%)	Increase/decrease in profit margin as compared with the last year (%)
Agricultural machinery	829,879	708,078	14.68	5.13	4.71	Increased by 0.35 percentage points
Power machinery	234,207	185,766	20.68	13.29	9.87	Increased by 2.47 percentage points
Other machinery	5,932	7,928	-33.65	-65.74	-56.04	Decreased by 29.50 percentage point
Inter-segment eliminations	-140,034	-140,030	/	/	/	/
Total	929,984	761,742	18.09	4.15	2.14	Increased by 1.61 percentage points

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Principal Businesses by Region

By region	Revenue	Operating cost	Profit margin (%)	Increase/ decrease in revenue as compared with the last year (%)	Increase/ decrease in operating cost as compared with the last year (%)	Increase/ decrease in profit margin as compared with the last year (%)
PRC domestic	875,272.77	719,874.03	17.75	3.20	1.86	Increased by 1.08 percentage points
PRC offshore	54,711.30	41,868.05	23.47	22.08	7.18	Increased by 10.63 percentage points

(2) Analysis on production and sales volume*Unit: unit*

Main Products	Production volume	Sales	Inventories	Increase/ Decrease of production volume as compared with the last year (%)	Increase/ Decrease of sales volume as compared with the last year (%)	Increase/ Decrease of inventories as compared with the last year (%)
Tractor products	81,002	81,457	2,390	6.06	-0.71	-12.71
Diesel engine products	175,933	176,920	8,274	12.67	12.60	-23.47
Other mechanical products	323	399	78	-66.35	-62.95	-55.93

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(3) Cost analysis

Unit: 0'000 Currency: RMB

By industry

By industry	Cost items	Amount for the Reporting Period	Amount for the Reporting Period as a percentage of total costs (%)	Amount for the corresponding period last year	Amount corresponding last year as a percentage of total costs (%)	Changes in the amount for the Reporting Period as compared with the corresponding period last year
						(%)
Equipment manufacturing industry	Material	783,776	86.92	755,114	87.46	3.80
	Labour	49,028	5.44	49,596	5.74	-1.15
	Production costs	68,968	7.65	58,657	6.79	17.58

By products

By products	Cost items	Amount for the Reporting Period	Amount for the Reporting Period as a percentage of total costs (%)	Amount for the corresponding period last year	Amount corresponding last year as a percentage of total costs (%)	Changes in the amount for the Reporting Period as compared with the corresponding period last year
						(%)
Agricultural machinery	Material	623,406	88.04	601,835	89.00	3.58
	Labour	35,168	4.97	35,522	5.25	-1.00
	Production costs	49,505	6.99	38,896	5.75	27.28
Power machinery	Material	154,289	83.06	139,753	82.65	10.40
	Labour	13,145	7.08	11,818	6.99	11.23
	Production costs	18,331	9.87	17,510	10.36	4.69
Other machinery	Material	6,081	76.71	13,526	75.01	-55.04
	Labour	715	9.02	2,256	12.51	-68.31
	Production costs	1,132	14.28	2,251	12.48	-49.71

Note: This table contains data before inter-segment elimination.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Explanation on other situation on cost analysis:

In 2015, the Company continued to optimize its costs in the whole company. The Company explicitly defined departments with expenses control responsibility through control on expenses and refinement of reasons for incurring expenses, in order to raise the control awareness of all employees. The annual material and labor costs had year-on-year decrease at different level.

2. Expenses

Unit: Yuan Currency: RMB

Items	Amount for the Reporting Period	Amount for the corresponding period of the last year	Change in amounts	Change (%)
Selling expenses	446,334,564.36	393,300,666.51	53,033,897.85	13.48
Administrative expenses	933,468,993.96	973,938,133.86	-40,469,139.90	-4.16
Finance expenses	147,304,923.93	89,732,342.21	57,572,581.72	64.16

During the Reporting Period, the Company's total expenses were RMB1.5271085 billion, with a year-on-year increase of RMB70.1373 million, which was an increase of 4.81%.

Selling expenses increased slightly as compared with the corresponding period of the last year, mainly due to an increase in exportation of tractor products in the Reporting Period and an increase in service charge of three guarantees and commission, etc.

Administrative expenses decreased slightly as compared with the corresponding period of the last year, mainly due to the strengthened expenses control by the Company in the Reporting Period.

Finance expenses increased significantly as compared with the corresponding period of the last year, mainly due to the adjustment of formation mechanism of middle price of RMB for foreign currency exchange by the PRC which led to substantial RMB depreciation and the increase in exchange loss of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3. Research and development investment

Research and development investment table

Unit: Yuan Currency: RMB

Research and development investment expensed during the Reporting Period	389,241,683.88
Research and development investment capitalized during the Reporting Period	0.00
Total research and development investment	389,241,683.88
Total research and development investment as a percentage of revenue (%)	4.19
Number of research and development personnel of the Company	1,429
Number of research and development personnel as a percentage of total staff of the Company (%)	12.03
Ratio of research and development investment capitalization (%)	0.00

Explanation:

Research and development expenses in the Reporting Period basically maintained at the same level as compared with the corresponding period last year, maintaining the relatively strong research and development efforts, mainly for research and development of products relating to tractor and power machinery, so as to enhance the technical level of the leading products of the Company, and consolidate and enhance product competitiveness.

4. Cash Flow

Unit: Yuan Currency: RMB

Items	Amount for the Reporting Period	Amount for the corresponding period last year	Change in amounts	Change (%)
Net cash flow from operating activities	637,795,720.18	74,866,397.52	562,929,322.66	751.91
Net cash flow from investment activities	-643,001,833.63	-651,099,306.24	8,097,472.61	N/A
Net cash flow from financing activities	-10,693,437.77	707,727,024.91	-718,420,462.68	-101.51

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Net cash flow from operating activities increased by an inflow of RMB562.93 million as compared with the corresponding period last year, mainly due to the adjustment of sales policy in the Reporting Period with incentive measures to increase cash return, which led to speed up of cash return.

Net cash flow from investment activities decreased by an outflow RMB8.10 million as compared with the corresponding period last year, mainly due to disposal of fixed assets, intangible assets and other long-term assets in the Reporting Period.

Net cash flow from financing activities increased by an outflow of RMB714.82 million as compared with the corresponding period last year, mainly due to an increase in debt repayment in the Reporting Period as compared with the corresponding period last year, and a decrease in cash obtained from loan in the Reporting Period as compared with the corresponding period last year.

(II) Analysis on asset and liability

1. Assets and liabilities situation

Unit: Yuan Currency: RMB

Items	Balance as at the end of the Report Period	Balance as at the end of the Report Period as a percentage of total assets (%)	Balance as at the end of the corresponding period last year	Balance as at the end of the corresponding period last year as a percentage of total assets (%)	Change in balance as at the end of the Report Period as compared with balance as at the end of the corresponding period last year (%)	Explanation
Bill receivable	629,595,676.71	4.74	940,748,139.33	7.61	-33.08	Mainly because sales return of the Company was mainly in cash in the Reporting Period which lowered the ratio of bill receivable.
Advance payment	60,933,298.85	0.46	292,088,912.74	2.36	-79.14	Mainly due to settlement of purchase of the Company at the end of last year in the Reporting Period.
Interest receivable	1,878,611.11	0.01	133,472.22	0.00	1,307.49	Mainly due to an increase in interest receivable of YTO Finance.
Other receivables	67,644,192.90	0.51	228,490,379.91	1.85	-70.40	Mainly due to receipt of payment in the Reporting Period in accordance with the agreement for the sales of intangible assets of the drive axle business of the Company in the last period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Items	Balance as at the end of the Report Period	Balance as at the end of the Report Period as a percentage of total assets (%)	Balance as at the end of the corresponding period last year	Balance as at the end of the corresponding period last year as a percentage of total assets (%)	Change in balance as at the end of the Report Period as compared with balance as at the end of the corresponding period last year (%)	Explanation
Acquisition of financial assets for sales	899,544,776.20	6.78	0.00	0.00	N/A	Mainly due to purchase of financial assets for sales by YTO Finance using its short-time spare funds.
Other current assets	468,428,422.33	3.53	56,383,561.23	0.46	730.79	Mainly due to purchase of financial products by the Company using its short-time spare funds.
Loans issued and advance	1,859,617,637.45	14.01	1,362,361,447.55	11.03	36.50	Mainly due to an increase in purchase of bill by YTO Finance in its transfer discounting business.
Long-term equity investment	150,640,194.51	1.13	65,849,170.84	0.53	128.77	Mainly because all investment by the Company in its associate, ZF YTO Drive Axle was realized.
Long-term prepaid expense	34,047,868.91	0.26	23,378,553.87	0.19	45.64	Mainly due to an increase in purchase of prepaid tool and die by the Company.
Bill payable	1,299,804,364.19	9.79	916,374,670.17	7.42	41.84	Mainly due to an increase in ratio of use of acceptance bill in external payment of the Company.
Other current liabilities	98,038,848.99	0.74	53,243,515.75	0.43	84.13	Mainly due to an increase in depreciation allowance on sales impairment and service charge of sales three guarantees of the Company in the Reporting Period.
Long-term loan	26,607,000.00	0.20	46,597,500.00	0.38	-42.90	Mainly due to the transfer of long term liability to be expired within one year to current liability by the Company.
Other comprehensive income	9,734,262.44	0.07	16,295,741.20	0.13	-40.26	Mainly due to disposal of certain available-for-sale financial assets by the Company and a decrease in fair value of available-for-sale financial assets held.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Other explanation

(1) *Key financial ratio:*

Items	As at the end of the Reporting Period	As at the beginning of the Re porting Period	Year-on-year change
Gearing ratio (%)	59.32	56.94	Increased by 2.38 percentage points
Current ratio	1.05	1.17	Decreased by 0.12
Quick ratio	0.86	0.90	Decreased by 0.04

As at the end of the Reporting Period, the gearing ratio of the Company increased by 2.38 percentage points as compared with the beginning of the Reporting Period. As at the end of the Reporting Period, the current ratio decreased by 0.12 as compared with the beginning of the Reporting Period and the quick ratio decreased by 0.04 as compared with the beginning of the Reporting Period, mainly due to a significant increase in bill payable of the Company as at the end of the Reporting Period.

(2) *Bank loans*

Bank loans of the Group are mainly in currency unit of RMB, US dollar and Euro. As at the end of the Reporting Period, bank loans of the Group due within one year amounted to RMB1.9566929 billion, in which loans in foreign currency amounted to RMB809.8027 million (mainly as loans denominated in US dollar); bank loans due over one year amounted to RMB26.6070 million; and the fixed lending rate bank loans amounted to RMB1.8559411 billion. The Company has good bank credit rating and PRC domestic and overseas financing ability.

(3) *Charged assets items*

As at the end of the Reporting Period, fixed assets and intangible assets amounting to RMB100.0981 million were charged and bill receivable amounting to RMB376.8902 million was pledged by the Group to obtain a bank loan of RMB446.8902 million.

As at the end of the Reporting Period, bill receivable amounting to RMB485.3906 million and deposit amounting to RMB153.7021 million were pledged for bills issued by financial institution amounting to approximately RMB1.2998043 billion.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(III) Analysis on Investments

1. Overall analysis on external equity investments

During the Reporting Period, the Company has completed external equity investments of a total amount of RMB81.51 million. The basic information of the investee companies is as follows:

Name of the investee company	Investment amount (Unit: 0'000 Currency: RMB)	Principal business	Shareholding percentage in the investee company
ZF YTO Drive Axle	13,867	Research and development, application, manufacturing and sales of agricultural machinery drive axles	49%

During the Reporting Period, the Company paid investment of RMB81.51 million to ZF YTO Drive Axle and had completed its full investment in such company of RMB138.67 million.

(1) Material equity investment

During the Reporting Period, the Company had no material equity investment project.

(2) Material non-equity interest investment

During the Reporting Period, save for the on-going implementation of proceeds-financed projects, the Company had no other material non-financing fixed assets investment project.

(3) Financial asset under fair value measurement

Overall situation

Unit: Yuan Currency: RMB

Items	Amount as at the beginning of the Reporting Period	Profit/Loss from change in fair value in the Reporting Period	Accumulated change in fair value included in equity interests	Amount as at the end of the Reporting Period
Financial asset				
1. Change in fair value of financial assets credited to current profit or loss under fair value measurement (exclusive of derivative financial assets)	354,360,150.44	3,009,536.29	/	414,865,981.64
2. Available-for-sale financial assets	97,806,400.00	/	-7,299,300.00	71,305,200.00
Total	452,166,550.44	3,009,536.29	-7,299,300.00	486,171,181.64

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Investment in securities

Currency: RMB

Number	Type of security	Stock code	Abbreviation of the security	Initial investment amount	Number of shares held	Book value as at the end of the Reporting Period	As a percentage to total security investment as at the end of the Reporting Period	Profit/loss during the Reporting Period
				(Yuan)	(share)	(Yuan)	(%)	(Yuan)
1	Shares	601818	China Everbright Bank	2,593,107.94	760,000.00	3,222,400.00	7.17	-252,040.00
2	Short-term financing bond	041575002	15 Baota Petrochemical CP001	10,171,085.41	100,000.00	10,424,360.53	23.20	253,275.12
3	Shares	603866	Toly Bread	295,936.32	21,507.00	830,385.27	1.85	534,448.95
4	Shares	HK.1140	OP Fin Inv	1,847,450.88	4,580,000.00	6,181,984.80	13.76	2,475,915.39
5	Shares	HK.2208	Goldwind	565,856.00	93,800.00	1,179,048.25	2.62	286,058.24
6	Shares	HK.0727	Crownicorp	416,829.31	820,000.00	1,086,065.40	2.42	361,081.56
7	Shares	HK.0152	Shenzhen Int'l	452,843.00	62,631.00	757,672.37	1.69	195,035.67
8	Shares	HK.8130	Zhi Cheng H	328,000.00	15,000.00	5,820.92	0.01	2,638.06
9	Shares	HK.0042	NE Electric	311,479.00	200,000.00	460,611.86	1.02	168,534.31
10	Shares	HK.0585	Imagi Int'l	309,467.00	1,000,000.00	91,110.04	0.20	-48,613.54
Other securities investment held at the end of the Reporting Period				20,880,777.86	/	20,700,426.29	46.06	113,351.40
Profit/loss in securities investment sold during the Reporting Period				/	/	/	/	10,312,386.08
Total				38,172,832.72	/	44,939,885.73	100.00	14,402,071.24

Equity interests in other listed companies

Unit: Yuan Currency: RMB

Stock code	Abbreviation of the security	Initial investment amount	Shareholding percentage in the company	Book value as at the end of the Reporting Period	Profit/loss during the Reporting Period	Changes in owners' equity interests during the Reporting Period	Accounting items	Sources of shares
				(Yuan)	(Yuan)	(Yuan)		
601818	China Everbright Bank	24,118,000.00	0.0167	32,987,200.00	1,447,080.00	-3,734,400.00	Available-for-sale financial asset	Purchase
601328	Bank of Communications	10,601,818.18	0.0080	38,318,000.00	17,109,057.79	-13,977,245.45	Available-for-sale financial asset	Purchase
Total		34,719,818.18	/	71,305,200.00	18,556,137.79	-17,711,645.45	/	/

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Equity interests in non-listed financial enterprises

Currency: RMB

Name of the investee company	Initial investment amount (Yuan)	Shares held (share)	Shareholding percentage in the Company (%)	Book value as at the end of the Reporting Period (Yuan)	Profit/loss during the Reporting Period (Yuan)	Changes in owners' equity interests during the Reporting Period (Yuan)	Accounting items	Sources of shares
Bank of Luoyang Company Limited	78,129,341.41	107,480,000.00	4.89	78,129,341.41	13,435,000.00	0.00	Available-for-sale financial asset	Purchase
BOI Financial Leasing Company Limited	110,000,000.00	110,000,000.00	18.34	110,000,000.00	0.00	0.00	Available-for-sale financial asset	Established by investment
Total	188,129,341.41	/	/	188,129,341.41	13,435,000.00	0.00	/	/

Trading of shares of other listed companies

Currency: RMB

Stock name	Number of shares as at the beginning of the Reporting Period (share)	Number of purchase of shares during the Reporting Period (share)	Amount of capital used (Yuan)	Number of sales of shares during the Reporting Period (share)	Number of shares as at the end of the Reporting Period (share)	Investment revenue generated (Yuan)
Baosteel packaging	0	155,749	479,706.92	155,749	0	1,477,536.56
Inform storage	0	18,179	225,964.97	18,179	0	582,679.44
Banbao	0	4,931	68,886.07	4,931	0	372,619.62
Pulike	0	22,070	342,526.40	22,070	0	149,836.99
Duzhe Publishing & Media	0	16,713	163,286.01	16,713	0	815,981.58
Orient Securities	0	5,000	50,150.00	5,000	0	21,917.04
Jiangsu Broadcasting Cable	0	2,000	10,940.00	2,000	0	4,790.43
Techmation	0	1,000	10,600.00	1,000	0	4,631.93
Ellassay	0	1,000	19,160.00	1,000	0	8,379.74
Yifeng Pharmacy	0	1,000	19,470.00	1,000	0	8,518.93
Western Region Gold	0	1,000	3,570.00	1,000	0	1,559.26
Guotai Junan	0	7,000	137,970.00	7,000	0	68,429.60
Tuopu Group	0	1,000	11,370.00	1,000	0	4,969.93
China National Nuclear Power	0	19,000	64,410.00	19,000	0	194,461.77
China Everbright Bank	1,260,000	0	0.00	500,000	760,000	667,679.98
HANERGY TFP	600,000	0	0.00	600,000	0	1,530,433.53
DIGITAL DOMAIN	500,000	0	0.00	500,000	0	304,636.76
EVOC	276,000	0	0.00	100,000	176,000	206,840.58
CHINA FIN INV	300,000	0	0.00	300,000	0	-103,737.60
OP FIN INV	4,840,000	0	0.00	260,000	4,580,000	389,069.34

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(IV) Sale of material assets and equity interests

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

(V) Analysis on key equity holding and participating companies

(1) Information on key subsidiaries

Currency: RMB, unless otherwise specified

Name of Company	Registered capital (0'000)	Principal business	For the year ended 31 December 2015		Realized during the Reporting Period	
			Total assets (0'000)	Net assets (0'000)	Operating revenue (0'000)	Net profit (0'000)
YTO Finance	50,000	Provision of financial services	547,145	75,996	37,976	8,092
YTO Diesel Engine	USD16 million	Manufacturing and sale of engines	144,443	87,212	194,947	13,159
Jiangyan Power	20,000	Manufacturing and sale of multi-bore middle and small size diesel engines and small castings	49,644	25,467	38,756	-948
YTO Fuel Injection Pump	16,192	Manufacturing and sale of products including diesel engine fuel injector and fuel pump	32,509	23,643	23,178	891
Tractors Research Company	44,500	Research and development of tractor product	73,622	64,258	19,280	2,700
YTO International Trade	6,600	International sale of agricultural machinery	73,143	9,146	63,433	2,314
YTO France	EURO34.6 million	Manufacturing and sale of agricultural machinery components	22,470	3,977	13,281	-6,129
YTO Foundry	24,883	Processing and sale of casting, rough and semi-finished products and finished products	32,974	22,210	6,454	653

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Name of Company	Registered capital (0'000)	Principal business	For the year ended 31 December 2015		Realized during the Reporting Period	
			Total assets (0'000)	Net assets (0'000)	Operating revenue (0'000)	Net profit (0'000)
Changtuo Company	28,200	Manufacturing and sale of agricultural machineries and spare parts	21,588	9,894	3,543	-4,588
YTO Shentong	5,300	Manufacturing and sale of mining trucks and other agricultural machinery products	10,060	-23,421	1,807	-8,379
Changxing Company	300	Sales of products including agricultural machinery, spare parts and diesel engines	43,020	-23,241	523,226	-15,439

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

During the Reporting Period, the Company had not acquired or disposed any subsidiaries.

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

Unit: 0'000 Currency: RMB

Number	Name of companies	Operating revenue for the Reporting Period	Operating profit for the Reporting Period	Net profit for the Reporting Period
1	YTO Diesel Engine	194,947	14,699	13,159
2	YTO Finance	37,976	10,584	8,092
3	Tractors Research Company	19,280	388	2,700
4	YTO International Trade	63,433	4,000	2,314
5	Heilongjiang Company	3,043	-1,452	-1,452
6	YTO Forklift Truck	404	-2,039	-1,685
7	Changtuo Company	3,543	-4,764	-4,588
8	YTO France	13,281	-6,129	-6,129
9	YTO Shentong	1,807	-8,729	-8,379
10	Changxing Company	523,226	-14,289	-15,439

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(4) Analysis on material subsidiaries with over 30% change in their operating business

YTO Diesel Engine: Net profit of RMB131.59 million was realized, with a year-on-year growth of 75.52%, contributed by active adjustment of product structure, reduction of purchase cost and improvement of product profitability in the Reporting Period.

YTO Finance: Operating revenue of RMB379.76 million was realized, with a year-on-year growth of 186.57%, and net profit of RMB80.92 million was realized, with a year-on-year growth of 28.08%, contributed by active business development in the Reporting Period.

YTO Shentong: Operating revenue of RMB18.07 million was realized, with a year-on-year decrease of 67.45%, due to further adjustment and contraction of mining truck business by the Company in the Reporting Period.

YTO Fuel Injection Pump: Operating revenue of RMB8.91 million was realized, with a year-on-year growth of 172.67%, due to the impact of price change and product structure adjustment in the Reporting Period.

YTO International Trade: There was active business development in the Reporting Period with breakthrough realized in project order and completion of the Cuba exportation order for 920 units of hi-powered and mid-powered wheeled tractors, which led to realization of significant increase in operating revenue and profit in the Reporting Period.

YTO Flag, YTO Foundry and YTO Drive Axle: Because there was restructuring of partial assets and business by the Company in 2014, there were significant year-on-year decrease in operating revenues and net profits of the three subsidiaries in the Reporting Period.

(VI) Others

1. 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 foreign currency loans and its export transactions are settled in foreign currencies (mainly in US dollar, HKD, Euro, Japanese Yen, AUD, XOF and ZAR), exchange rate fluctuations may affect the operating results of the Company at a certain level. In 2015, the Company realized loss due to exchange rate fluctuations and had locked existing foreign currency loans through forward foreign exchange settlement.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Contingent liabilities

Save for contingent events in external guarantees, as at 31 December 2015, the Company had no other material contingent events. For details of the guarantees of the Company, please refer to “Significant Events”, Section VI of the Annual Report.

3. Principal sources and use of funds

The main sources of funds of the Company were receipts from product sales, bank borrowings and prepayments from customers. The fund was mainly used for the projects relating to operating and investment activities of the Company.

III. THE COMPANY'S DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT

(I) Competition dynamics and development trend of the Industry

Agricultural machinery industry enters into a new norm with further slowing down growth. In 2016, the PRC tractor industry will have a lot of uncertain factors and enter into a deep adjustment period.

In policy terms, PRC national subsidy for purchasing agricultural machinery in 2016 will “narrow the scope, decrease the quota and promote to open”, focusing on a change in method and adjustment in structure which is to highlight the subsidy priorities and eliminate those low-end and over-produced products, and to decrease the subsidy for products that feature with market saturation or are no longer needed by local leading industries. The standard of subsidy will be lowered appropriately, and products within the subsidy scope shall receive subsidies more openly on these basis.

As for market needs, tractor market in 2016 will extend the characteristics of that of 2015. The demand structure is speeding up for adjustment. Percentage of major clients represented by rural cooperatives, large agricultural machinery client and large cropper rise obviously as land transfer speeds up and application of deep plow continues to expand. Moreover, tractor market has increasing requests for large machinery due to the PRC policy guidance that eliminates waste to upgrade and provides subsidy to agricultural machinery. Traditional medium horsepower tractors obviously have increasing power and low-end small tractors start to enter into the decline period. However, as the primary tillage machinery for southwest hilly and mountain area and farm orchard, personalized and customized medium and small tractors still have their market place.

As for market competition, there is excessive production capacity for low-end products in agricultural machinery industry and significant homogeneity competition. There is an increase in demand for high-end products and a gradual focus on competition on technology research and development ability. The industry has rapid growth in the recent years, which led to an increase in domestic and overseas new comers and further upgrade in competition level. The competition modes are changing to competition globalization, competition systematization, significant technical competition, winning quality and brand, manufacturing servicing approach and accelerating restructuring and integration.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(II) Development strategy of the Company

The Company will insist on the strategy of “focusing on the core areas for stronger businesses, being innovation-driven and developing whole-set solutions”. The Company will take promotion of product technology as power, promotion of manufacturing level and product quality as basis, promotion of resource integration and operation internationalization as key, and control of reform, enhancement of synergy and employment of talents as guarantee, in order to keep the leading advantages of its existing core businesses. The Company will also develop whole-set products for agricultural equipment and innovative new models as a leader in agricultural machinery in the PRC, to provide customers with the most valuable whole-set solutions for agricultural equipment. The Company is devoted to be an excellent international agricultural equipment supplier.

(III) Operation plan

In 2016, the Company will insist on its strategic development idea and follow the annual operation direction of “expand the market with steady growth; improve quality and create new advantages; adjust structure and promote to make transformation; strengthen management and improve efficiency”. The Company will actively adjust, transform and upgrade product structure, improve quality and efficiency in product chain, continue to enhance operation management and manage works in areas including marketing, product research and development, manufacturing, quality improvement, management and infrastructure. By focusing on the core businesses and strengthening competitive edge in core industry, the Company will strongly promote speedy growth.

Firstly, the Company will focus on improvement in sales and marketing ability. In terms of the PRC domestic market, the Company will insist on market-driven and be directed by users. The Company will form synergy in sections in value chain, an effective and efficient market response mechanism, and practical and well-planned product sales and marketing strategy, in order to continuously improve market share of dominant products and maintain market leading position. In terms of international market, the Company will focus on its global planning on major breakthrough to take up international market share, in order to improve its channels development ability and projects tracking and operation ability.

Secondly, the Company will focus on improvement in product research and development ability. The Company will make use of integrated product research and development mode and method, upgrade product research and development process and standard, speed up new product commercialization process, build up comprehensive technology innovation system, and consolidate product technical support for upgrade and transformation of the enterprise.

Thirdly, the Company will improve production and manufacturing ability. The Company will promote timely completion of major projects including project in upgrading power of new wheeled tractor and project in high power diesel engine (phase II), in order to speed up technical transformation and upgrade of the enterprise. The Company will strengthen management on synergy of product sales, realize combination of fulfillment of market demand and balanced production, and improve level of management and efficiency on product operation. The Company will improve works including management on research and development quality, control in purchase process, quality and quantity, construction of quality and quantity control system, and quality and quantity information management, in order to ensure realization of all annual quality and quantity targets.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fourthly, the Company will strengthen scientific management ability. Through the continuously intensifying management improvement activities, the Company will build up a long-term mechanism for management improvement, in order to fully utilize the ability of the Company in management and control on allocation of resource. The Company will request for effective and efficient management to provide security for quality and effectiveness improvement of the enterprise.

Fifthly, the Company will enhance the ability and level of risk control. Risk control will be based and implemented on basic operation idea including investment on production, investment on profit and profit with cash flow, in order to realize quality improvement and sustainable development of the enterprise.

Sixthly, the Company will focus on intensifying the corporate reform through reform and innovation in institutional mechanism, in order to stimulate the enterprise viability and enhance the motivation for sustainable development.

(IV) Potential risks

1. Market risk

In 2016, percentage of subsidy for purchasing agricultural machinery on individual basis decreases as the government introduces PRC national “shrink the scope, decrease quota and promote to open” subsidy policy on agricultural machinery. The facts that cost of planting increases while grain price decreases and switch of “National III” engine, raise the price of the whole tractor and lower the purchasing power of users to a certain extent, which may lead to an increase in numbers of wait-and-see users with purchasing power.

The Company will fully make use of its advantages including research and development, manufacturing and sales, to boost high-end products to the market and control product costs effectively. The Company aims at fulfilling customers’ need and expectation and provide extra by faster speed, better products and services.

2. Product technology upgrade risk

National III standard for emission will be used for the whole tractor products. There is an increase in technical level of products, which leads to higher requirements on customer usage and new products maintenance and protection. It takes time for customers to adapt and accept.

The Company will make use of its advantage on matching diesel engine and the main vehicle to check, verify and improve product matching. The Company will strengthen training to after-sale care officers and customers to provide support to customers for their speedy acceptance and use of the new products.

3. Risk for uniformity of production line

Since the main products of the Company focus on tractors and diesel engine products, it may affect the Company when it has to provide related products in whole process mechanization to customers. The Company is striving for competitive edge in tractor products and developing agricultural equipment whole-set solutions. At the same time, the Company will actively explore agricultural machinery area closely related to tractor products, and invest in new business on the basis of sufficient supportive evidence and risk control.

SIGNIFICANT EVENTS

I. PROPOSAL OF PROFIT DISTRIBUTION OF ORDINARY SHARES OR CAPITALIZATION FROM CAPITAL RESERVES

(I) Formulation, implementation or adjustment of cash dividend policy

During the Reporting Period, there was no adjustment to the cash dividend policy of the Company. The annual profit distribution plan of the Company is proposed by the Board and will be submitted to the general meeting of the Company for approval.

The Company implemented and completed the 2014 profit distribution plan in July 2015, distributed dividend of RMB50.7909 million to all the shareholders of the Company, accounted for 30.29% of the net profit attributable to the shareholders of the Company in the 2014 consolidated statements of the Company.

(II) Proposal or plan of profit distribution and proposal or plan of capitalization from capital reserves of the Company in the latest three years (including the Reporting Period)

Unit: Yuan Currency: RMB

Year of divided distribution	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 conversion shares for every 10 shares <i>(share)</i>	Amount of cash dividends <i>(tax inclusive)</i>	Net profit	As a percentage
					attributable to the shareholders of the Company as shown in the consolidated statements for the year distributing dividend	of net profit attributable to the shareholders of the Company as shown in the consolidated statements <i>(%)</i>
2015	/	0.41	/	40,831,900	135,322,811.53	30.17
2014	/	0.51	/	50,790,900	167,698,247.35	30.29
2013	/	0.60	/	59,754,000	221,949,807.88	26.92

SIGNIFICANT EVENTS (CONTINUED)

II. FULFILLMENT OF UNDERTAKINGS

- (I) Undertakings made by the Company, shareholders, ultimate controller, purchaser, Directors, Supervisors, senior management or other related parties during or subsisting to the Reporting Period

Background	Type	Party making the undertaking	Content	Term of the undertaking	Is there any deadline for performance?	Is it performed in a timely and strict manner?
Undertaking related to the initial public offering	Solutions to business competition	The Company	Commencing from 11 January 2012, YTO (Luoyang) Machinery Equipment Company Limited no longer engages in the purchase, assembly and sale of farming machinery and equipment products other than the supporting sale of the farming machinery and equipment products which have been purchased or ordered. The Company and all its controlled subsidiaries shall not engage in the processing, production or assembly of farming machinery and equipment, except the supporting sale and relevant procurement.	Long term	No	Yes
Undertaking related to the initial public offering	Solutions to business competition	YTO	YTO will not engage in and will procure other enterprises controlled by it not to engage in the same or similar business of the Company to avoid direct or indirect competition with the Company's business operations. In addition, where YTO or other enterprises controlled by it may bring unfair impact on the Company in areas including market share, business opportunity and resources allocation, YTO will voluntarily give up and procure other enterprises controlled by it to give up business competition with the Company.	Long term	No	Yes
Undertaking related to the initial public offering	Solutions to business competition	Sinomach	Sinomach will not engage in and will procure other enterprises controlled by it not to engage in the same or similar business of the Company to avoid direct or indirect competition with the Company's business operations. In addition, where Sinomach or other enterprises controlled by it may bring unfair impact on the Company in areas including market share, business opportunity and resources allocation, Sinomach will voluntarily give up and procure other enterprises controlled by it to give up business competition with the Company.	Long term	No	Yes

SIGNIFICANT EVENTS (CONTINUED)

Background	Type	Party making the undertaking	Content	Term of the undertaking	Is there any deadline for performance?	Is it performed in a timely and strict manner?
Undertaking related to the initial public offering (Note 1)	Restriction on trading of Sinomach shares		Within 36 months after the date of initial public offering, listing and trading of A shares of the Company, Sinomach will not transfer or engage others to manage the shares of the Company directly and indirectly held by Sinomach before the initial public offering of shares of the Company, nor allow the Company to repurchase such shares.	2012.8.8–2015.8.8	Yes	Yes
Undertaking related to the initial public offering (Note 1)	Restriction on trading of YTO shares		Within 36 months after the date of initial public offering, listing and trading of A shares of the Company, YTO will not transfer or engage others to manage the shares of the Company directly and indirectly held by YTO before the initial public offering of shares of the Company, nor allow the Company to repurchase such shares.	2012.8.8–2015.8.8	Yes	Yes
Undertaking related to the initial public offering	Other	YTO	YTO and YTO Finance entered into the Deposit Agreement and Loan Agreement, which stipulated the annual 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 ensured the safety of its subsidiaries' loan through various measures.	Long term	No	Yes

SIGNIFICANT EVENTS (CONTINUED)

Background	Type	Party making the undertaking	Content	Term of the undertaking	Is there any deadline for performance?	Is it performed in a timely and strict manner?
Undertaking related to the initial public offering (Note 2)	Other	YTO	As to the patents related to the products of the Company and its subsidiaries which are in the process of application, YTO undertook to transfer the relevant 50 patents to the Company at nil consideration upon completion of the applications. Save for the aforesaid patents which are in the process of application, YTO will no longer apply for patents related to the products of the Company and its subsidiaries in its own name. YTO will transfer to the Company at nil consideration any such new technologies related to the products of the Company and its subsidiaries that may be developed by YTO after issuance date of the undertaking letter, and patents in respect of such technologies will be applied directly in the name of the Company.	Until all patents are transferred	No	Yes
Other undertaking (Note 3)	Other	YTO	YTO continues to perform its duty as a controlling shareholder and support the operation and development of the Company as always, and would not reduce its shareholding in the Company for 6 months since 10 July 2015.	2015.7.10-2016.1.09	Yes	Yes

Note 1: Restrictions on trading of shares for Sinomach and YTO were expired during the Reporting Period. Restrictions on trading of shares of the Company held by them were relived. Please refer to the overseas regulatory announcement published by the Company on the website of Stock Exchange and the "Announcement on the Listing and Circulating of Restricted Shares in the Initial Public Offering of First Tractor Company Limited" published on the website of Shanghai Stock Exchange on 5 August 2015 for details;

Note 2: As at the end of the Reporting Period, one out of fifty patents was outstanding for publication while transfer of other patents had completed; and

Note 3: The undertaking of YTO for not reducing shareholding in the Company was expired on 9 January 2016.

SIGNIFICANT EVENTS (CONTINUED)

III. APPOINTMENT OR DISMISSAL OF AUDITOR

Unit: 0'000 Currency: RMB

	Current appointment
Name of PRC domestic auditor	ShineWing Certified Public Accountants LLP
Remuneration of PRC domestic auditor (audit service)	142
Remuneration of PRC domestic auditor (non-audit service)	0
Term of PRC domestic auditor	2

	Name	Remuneration
Auditor for internal control	ShineWing Certified Public Accountants LLP	40

Explanation on appointment or dismissal of auditor

As considered and approved in the annual general meeting in 2013, the Company appointed Baker Tilly China Certified Public Accountants and Baker Tilly Hong Kong Limited as the PRC domestic and overseas auditors of the Company for the year 2014 respectively, and appointed Baker Tilly China Certified Public Accountants as the auditor for internal control of the Company for the year 2014.

As the Securities and Futures Commission and the Stock Exchange have accepted that the Hong Kong listed companies could choose to adopt the PRC Accounting Standards for Business Enterprises to prepare the financial statements and to appoint the qualified PRC Mainland accountants to conduct the audit work. On 31 October 2014, as considered and approved by the second extraordinary general meeting of the Company for the year 2014, the Company appointed the qualified ShineWing Certified Public Accountants LLP as the auditor for financial statements and internal control of the Company for the year 2014, and authorized the Board to determine the remuneration of the auditor.

As considered and approved in the annual general meeting in 2014, the Company continued to appoint ShineWing Certified Public Accountants LLP as the auditor for financial statements and internal control of the Company for the year 2015, and authorized the Board to determine the remuneration of the auditor.

IV. EXPLANATION ON HONESTY OF THE COMPANY, ITS CONTROLLING SHAREHOLDERS AND ULTIMATE CONTROLLER DURING THE REPORTING PERIOD

During the Reporting Period, the Company, YTO, its controlling shareholder, and the State-owned Assets Supervision and Administration Commission of the State Council, its ultimate controller, operated according to the laws and with honesty. There was no situation of dishonesty of non-performance of court judgement or non-repayment of a relative large amount of debt when due, etc.

SIGNIFICANT EVENTS (CONTINUED)

V. MATERIAL CONNECTED TRANSACTIONS

(I) Connected transactions relating to daily operation

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

- (1) On 20 December 2012, the fourth extraordinary general meeting of the Company in 2012 considered and approved the Company and its associates to execute the continuing connected transactions agreements and cap amounts for the years from 2013 to 2015 of the Material Procurement Agreement, Sale of Goods Agreement, Composite Services Agreement, Energy Procurement Agreement, Properties Lease Agreement, Land Lease Agreement, Loan Service Agreement, Bills Discounting Service Agreement, Bills Acceptance Service Agreement and Technology Services Agreement, etc. For details, please refer to the “Announcement on Daily Connected Transactions of First Tractor Company Limited for the years from 2013 to 2015” and “Announcement of Resolutions Passed at the Fourth Extraordinary General Meeting of First Tractor Company Limited in 2012” of the Company, which were published on the website of Shanghai Stock Exchange, and in the China Securities Journal and Shanghai Securities News on 30 October and 21 December 2012 respectively, and the “Continuing Connected Transactions” announcement dated 30 October 2012 and the “Announcement on Poll Voting Results of the Extraordinary General Meeting Held on 20 December 2012” dated 20 December 2012 of the Company published on the website of the Stock Exchange.
- (2) On 27 March 2013, the second meeting of the sixth Board of the Company considered and approved YTO Finance, the controlled subsidiary of the Company, and its associate to execute the connected transaction agreement and cap amounts for the years from 2013 to 2015 of the Deposit Service Agreement. For details, please refer to the “Announcement of First Tractor Company Limited in relation to execution of the Deposit Service Agreement with YTO for the years from 2013 to 2015” and “Announcement of Resolutions Passed at the Second Meeting of the Sixth Board of First Tractor Company Limited” published on the website of Shanghai Stock Exchange, and in the China Securities Journal and Shanghai Securities News, and the overseas regulatory announcements published on the website of the Stock Exchange of the Company on 28 March 2013.

SIGNIFICANT EVENTS (CONTINUED)

- (3) On 31 October 2014, the second extraordinary general meeting of the Company in 2014 considered and approved the resolutions on revision of the cap amounts for continuing connected transactions of the Sale of Goods Agreement for the years of 2014 and 2015, pursuant to which the cap amounts under the Sale of Goods Agreement between the Company and its associate were revised from RMB135 million and RMB150 million to RMB275 million and RMB475 million for the years of 2014 and 2015 respectively. For details, please refer to the “Announcement of First Tractor Company Limited on Revision of the Cap Amounts for Daily Connected Transactions of the Sale of Goods for the years of 2014 and 2015” and “Announcement of Resolutions Passed at the Second Extraordinary General Meeting of First Tractor Company Limited in 2014” of the Company published on the website of Shanghai Stock Exchange, and in the China Securities Journal and Shanghai Securities News on 25 September 2014 and 1 November 2014 respectively, and the “Announcement on Revision of 2014 and 2015 Annual Caps for A Continuing Connected Transaction” dated 25 September 2014 and “Announcement on Poll Voting Results of the Extraordinary General Meeting Held on 31 October 2014” dated 1 November 2014 of the Company published on the website of the Stock Exchange.
- (4) On 18 July 2014, the fourteenth meeting of the sixth Board of the Company considered and approved that ZF YTO Drive Axle was established with the joint contributions by the Company and ZF (China) Investment Company Limited, and the Company and ZF YTO Drive Axle executed relevant agreements and documents of technology licensing and plant leasing. For details, please refer to the “Announcement on Resolutions passed at the Fourteenth Meeting of the Sixth Board of First Tractor Company Limited” of the Company published on 19 July 2014 on the website of the Shanghai Stock Exchange and in the China Securities Journal and the Shanghai Securities News, and the “Announcement on Discloseable Transaction” dated 19 July 2014 of the Company published on the website of the Stock Exchange.
- (5) On 29 May 2015, the 2014 annual general meeting of the Company considered and approved that the Procurement Framework Agreement and its cap amounts, and the Sales Framework Agreement and its cap amounts, entered into between the Company and ZF YTO Drive Axle. For details, please refer to the “Announcement on Daily Connected Transactions of First Tractor Company Limited” and “Announcement of Resolutions Passed at the 2014 Annual General Meeting of First Tractor Company Limited” of the Company published on the website of Shanghai Stock Exchange, and in the China Securities Journal, and Shanghai Securities News, on 17 February 2015 and 30 May 2015 respectively, and the “Sales Framework Agreement and Procurement Framework Agreement” announcement dated 17 February 2015 and the “Announcement on Results of the 2014 Annual General Meeting” dated 30 May 2015 of the Company published on the website of the Stock Exchange.

SIGNIFICANT EVENTS (CONTINUED)

- (6) As at the end of the Reporting Period, the Material Procurement Agreement, Sale of Goods Agreement, Composite Services Agreement, Energy Procurement Agreement, Properties Lease Agreement, Land Lease Agreement, Loan Service Agreement, Bills Discounting Service Agreement, Bills Acceptance Service Agreement and Technology Services Agreement entered into between the Company and its associates for the years from 2013 to 2015, and the Deposit Service Agreement entered into between YTO Finance, a controlled subsidiary of the Company and its associate for the years from 2013 to 2015 had expired.

On 29 October 2015, as approved by the first extraordinary general meeting of the Company in 2015, the Material Procurement Agreement, Sale of Goods Agreement, Composite Services Agreement, Properties Lease Agreement, Land Lease Agreement and Energy Procurement Agreement were entered into between the Company and its associates for the years from 2016 to 2018; the Technology Services Agreement was entered into between the Company and Tractors Research Company for the years from 2016 to 2018; the Loan Service Agreement, Bills Discounting Service Agreement, Bills Acceptance Service Agreement and Interbank Business Services Agreement were entered into between YTO Finance, a controlled subsidiary of the Company and its associate for the years from 2016 to 2018, effective from 1 January 2016. For details, please refer to the “Announcement of First Tractor Company Limited on Continuing Connected Transactions” and “Announcement on the Resolutions Passed at 2015 First Extraordinary General Meeting of First Tractor Company Limited” published on 26 August 2015 and 30 October 2015 respectively on the website of the Shanghai Stock Exchange, and the “Continuing Connected Transactions” announcement and “Poll Voting Results of the Extraordinary General Meeting Held on 29 October 2015” announcement of the Company published on 25 August 2015 and 29 October 2015 respectively on the website of Stock Exchange.

- (7) The actual connected transactions for the year of 2015 are set out below:

Unit: 0'000 Currency: RMB

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

Number	Party to the transaction	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated annual cap for transactions in 2015	Actual amount of the transaction in 2015	As a percentage to amount of comparable transactions (%)
1	YTO	Controlling shareholder	Purchase of goods from YTO by the Company	The applicable PRC State Price; if there is no PRC State Price, the market price; if there is no PRC State Price nor market price, costs plus a percentage mark-up.	155,000	56,848	10
2	YTO	Controlling shareholder	Provision of certain service including welfare, storage, transportation, consumption services, administrative services for retired employees to the Company and its subsidiaries by YTO	The applicable PRC State Price; if there is no PRC State Price, the market price; if there is no PRC State Price nor market price, costs plus a percentage mark-up.	29,000	22,429	90

SIGNIFICANT EVENTS (CONTINUED)

Number	Party to the transaction	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated annual cap for transactions in 2015	Actual amount of the transaction in 2015	As a percentage to amount of comparable transactions (%)
3	YTO	Controlling shareholder	Provision of energy and related services to the Company and its subsidiaries by YTO	The applicable PRC State Price; if there is no PRC State Price, the market price; if there is no PRC State Price nor market price, costs plus a percentage mark-up.	33,000	16,708	91
4	YTO	Controlling shareholder	Provision of goods to YTO by the Company	The applicable PRC State Price; if there is no PRC State Price, the market price; if there is no PRC State Price nor market price, costs plus a percentage mark-up.	47,500	22,420	2
5	YTO	Controlling shareholder	Lease of properties by YTO to the Company and its subsidiaries	Market price; if there is no comparable market price, determined based on the annual depreciation expenses and the management fee which is not more than 5% of the net book value of the relevant premises and the relevant taxes.	1,440	804	92
6	YTO	Controlling shareholder	Lease of land by YTO to the Company and its subsidiaries	Market price; if there is no comparable market price, determined based on the annual depreciation expenses and the management fee which is not more than 5% of the net book value of the relevant premises and the relevant taxes.	1,950	1,307	100
7	YTO	Controlling shareholder	Provision of deposit service by YTO Finance to YTO	The rate prescribed by CBRC or the People's Bank of China ("PBOC"), if any; if there is no rate prescribed by CBRC or PBOC, charged in the same industry for comparable transactions; if there is no rate prescribed by CBRC or PBOC nor comparable rate in the same industry, then determined under arm's length negotiations between YTO Finance and YTO; for service fees to be determined under negotiations between YTO finance and YTO, determined mainly with reference to the fair price offered by an independent third party in the same industry for the same or similar services.	140,000	112,836	39

SIGNIFICANT EVENTS (CONTINUED)

Number	Party to the transaction	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated annual cap for transactions in 2015	Actual amount of the transaction in 2015	As a percentage to amount of comparable transactions (%)
8	YTO	Controlling shareholder	Provision of loan service by YTO Finance to YTO	The rate prescribed by CBRC or PBOC, if any; if there is no rate prescribed by CBRC or PBOC, charged in the same industry for comparable transactions; if there is no rate prescribed by CBRC or PBOC nor comparable rate in the same industry, then determined under arm's length negotiations between YTO Finance and YTO; for service fees to be determined under negotiations between YTO finance and YTO, determined mainly with reference to the fair price offered by an independent third party in the same industry for the same or similar services.	74,000	60,847	57
9	YTO	Controlling shareholder	Provision of bills acceptance service by YTO Finance to YTO	The rate prescribed by CBRC or PBOC, if any; if there is no rate prescribed by CBRC or PBOC, charged in the same industry for comparable transactions; if there is no rate prescribed by CBRC or PBOC nor comparable rate in the same industry, then determined under arm's length negotiations between YTO Finance and YTO; for service fees to be determined under negotiations between YTO finance and YTO, determined mainly with reference to the fair price offered by an independent third party in the same industry for the same or similar services.	42,000	19,948	17

SIGNIFICANT EVENTS (CONTINUED)

Number	Party to the transaction	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated annual cap for transactions in 2015	Actual amount of the transaction in 2015	As a percentage to amount of comparable transactions (%)
10	YTO	Controlling shareholder	Provision of bills discounting service by YTO Finance to YTO	The rate prescribed by CBRC or PBOC, if any; if there is no rate prescribed by CBRC or PBOC, charged in the same industry for comparable transactions; if there is no rate prescribed by CBRC or PBOC nor comparable rate in the same industry, then determined under arm's length negotiations between YTO Finance and YTO; for service fees to be determined under negotiations between YTO finance and YTO, determined mainly with reference to the fair price offered by an independent third party in the same industry for the same or similar services.	49,000	32,698	38
Connected transactions under Chapter 14A of the Listing Rules of the Stock Exchange:							
11	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	The PRC State Price; if there is no PRC State Price, the market price; if there is no PRC State Price nor market price, costs plus a percentage mark-up.	12,000	9,740	100

SIGNIFICANT EVENTS (CONTINUED)

Connected transactions under the Listing Rules of Shanghai Stock Exchange:

Number	Party to the transaction	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated annual cap for transactions in 2015	Actual amount of the transaction in 2015	As a percentage to amount of comparable transactions (%)
12	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	The purchase prices of components are determined under negotiations between both parties based on prices in past years and the then prevailing market price and factors such as raw material price fluctuations.	15,000	9,267	1
13	ZF YTO Drive Axle	Associated corporation	Sale of goods by ZF YTO Drive Axle to the Company and its branches	The sale prices of drive axle products are determined under negotiations between both parties based on prices in past years and the then prevailing market price and factors such as raw material price fluctuations; the price of goods sold by ZF YTO Drive Axle to the Company or any of its branches shall not be more than the price of same type of goods sold to ZF Hangzhou.	25,000	18,471	3
14	ZF YTO Drive Axle	Associated corporation	Lease of land and properties to ZF YTO Drive Axle by the Company	The annual lease fee is RMB7.7446 million as determined by both parties under market principles.	774.46	774.46	71
15	ZF YTO Drive Axle	Associated corporation	Authorization of usage of drive axle production technologies by the Company to ZF YTO Drive Axle for production and installation of existing and future products	(1) ZF YTO Drive Axle paid a lump sum of RMB2.2 million to the Company for the authorization of technologies; and (2) shall pay 0.3% of the sale revenue of products applying authorized technologies to the Company.	370	296	100

(8) Having reviewed the records and data of the aforesaid continuing connected transactions under Chapter 14A of the Listing Rules of the Stock Exchange which have been disclosed in announcements with changes in subsequent implementation, the independent non-executive Directors confirmed as follows:

- (1) such connected transactions were entered into in the ordinary and usual course of business of the Group;
- (2) such connected transactions were entered into on normal commercial terms (where applicable, as compared with transactions of similar nature carried out by similar PRC domestic entities or, if no available transactions for comparison, on terms no less favourable than those offered by independent third parties of the Group); and
- (3) such connected transactions were conducted on terms of the agreements governing the relevant transactions, which are fair and reasonable and in the interests of the Company's shareholders as a whole.

SIGNIFICANT EVENTS (CONTINUED)

- (9) Confirmation of connected transactions under Chapter 14A of the Listing Rules of the Stock Exchange which have been disclosed in announcements with changes in subsequent implementation by auditors

Having reviewed the connected transactions under Chapter 14A of the Listing Rules of the Stock Exchange which have been disclosed in announcements with changes in subsequent implementation during the Reporting Period, the auditors of the Company have sent a letter to the Board confirming that such connected transactions:

- (1) had obtained the approval of the Board;
 - (2) were conducted in accordance with the pricing policy of the Group and the terms of the relevant agreements; and
 - (3) did not exceed the cap amounts as disclosed in the relevant announcements (and if applicable, as approved by the independent shareholders of the Company) at any time during the Reporting Period.
- (10) Confirmation of the aforesaid connected transactions under Chapter 14A of the Listing Rules of the Stock Exchange which have been disclosed in announcements with changes in subsequent implementation by Directors

The Directors (including independent non-executive Directors) confirmed that such transactions were in the interests of the Company and its shareholders as a whole and that none of them has any material interests in the aforesaid connected transactions.

- (11) Confirmation by the Company in relation to disclosure requirement

The Company confirmed it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the above connected transactions.

- (12) Related party transaction

Saved as disclosed above, there is no related party transaction or continuing related party transaction as set out in Note 12 "Related Parties and Related Party Transactions" to the consolidated financial statements that falls under the definition of "connected transaction" or "continuing connected transaction" under the Listing Rules of the Stock Exchange. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules of the Stock Exchange.

SIGNIFICANT EVENTS (CONTINUED)

2. Matters that were not disclosed in the provisional announcements

Unit: 0'000 yuan Currency: RMB

Connected party to the transaction	Connected relationship	Type of the connected transaction	Content of the connected transaction	Pricing principle of the connected transaction	Estimated annual cap for transaction in 2015	Amount of the connected transaction	As a percentage to amount of comparable transactions (%)
YTO	Controlling shareholder	Other inflow	Lease of properties from the Company and its subsidiaries	The PRC State government guidance price; the price of the non-connected transactions between the lessor and the independent third parties; if none of the above is available or applicable, then the price will be determined under arm's length negotiations between the two parties.	250	195	24
YTO	Controlling shareholder	Other inflow	Lease of land from the Company and its subsidiaries	The PRC State government guidance price; the price of the non-connected transactions between the lessor and the independent third parties; if none of the above is available or applicable, then the price will be determined under arm's length negotiations between the two parties.	200	121	34
YTO	Controlling shareholder	Provision of services	Provision of process and technical service to YTO	The PRC State government guidance price; the price of the non-connected transactions between the process and material company of the Company and the independent third parties; the process and material company of the Company may reasonably add a percentage mark-up which is comparable to profit of price of non-connected transaction for provision of services; if none of the above is available or applicable, then the price will be determined under arm's length negotiations between the two parties.	200	28	5
YTO	Controlling shareholder	Provision of services	Provision of calibration and testing service to YTO	The PRC State government guidance price; the price of the non-connected transactions between the calibration and testing center of the Company and the independent third parties; the calibration and testing center of the Company may reasonably add a percentage mark-up which is comparable to profit of price of non-connected transaction for provision of services; if none of the above is available or applicable, then the price will be determined under arm's length negotiations between the two parties.	120	46	21

SIGNIFICANT EVENTS (CONTINUED)

Connected party to the transaction	Connected relationship	Type of the connected transaction	Content of the connected transaction	Pricing principle of the connected transaction	Estimated annual cap for transaction in 2015	Amount of the connected transaction	As a percentage to amount of comparable transactions (%)
YTO	Controlling shareholder	Provision of the right to use the patent and trademark, etc.	YTO and its subsidiaries are permitted to use the Dongfanghong trademark	When YTO and its re-licensed subsidiaries and associated companies' aggregated sale revenue (exclusive of taxes) of trademarked products (excluding products not using the registered trademarks) beyond the group does not exceed RMB5.0 billion (inclusive), 0.2% of aggregated sale revenue (exclusive of taxes) shall be paid; and if the aggregated sale revenue beyond the group exceeds RMB5.0 billion, the rate shall be 0.15%.	25	8	100
Total				/	795	398	/

Details of large amount of sales returns
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.

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

During the Reporting Period, the Company did not entered into any connected transactions of assets or equity acquisition or disposal.

(III) Connected credit and debt dealings

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

Event details

During the Reporting Period, YTO, the Company's controlling shareholder provided an entrusted loan of RMB700 million to the Company.

Query index

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

SIGNIFICANT EVENTS (CONTINUED)

VI. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF

(I) Custody, contracting and lease matters

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.

(II) Guarantees

Unit: Yuan Currency: RMB

Guarantor	Relationship of the Guarantor with the Company	Beneficiary	Amount of the guarantee	External guarantees provided by the Company (excluding guarantees provided for subsidiaries)		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
				Date of guarantee an (Date of agreement)	Type of guarantee						
The Company	Company headquarter	Business dealers of Quanchengtong (全程通)	5,660,000	2015.07.15	Guarantee with joint liability	No	No	0	Yes	No	Nil
The Company	Company headquarter	Business dealers of Dianpiaotong (电票通)	7,020,000	2015.06.12	Guarantee with joint liability	No	No	0	Yes	No	Nil

Total amount of guarantees provided during the Reporting Period (excluding guarantees provided for subsidiaries)	135,090,000
Total outstanding guarantee amount as at the end of the Reporting Period (A) (excluding guarantees provided for subsidiaries)	12,680,000

SIGNIFICANT EVENTS (CONTINUED)

Guarantees provided by the Company and its subsidiaries for its subsidiaries

Total amount of the guarantees provided to subsidiaries during the Reporting Period	232,180,240
Total outstanding guarantee amount of the guarantees provided to subsidiaries as at the end of the Reporting Period (B)	177,013,840

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

Total amount of guarantees (A+B)	189,693,840
Total amount of guarantees as a percentage to the new assets of the Company (%)	4.06
Of which:	
Amount of guarantees provided to shareholders, ultimate controller and its associates (C)	0
Amount of guarantees directly or indirectly provided for liability of parties with a gearing ratio exceeding 70% (D)	76,680,000
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)	76,680,000

Explanation on possible several and joint liability for immature guarantees

Nil

Explanation on guarantee

During the Reporting Period, the liability of the Company for guarantee provided to Business dealers of Dianpiaotong (電票通) amounting to RMB12.00 million had been converted to accounts receivable against the dealers.

SIGNIFICANT EVENTS (CONTINUED)

(III) Cash assets management by others under entrustment

1. Overall entrusted assets management

Unit: 0'000 Currency: RMB

Trustee	Product categories of entrusted assets	Amount of entrusted assets	Commencement date of the entrusted assets management	End date of entrusted assets management	Calculation method of remuneration	Actual principal recovered	Actual revenue earned	Whether it passed the legal procedures	Amount provided for impairment	Whether it is a connected transaction	Whether it involved litigation	Connected relationship
Luoyang Branch of Bank of Zhengzhou	Principal preservation short term wealth management	20,000.00	2015-4-9	2015-6-23	As agreed on contract	20,000.00	217.81	Yes	0	No	No	Nil
Luoyang Branch of Bank of Zhengzhou	Principal preservation short term wealth management	10,000.00	2015-4-10	2015-6-23	As agreed on contract	10,000.00	107.45	Yes	0	No	No	Nil
Luoyang Branch of Bank of Zhengzhou	Principal preservation short term wealth management	20,000.00	2015-5-20	2015-11-18	As agreed on contract	20,000.00	478.68	Yes	0	No	No	Nil
Luoyang Jinhua Branch of Bank of Communications	Principal preservation short term wealth management	6,000.00	2015-5-20	2015-8-20	As agreed on contract	6,000.00	70.31	Yes	0	No	No	Nil
Luoyang Jinhua Branch of Bank of Communications	Principal preservation short term wealth management	5,000.00	2015-5-26	2015-8-25	As agreed on contract	5,000.00	57.34	Yes	0	No	No	Nil
Luoyang Jinhua Branch of Bank of Communications	Principal preservation short term wealth management	10,000.00	2015-6-30	2015-10-8	As agreed on contract	10,000.00	134.25	Yes	0	No	No	Nil
Luoyang Jinhua Branch of Bank of Communications	Principal preservation short term wealth management	20,000.00	2015-7-1	2015-9-30	As agreed on contract	20,000.00	244.33	Yes	0	No	No	Nil
Luoyang Jinhua Branch of Bank of Communications	Principal preservation short term wealth management	7,000.00	2015-7-2	2015-10-8	As agreed on contract	7,000.00	92.09	Yes	0	No	No	Nil
Luoyang Branch of Bank of Pingdingshan	Principal preservation short term wealth management	5,800.00	2015-8-11	2016-2-4	As agreed on contract	5,800.00	140.63	Yes	0	No	No	Nil
Luoyang Branch of Bank of Pingdingshan	Principal preservation short term wealth management	6,200.00	2015-8-18	2016-1-6	As agreed on contract	6,200.00	119.75	Yes	0	No	No	Nil
Luoyang Branch of Bank of Pingdingshan	Principal preservation short term wealth management	4,800.00	2015-9-1	2015-12-15	As agreed on contract	4,800.00	64.90	Yes	0	No	No	Nil
Luoyang Branch of Bank of Pingdingshan	Principal preservation short term wealth management	6,200.00	2015-9-29	2016-2-25	As agreed on contract	6,200.00	124.2	Yes	0	No	No	Nil
Luoyang Jinhua Branch of Bank of Communications	Principal preservation short term wealth management	10,000.00	2015-10-1	2015-10-9	As agreed on contract	10,000.00	6.99	Yes	0	No	No	Nil
Luoyang Branch of Bank of Pingdingshan	Principal preservation short term wealth management	10,000.00	2015-10-15	2015-12-9	As agreed on contract	10,000.00	63.29	Yes	0	No	No	Nil
Luoyang Jinhua Branch of Bank of Communications	Principal preservation short term wealth management	20,000.00	2015-10-23	2015-12-28	As agreed on contract	20,000.00	144.66	Yes	0	No	No	Nil
Luoyang Branch of Bank of Pingdingshan	Principal preservation short term wealth management	20,000.00	2015-11-24	2016-5-25	As agreed on contract	/	/	Yes	0	No	No	Nil
Total	/	181,000.00	/	/	/	161,000.00	2,066.50	/	/	/	/	/

Cumulative amount of principal and gains overdue (RMB)

Explanation on entrusted assets management

0

The above recovered principal and income does not include principal and income of a wealth management amounting to RMB200.00 million since such wealth management is not yet due.

SIGNIFICANT EVENTS (CONTINUED)

2. Entrusted loans

Unit: 0'000 Currency: RMB

Name of borrower	Amount of entrusted loan	Term of the loan	Interest rate of the loan	Usage of the loan	Security or guarantor	Whether it is overdue	Whether it is a connected transaction	Whether its Term is extended	Whether it involved litigation	Connected relationship	Gain/loss of the investment
YTO Shentong	2,000.00	One year	6.96%	Production and operation	Secured by assets	No	No	No	No	Wholly-owned subsidiary	Gain
YTO Shentong	4,000.00	One year	5.98%	Production and operation	Secured by assets	No	No	No	No	Wholly-owned subsidiary	Gain
YTO Shentong	4,000.00	One year	7.28%	Production and operation	Secured by assets	No	No	No	No	Wholly-owned subsidiary	Gain
YTO Shentong	850.00	One year	6.31%	Production and operation	Secured by assets	No	No	No	No	Wholly-owned subsidiary	Gain
YTO Transportation	400.00	One year	7.28%	Production and operation	Secured by assets	No	No	No	No	Controlled subsidiary	Gain
YTO Forklift Truck	800.00	One year	6.96%	Production and operation	Secured by assets	No	No	Yes	No	Wholly-owned subsidiary	Gain
YTO Forklift Truck	2,000.00	Two years	6.18%	Production and operation	Secured by assets	No	No	No	No	Wholly-owned subsidiary	Gain

3. Other investment, assets management and investments in derivatives

Unit: Yuan Currency: RMB

Type of investment	Signing party	Amount of investment	Term of investment	Product type	Investment gain/loss	Whether It involved litigation
Trust	Zhongyuan Trust	50,000,000.00	613 days	Collective Trust	4,815,972.23	No
Trust	Zhongyuan Trust	100,000,000.00	149 days	Single Trust	3,666,666.67	No
Trust	Zhongyuan Trust	100,000,000.00	397 days	Collective Trust	4,961,111.12	No
Trust	Zhongyuan Trust	120,000,000.00	366 days	Collective Trust	6,233,333.34	No

VII. EXPLANATION ON OTHER SIGNIFICANT EVENTS

During the Reporting Period, the Company's on-going supervision and guidance sponsor representative was changed from Mr. Yu Junli to Mr. Zhu Yexin. For details, please refer to the "Announcement of First Tractor Company Limited on the Change of Sponsor Representative" published on the website of Shanghai Stock Exchange on 5 August 2015, and the overseas regulatory announcement of the Company published on the website of the Stock Exchange on 4 August 2015.

SIGNIFICANT EVENTS (CONTINUED)

VIII. ACTIVE FULFILLMENT OF SOCIAL RESPONSIBILITY

(I) Work on social responsibility

For details of fulfillment of the social responsibilities by the Company, please refer to the “2015 Social Responsibility Report” published on the website of Shanghai Stock Exchange and the overseas regulatory announcement of the Company published on the website of the Stock Exchange.

(II) Explanation on environmental protection for listed companies and its subsidiaries classified as involving in heavy pollution industries by the Ministry of Environmental Protection of the PRC

The Company was not classified as a listed company involving in heavy pollution industries by the Ministry of Environmental Protection of the PRC.

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

I. CHANGES IN ORDINARY SHARE CAPITAL

(I) Table of changes in ordinary shares

1. Table of changes in ordinary shares

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

(II) Changes in shares subject to selling restrictions

Unit: Share

Name of shareholder	Number of shares subject to selling restrictions at the beginning of the year	Number of shares relived from selling restrictions in the year	Number of additional shares subject to selling restrictions in the year	Number of shares subject to selling restrictions at the end of the year	Reasons for selling restrictions	Date relieving from selling restrictions
YTO	443,910,000	443,910,000	0	0	Initial public offering	10 August 2015
Total	443,910,000	443,910,000	0	0	/	/

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

II. ISSUANCE AND LISTING OF SECURITIES

(I) Issuance of securities as at the end of the Reporting Period

Unit: Share Currency: RMB

Types of shares and derivative securities	Date of issue	Issuing price (or interest rate)	Issuing amount	Date of listing	Number of shares approved for listing and trading	Closing date of transactions
Ordinary shares						
A Share	2012.07.27	RMB5.4/share	150,000,000	2012.08.08	150,000,000	/
Corporate bonds						
12 First Tractor01	2013.03.04	4.8%	800,000,000	2013.04.02	800,000,000	2018.03.03
12 First Tractor 02	2013.05.30	4.5%	700,000,000	2013.06.26	700,000,000	2018.05.29

III. SHAREHOLDERS AND ULTIMATE CONTROLLER

(I) Total number of shareholders:

Total number of shareholders as at the end of the Reporting Period (<i>shareholder</i>)	41,035 (40,658 holders of A Shares; 377 holders of H Shares)
Total number of shareholders as at the end of the month prior to the date of the Annual Report (<i>shareholder</i>)	38,499 (38,122 holders of A Shares; 377 holders of H Shares)
Total number of preference shareholders with redeemed voting rights as at the end of the Reporting Period (<i>shareholder</i>)	/
Total number of preference shareholders with redeemed voting rights as at the end of the month prior to the date of the Annual Report (<i>shareholder</i>)	/

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

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

Unit: Share

Shareholdings of the top ten shareholders

Name of shareholder (full name)	Increase/ decrease during the Reporting Period	Total number of shares held as at the end of the Reporting Period	Percentage (%)	Number of shares held subject to selling restrictions	Number of shares pledged or freezed		Nature of shareholder
					Nature of shares	Number	
YTO	0	443,910,000	44.57%	0	Nil	0	State-owned legal-person
HKSCC NOMINEES LIMITED (Note 1)	-76,000	398,129,398	39.98%	0	Unknown	/	Overseas legal person
Lian Yongyang	1,781,948	1,781,948	0.18%	0	Unknown	/	Domestic natural person
Jiao Yanfeng	1,166,000	1,166,000	0.12%	0	Unknown	/	Domestic natural person
Lin Shuangyu	-1,222,282	907,000	0.09%	0	Unknown	/	Domestic natural person
LIU HON NAM	0	726,000	0.07%	0	Unknown	/	Overseas natural person
Golden Sun Securities Company Limited	659,556	659,556	0.07%	0	Unknown	/	Unknown
Lu Jiahong	589,400	589,400	0.06%	0	Unknown	/	Domestic natural person
Zhou Canwei	556,000	556,000	0.06%	0	Unknown	/	Domestic natural person
Hong Kong Securities Clearing Company Limited (Note 2)	400,912	532,612	0.05%	0	Unknown	/	Overseas legal person

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

Shareholdings of the top ten shareholders without selling restrictions

Name of shareholders	Number of circulating shares without selling restrictions held	Number and class of share	
		Class	Number
YTO	443,910,000	Ordinary shares denominated in RMB	443,910,000
HKSCC NOMINEES LIMITED	398,129,398	Overseas listed foreign shares	398,129,398
Lian Yongyang	1,781,948	Ordinary shares denominated in RMB	1,781,948
Jiao Yanfeng	1,166,000	Ordinary shares denominated in RMB	1,166,000
Lin Shuangyu	907,000	Ordinary shares denominated in RMB	907,000
LIU HON NAM	726,000	Overseas listed foreign shares	726,000
Golden Sun Securities Company Limited	659,556	Ordinary shares denominated in RMB	659,556
Lu Jiahong	589,400	Ordinary shares denominated in RMB	589,400
Zhou Canwei	556,000	Ordinary shares denominated in RMB	556,000
Hong Kong Securities Clearing Company Limited	532,612	Ordinary shares denominated in RMB	532,612
Explanation on connected relation or acting in concert of the aforesaid shareholders	Of 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.		

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

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

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) (the "SFO")

As at 31 December 2015, the following shareholders of the Company (other than the Directors, Supervisors or chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Capacity	Nature of interests	Number of shares held ¹	Number of underlying shares held under equity derivatives ¹	Total Number of shares interested ¹	Percentage of the relevant issued class of share capital (%)	Percentage of the total issued share capital of the Company (%)	Type of share
YTO ²	Beneficial owner	Beneficial interest	443,910,000(L)	/	443,910,000(L)	74.74(L)	44.57(L)	A Share
Segantii Capital Management Limited	Investment manager	Corporate interest	24,254,000(L) 94,000(S)	/	24,254,000(L) 94,000(S)	6.03(L) 0.02(S)	2.44(L) 0.0094(S)	H Share
UBS AG ³	Beneficial owner/security interest in	Beneficial interest/ corporate interest	24,464,093(L) 34,000(S)	35(L) 474,000(S)	24,464,128(L) 508,000(S)	6.09(L) 0.13(S)	2.46(L) 0.05(S)	H Share
UBS Group AG ³	security interest in	Corporate interest	28,212,093(L)	692,000(S)	28,212,093(L) 692,000(S)	7.02(L) 0.17(S)	2.83(L) 0.07(S)	H Share

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

Note 2: Sinomach is the controlling shareholder of YTO. Sinomach is deemed to have the same interest in the Company as those owned by YTO by virtue of the SFO, holding 443,910,000 A Shares of the Company.

Note 3: UBS Group AG is the controlling shareholder of UBS AG. UBS Group AG is deemed to have the same interest in the Company as those owned by UBS AG by virtue of the SFO.

IV. SHAREHOLDER AND ULTIMATE CONTROLLER

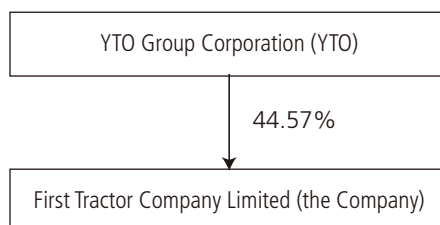
(I) Controlling shareholder

1 Corporate shareholder

Name	YTO
Person in charge or legal representative	Zhao Yanshui
Date of establishment	6 May 1997
Principal business	Agricultural machinery, power machinery, vehicles and components industry

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

2 Block diagram of property right and controlling relationship between the Company and the controlling shareholders

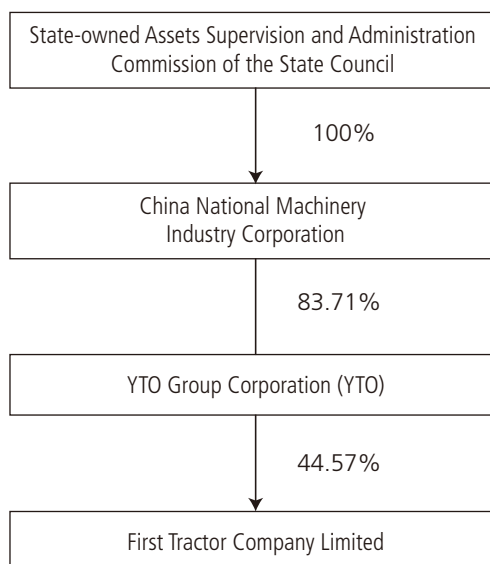


(II) ULTIMATE CONTROLLER

1 Corporate shareholder

Name State-owned Assets Supervision and Administration Commission of the State Council

2 Block diagram of property right and controlling relationship between the Company and the ultimate controller



CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

V. OTHER CORPORATE SHAREHOLDERS HOLDING OVER 10% OF SHARES

According to the register of shareholders provided by HKSCC Nominees Limited, the H shares held by the shareholder, HKSCC NOMINEES LIMITED, holding 39.98% shares, are held on behalf of various clients.

VI. PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the laws of the PRC which would oblige the Company to offer new shares of the Company on a pro rata basis to its existing shareholders.

VII. 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.

VIII. PUBLIC FLOAT

Pursuant to the published information and to the knowledge of the Directors, as at the date of this report, the Company has maintained the required public float under the Listing Rules of the Stock Exchange.

IX. TAX CONCESSIONS

None of the holders of the Company's listed securities was entitled to any tax concessions for holding securities of the Company.

PREFERENCE SHARES

The Company had no preference shares during the Reporting Period.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

I. CHANGE IN SHAREHOLDINGS AND REMUNERATION

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

Unit: share

Name	Position	Gender	Age	Commencement date of tenure	End date of tenure	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Change in the number of shares held during the year	Reason of change	Total remuneration (before tax) received from the Company during the Reporting Period (RMB'000, unless otherwise specified)	Whether he/she received remuneration from related parties of the Company
Zhao Yanshui	Executive Director and Chairman	Male	52	2015.10.29	2018.10.28	0	0	0	/	0	Yes
Wang Erlong	Executive Director and Vice Chairman	Male	51	2015.10.29	2018.10.28	0	0	0	/	0	Yes
Wu Yong	Executive Director and General Manager	Male	50	2015.10.29	2018.10.28	0	0	0	/	71.88	No
Li Hepeng	Non-executive Director	Male	62	2015.10.29	2018.10.28	0	0	0	/	0.20	Yes
Xie Donggang	Non-executive Director	Male	59	2015.10.29	2018.10.28	0	0	0	/	0	Yes
Li kai	Non-executive Director	Male	61	2015.10.29	2018.10.28	0	0	0	/	0.20	No
Yin Dongfang	Non-executive Director	Male	54	2015.10.29	2018.10.28	0	0	0	/	0.20	No
Xing Min	Independent non-executive Director	Male	62	2015.10.29	2018.10.28	0	0	0	/	5.40	No
Wu Tak Lung	Independent non-executive Director	Male	50	2015.10.29	2018.10.28	10,000	10,000	0	/	5.20	Yes
Yu Zengbiao	Independent non-executive Director	Male	60	2015.10.29	2018.10.28	0	0	0	/	5.40	No
Yang Minli	Independent non-executive Director	Female	50	2015.10.29	2018.10.28	0	0	0	/	0.20	No
Li Pingan	Chairman of the Board of Supervisors	Male	51	2015.10.29	2018.10.28	0	0	0	/	7.51	Yes
Xu Weilin	Supervisor	Male	53	2015.10.29	2018.10.28	0	0	0	/	0	Yes
Wang Jianjun	Staff Representative Supervisor	Male	39	2015.10.29	2018.10.28	0	0	0	/	25.93	No
Zhao Guozhong	Staff Representative Supervisor	Male	56	2015.10.29	2018.10.28	0	0	0	/	24.23	No
Wang yong	Supervisor	Male	47	2015.10.29	2018.10.28	0	0	0	/	4.57	No
Huang Ping	Supervisor	Male	47	2015.10.29	2018.10.28	0	0	0	/	4.77	No
Wang Kejun	Deputy General Manager	Male	51	2015.10.30	2018.10.28	0	0	0	/	15.00	Yes (Note)

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Name	Position	Gender	Age	Commencement date of tenure	End date of tenure	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Change in the number of shares held during the year	Reason of change	Total remuneration	Whether
										(before tax) received from the Company during the Reporting Period (RMB'000, unless otherwise specified)	he/she received remuneration from related parties of the Company
Liu Jiguo	Deputy General Manager	Male	51	2015.10.30	2018.10.28	0	0	0	/	15.00	Yes (Note)
Su Wensheng	Deputy General Manager	Male	47	2015.10.30	2018.10.28	0	0	0	/	46.53	No
Yao Weidong	Financial Controller	Male	49	2015.10.30	2018.10.28	0	0	0	/	49.43	No
Zhu Weijiang	Deputy General Manager	Male	44	2015.10.30	2018.10.28	0	0	0	/	46.53	No
Song Yuping	Deputy General Manager	Male	51	2015.10.30	2018.10.28	0	0	0	/	46.53	No
Yu Lina	Deputy General Manager and Secretary to the Board	Female	45	2015.10.30	2018.10.28	0	0	0	/	49.83	No
Yan Linjiao	Former Non-executive Director	Male	60	2012.12.20	2015.10.28	0	0	0	/	0	Yes
Wu Zongyan	Former Non-executive Director	Male	58	2014.05.29	2015.10.28	0	0	0	/	0	Yes
Wang Kejun	Former Non-executive Director	Male	51	2014.05.29	2015.10.28	0	0	0	/	0	Yes
Guo Zhiqiang	Former Non-executive Director	Male	59	2012.12.20	2015.10.28	0	0	0	/	0	Yes
Liu Jiguo	Former Non-executive Director	Male	51	2012.12.20	2015.10.28	0	0	0	/	0	Yes
Hong Xianguo	Former Independent non-executive Director	Male	52	2012.12.20	2015.10.28	0	0	0	/	5.40	No
Zhao Yanshui	Former General Manager	Male	52	2012.12.20	2015.08.14	0	0	0	/	0	Yes
Lian Guoqing	Former Deputy Standing General Manager	Male	59	2012.12.20	2015.08.14	0	0	0	/	55.14	No
Liu Yao	Former Deputy General Manager	Male	56	2012.12.20	2015.08.14	0	0	0	/	RMB29.14 EURO 14.26	No
Hou Zhiping	Former Deputy General Manager	Male	58	2012.12.20	2015.08.14	0	0	0	/	46.60	No
Total	/	/	/	/	/	10,000	10,000	0	/	RMB5,6082 million EURO 0.1426 million	/

Note: Mr. Wang Kejun and Mr. Liu Jiguo, deputy general managers of the Company received remuneration from related party since he was the deputy general manager of YTO, controlling shareholder of the Company from January to August 2015.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Name	Major work experience
Zhao Yanshui	Born in April 1963, professor level senior engineer, currently serves as Chairman, Chairman of the Strategy and Investment Committee under the Board, Member of the Nomination Committee of the Company, and Chairman, Deputy Party Secretary and General Manager of YTO. Mr. Zhao currently serves as the Vice President of China Association of Agricultural Machinery Manufacturing Industry. Mr. Zhao joined YTO in 1983, and served as the Vice Plant Manager, Deputy General Manager, General Manager and Vice Chairman of the No. 1 Assembly Plant of the Company, and the Deputy Chief Engineer and Deputy General Manager of YTO. Mr. Zhao studied in the Jiangsu Institute of Technology and Jiangsu University with a doctorate in engineering, and served as a visiting scholar to pursue advanced studies in Hokkaido University and Kyoto University in Japan in 1994 and 2001 respectively. Mr. Zhao has extensive experience in corporate management, strategic planning, product development and design, technology management, etc.
Wang Erlong	Born in October 1964, senior accountant, Certified USA Management Accountant, auditor, currently serves as the Vice Chairman, member of the Strategy and Investment Committee under the Board of the Company, and the Vice Chairman, Party Secretary and Financial Controller of YTO. Mr. Wang currently also serves as the director of the Sinomach Capital Holdings Limited and the Sinomach Finance Company Limited, and the Chairman of China YTO Finance Company Limited. Mr. Wang joined YTO in October 2012, and worked for the Audit Office in the Audit Bureau of Ministry of Machinery Industry for many years, and served as the Financial Controller of CNAICO Foreign Economic and Technical Cooperation Company Limited, the Financial Controller of China National Automotive Industry International Corporation (CNAICO), and the Financial Controller and Deputy General Manager of China Automotive Industry Import and Export Corporation. Mr. Wang studied in Luoyang Institute of Technology, Renmin University of China and Xiamen University with EMBA degree. Mr. Wang has extensive experience in financial management, internal audit, international trade, etc.
Wu Yong	Born in May 1965, senior economist and currently serves as Executive Director, member of the Strategy and Investment Committee under the Board, General Manager of the Company, and Deputy Party Secretary of YTO. Mr. Wu joined YTO in 1987, and served as the General Manager and Executive Director of YTO Flag, Party Secretary, Secretary of the Discipline Inspection Commission of the Company, Head of Party Committee Work Department, Vice-chairman of the labor union, Party Secretary Assistant, member of the Standing Committee of the Communist Party, Vice-General Manager, and Secretary of the Discipline Inspection Commission of YTO. Mr. Wu studied in Henan University and Henan University of Economics and Law. Mr. Wu has extensive experience in enterprise operation and management.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Name	Major work experience
Li Hepeng	Born in March 1954, senior engineer, Non-Executive Director, member of the Remuneration Committee of the Company, Director of the Sinomach Jinggong Company Limited and YTO. Mr. Li served as the Deputy Director and Director of the Tianjin Institute of Mechanical Engineering, President and Party Secretary of Tianjin Research Institute of Mechanical Engineering, the General Manager and Party Secretary of China Mechanical Engineering Corporation, Party Secretary and Deputy Chairman of China Sinomach Heavy Industry Corporation Limited, and Director of Zhengzhou Institute of Abrasives Grinding. Mr. Li studied in Tianjin Open University and Tianjin University Postgraduate Course in Business Administration. Mr. Li has extensive experience in corporate management, scientific research management, hydraulic transmission, etc.
Xie Donggang	Born in November 1956, researcher level senior engineer, currently serves as the Non-Executive Director, member of the Remuneration Committee of the Company, Chairman and Deputy Party Secretary of China National Heavy Machinery Research Institute Company Limited, and Director of YTO. Mr. Xie currently also serves as Director of the Sinomach Capital Holdings. Company Limited. Mr. Xie served as Deputy Director, Director and Party Secretary of the Xi'an Institute of Heavy Machinery, the President and Party Secretary of China National Heavy Machinery Research Institute, and Chairman, Party Secretary and General Manager of China National Heavy Machinery Research Institute Company Limited, Mr. Xie studied in Northeast Heavy Machinery College and Chongqing University with a master's degree in engineering. Mr. Xie has extensive experience in operation management, metallurgical machinery design, etc.
LI Kai	Born in September 1954, professor level senior engineer, currently serves as the Non-Executive Director, member of the Strategy and Investment Committee of the Board of the Company, and Director of YTO. Mr. Li served as the Vice President of the No. 6 Design Institute of Machinery Industry, Director and Deputy General Manager of the SIPPR Engineering Group Company Limited. Mr. Li studied in the Northeast Heavy Machinery College with a Bachelor degree in Engineering. Mr. Li has extensive experience in engineering design, project management and forging technology, etc.
Yin Dongfang	Born in April 1961, third-grade lawyer, currently serves as the Non-Executive Director, member of the Audit Committee of the Company, General Manager of the Luoyang State-Owned Assets Operation Company Limited, and Director of YTO. Mr. Yin served as the Vice Chairman of Luoyang Bar Association. Mr. Yin studied in Zhengzhou University. Mr. Yin has extensive experience in legal, investment, etc.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Name	Major work experience
Xing Min	Born in January 1954, professor level senior engineer, currently serves as the Independent Non-Executive Director, Chairman of the Nomination Committee under the Board, member of the Remuneration Committee of the Company, and Vice President and Secretary General of China Internal Combustion Engine Industry Association. Mr. Xing also serves as the Independent Director of Jiangsu Yunyi Electric Company Limited, Wuxi Weifu High-Technology Group Company Limited, and Hunan Tianyan Machinery Company Limited. Mr. Xing studied in Northeastern University of Technology, the Party School of the CPC and Hunan University. Mr. Xing is familiar with internal combustion engines, machine tools, heavy machinery, agricultural machinery industry, etc.
Wu Tak Lung	Born in May 1965, member of Hong Kong Institute of Certified Public Accountants, senior member of Hong Kong Securities Institute, the Association of Chartered Certified Accountants, Taxation Institute of Hong Kong and the Hong Kong Institute of Chartered Secretaries, currently serves as the Independent Non-Executive Director, Chairman of the Audit Committee under the Board, and member of the Remuneration Committee of the Company. Mr. Wu also serves as the Independent Non-Executive Director of the companies listed on the Stock Exchange, Beijing Media Corporation Limited, AUPU Group Holding Company Limited, China Machinery Engineering Company Limited and Sinomax Group Limited. Mr. Wu studied in the Hong Kong Baptist University, the University of Manchester and University of Wales with an MBA degree. Mr. Wu is familiar with finance and investment management, etc.
Yu Zengbiao	Born in September 1955, a professor of Tsinghua University, doctoral tutor, is the Independent Non-Executive Director, Chairman of the Remuneration Committee under the Board, member of the Audit Committee of the Company, Independent Director of Tontec Science and Technology Investment Group Company Limited, Tsingtao Brewery Company Limited and True Color Stationery Company Limited (unlisted). Mr. Yu studied in Hebei University, Xiamen University and University of Illinois with a PhD degree in economics (accounting) and Chinese CPA qualifications, and is familiar with finance and accounting, etc.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Name	Major work experience
Yang Minli	Born in October 1965, currently serves as the Non-Executive Director, member of the Strategy and Investment Committee under the Board and the Nomination Committee of the Company, professor and doctoral tutor of the College of Engineering of China Agricultural University. Ms. Yang currently also serves as an adjunct professor at Northwest Agriculture and Forestry University, Director of Centre for Sustainable Agricultural Mechanization of the United Nations, Standing Director of Chinese Society for Agricultural Machinery, Chairman and Secretary-General of Agricultural Mechanization Branch, Director of Chinese Society of Agricultural Engineering, Standing Director of Agricultural Equipment and Engineering Technology Branch of China Agro-technological Extension Association, member of American Association of Agricultural and Biological Engineering and the Foreign Agricultural and Engineering Association, expert of the Sugarcane Machinery Committee of National Agriculture Standardization Technical Committee of the Ministry of Agriculture and the committee of experts of Agricultural Machinery Promotion (Supervision) Master Station of the Ministry of Agriculture. Ms. Yang is familiar with the field of agricultural machinery.
Li Pingan	Born in July 1964, senior economist, currently serves as the Chairman of the Board of Supervisors, and the General Counsel and Minister of the Legal Affairs Department of the Company. Mr. Li currently also serves as the Chairman of the Board of Supervisors of the Luoyang Business Daily Company Limited. Mr. Li joined YTO in 1987, and served as the Director of the Legal Affairs Center of YTO, General Counsel of YTO, etc. Mr. Li studied in Zhengzhou University with qualification of lawyers. Mr. Li has extensive experience in enterprise comprehensive risk management, legal affairs management, etc.
Xu Weilin	Born in August 1962, economist, currently serves as the Supervisor of the Company, Deputy Secretary of the Discipline Inspection Commission and the Director of the Supervision Division of YTO. Mr. Xu joined YTO in 1982, and served as the Party Secretary, Plant manager and staff representative Supervisor of No. 1 Assembly Plant of the Company. Mr. Xu studied in Zhengzhou University, Jiangsu Institute of Technology and Henan University of Science and Technology. Mr. Xu has extensive experience in auditing supervision, enterprise management, etc.
Wang Jianjun	Born in November 1976, engineer, currently serves as the staff representative Supervisor of the Company, Party Secretary and Secretary of the Discipline Inspection Commission of the Agricultural Equipment Marketing Center. Mr. Wang served as the Secretary of Youth League Committee, Deputy Director of the Department of Party-masses Work of YTO, the Party Secretary, Labor Union Chairman and Party Secretary of the Procurement Center of the Company's No. 4 Assembly Plant.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Name	Major work experience
Zhao Guozhong	Born in April 1960, currently serves as the staff representative Supervisor of the Company, Party Secretary and Labor Union Chairman of YTO (Luoyang) Diesel Engine Company Limited, and Party Secretary of YTO (Luoyang) Power Machinery Company Limited. Mr. Zhao served as the Party Secretary and Deputy General Manager of YTO (Luoyang) Kaichuang Equipment Science & Technology Co., Ltd, and. Party Secretary, Labor Union Chairman and Deputy General Manager of YTO Drive Axle.
Wang Yong	Born in November 1968, with a master's degree in Economic Law and a PhD degree in Civil and Commercial Law, currently serves as the Supervisor, Director, Professor and doctoral tutor of the Institute of Commercial Law of School of Civil, Commercial and Economic Law of China University of Political Science and Law, Adjunct Professor of the National School of Administration, Director of Chinese Commercial Law Society and China Securities Law Association, member of Caixin Media Advisory Committee, and lawyer of Beijing Long'an Law Firm. Mr. Wang currently also serves as the Independent Director of Shengbang Microelectronics (Beijing) Company Limited, Zhejiang Xingxing Ruijin Technology Company Limited, Zhongke Chuangda Software Technology (Beijing) Company Limited, and Beijing Xinwei Communication Technology Company Limited. Mr. Wang has extensive experience in civil law, corporate law, securities law, corporate management, etc.
Huang Ping	Born in November 1968, CPA, currently serves as the Supervisor of the Company, and partner of the Vanda Accounting Firm of Vanda Group. Mr. Huang currently also serves as the Independent Director of Zhuhai Zhongfu Industrial Company Limited. Mr. Huang studied in Luoyang Institute of Science and Technology. Mr. Huang has extensive experience in financial audit, corporate restructuring, debt-to-equity swap, investment and financing, merger, acquisitions, bankruptcy liquidation, etc.
Wang Kejun	Born in December 1964, senior engineer, currently serves as the Deputy General Manager of the Company, Chairman of YTO (Heilongjiang) Dongfanghong Industrial Park Company Limited, YTO Heilongjiang Agricultural Equipment Company Limited and China-Africa Machinery Corp., and Executive Director of YTO International Economic and Trade Company Limited and Luoyang Changhong Industrial and Trade Company Limited. Mr. Wang joined YTO in July 1985, and served as the Manager of branch of YTO Energy, General Manager Assistant and Deputy General Manager of YTO, and the Director of the Company. Mr. Wang studied in Hunan University and Jiangsu University with a master's degree in engineering. Mr. Wang has extensive experience in marketing management, power engineering, etc.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Name	Major work experience
Liu Jiguo	<p>Born in December 1964, professor level senior engineer, currently serves as the Deputy General Manager of the Company, Director of YTO (Heilongjiang) Dongfanghong Industrial Park Company Limited, and Executive Director of YTO (Luoyang) Lubricant Company Limited. Mr. Liu joined YTO in 1987, and served as the Vice Plant Manager and Plant Manager of the Gear Plant of the Company, Plant Manager of the Heat Treatment Plant and No. 1 Assembly Plant of the Company, Deputy General Manager and General Manager of the Agricultural Equipment Division, Head of the Production and Operation Department, General Manager Assistant, Deputy General Manager and Safety Director of YTO, and General Manager and Director of the Company. Mr. Liu studied in Northeast Heavy Machinery College and Jiangsu University with the Bachelor degree in Engineering and Master degree in Engineering. Mr. Liu has extensive experience in corporate management, production and management, financial operation, etc.</p>
Su Wensheng	<p>Born in August 1968, engineer, currently serves as the Deputy General Manager of the Company, Executive Director of YTO (Luoyang) Zhongcheng Machinery Company Limited, Chairman of YTO (Luoyang) Logistics Company Limited, YTO (Luoyang) Wit Tools & Equipment Company Limited and ZF YTO Drive Axle. Mr. Su joined YTO in 1991, and served as the Chief of the Production Department, Plant Manager of No. 3 Assembly Plant, General Manager Assistant of the Company, etc. Mr. Su graduated from Gansu University of Technology, Jiangsu University, Henan University of Science and Technology with a Bachelor degree in Engineering and a Master degree in Engineering. Mr. Su has extensive experience in production operation, enterprise management, etc.</p>
Yao Weidong	<p>Born in July 1966, senior accountant, currently serves as the Financial Controller of the Company, Supervisor of YTO (Xinjiang) Dongfanghong Machinery Equipment Company Limited, YTO International Trade Company Limited and Luoyang Changhong Industrial and Trade Company Limited, Chairman of YTO (Luoyang) Shentong Construction Machinery Company Limited, Supervisor of Luoyang Changxing Agricultural Machinery Company Limited, Executive Director of YTO (Luoyang) Transportation Machinery Company Limited, Supervisor of YTO (Jiangyan) Power Company Limited, Director of Brilliance China Machinery Holdings Company Limited, Chairman of the Board of Supervisors of China YTO Group Finance Company Limited, Executive Director of Luoyin Financial Leasing Company Limited and YTO (Luoyang) Forklift Truck Company Limited, and Supervisor of YTO (Luoyang) Harvesting Machinery Company Limited. Mr. Yao joined YTO in 1989, and served as the General Manager Assistant of YTO Qingjiang Tractor Company Limited, Deputy Head, Head, Deputy Chief Accountant, Chief Accountant, etc. of the Finance Department of the Company. Mr. Yao graduated from Shaanxi Institute of Mechanical Engineering, and the postgraduate course of Management Science and Engineering of University of Science and Technology of China. Mr. Yao has extensive experience in corporate finance management.</p>

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Name	Major work experience
Zhu Weijiang	Born in April 1971, senior engineer, currently serves as the Deputy General Manager of the Company, Executive Director of YTO (Xinjiang) Dongfanghong Machinery Equipment Company Limited and Luoyang Changxing Agricultural Machinery Company Limited, Director of China YTO Group Finance Company Limited and China-Africa Machinery Corp. Mr. Zhu joined YTO in 1992, and served as the Head of Sales Department and General Manager Assistant of YTO Construction Machinery Company Limited, and Head (in charge of presiding work) of Sales Department, Deputy Plant Manager of No. 3 Assembly Plant, Deputy Head of the Department of Marketing Management, Deputy General Manager of Automotive Business Division, General Manager Assistant of the Agricultural Equipment Business Division, General Manager of Agricultural Equipment Marketing Center, General Manager Assistant of the Company, etc. Mr. Zhu graduated from Chongqing University and Henan University of Science and Technology with a master's degree in Engineering and a Bachelor degree in Engineering. Mr. Zhu has extensive experience in mechanical design, production management, marketing management, etc.
Song Yuping	Born in October 1964, senior engineer, currently serves as the Deputy General Manager of the Company, and Chairman of Luoyang Tractor Research Institute Company Limited. Mr. Song joined YTO in 1987, and served as the Head of the Quality Department of YTO, Plant Manager of the Company's No. 4 Assembly Plant, General Manager Assistant of the Company, etc. Mr. Song graduated from Luoyang Institute of Technology with the Bachelor degree in Engineering. Mr. Song has extensive experience in technical management, product research and development, quality and process management, etc.
Yu Lina	Born in August 1970, economist, level two corporate legal adviser, with the qualification of lawyers, currently serves as the Deputy General Manager of the Company and Secretary to the Board, the Director of YTO (Luoyang) Shentong Construction Machinery Company Limited and Brilliance China Machinery Holdings Company Limited. Ms. Yu joined YTO in 1992, and served as the Legal Adviser of the Secretariat of the Board of the Company, Director of the Secretariat, the Secretary Assistant of the Board, the Secretary to the Board and Director of Investor Relations, etc. Ms. Yu studied in the Zhongnan University of Economics and Law and China University of Political Science and Law with a Bachelor degree in Law and a Master degree in Law. Ms. Yu has extensive experience in enterprise management, capital operation, etc.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

II. APPOINTMENTS OF INCUMBENT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Positions in shareholder entities

For details, please refer to the major work experience of incumbent Directors, Supervisors and senior management.

(II) Positions in other entities

For details, please refer to major work experience of incumbent Directors, Supervisors and senior management.

III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision making process for remuneration of Directors, Supervisors and senior management

The remuneration packages are proposed by the Remuneration Committee under the Board and, after having been considered and approved by the Board, submitted for shareholders' approval at a general meeting. The Remuneration and Appraisal Committee under the Board of the Company set out the "Interim Measures on Medium to Long-Term Incentives for Remuneration and Performance Management of Executives of the Company" and submitted it to the Board for approval. The annual remuneration of senior management of the Company was determined by the remuneration committee under the Board in accordance with the "Interim Measures on Medium to Long-Term Incentives for Remuneration and Performance Management of Executives of the Company".

Basis for determining the remuneration of Directors, Supervisors and senior management

The remuneration of Directors, Supervisors and senior management members are determined based on remuneration standard of the industry and with reference to the factors including the Company's remuneration system and operating results for current year.

Remuneration paid to Directors, Supervisors and senior management

During the Reporting Period, the Company paid RMB5.6082 million and EURO 142,600 (including the remuneration of Directors and Supervisors retired during the Reporting Period) to its Directors, Supervisors and senior management.

Total remuneration received by all incumbent Directors, Supervisors and senior management as at the end of the Reporting Period

RMB4.2454 million

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

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

Name	Position	Change	Reason for Change
Li Hepeng	Non-executive Director	Appointed	Election of new session of the Board
Xie Donggang	Non-executive Director	Appointed	Election of new session of the Board
Li kai	Non-executive Director	Appointed	Election of new session of the Board
Yin Dongfang	Non-executive Director	Appointed	Election of new session of the Board
Yang Minli	Independent Non-executive Director	Appointed	Election of new session of the Board
Wu Yong	General Manager	Appointed	Recruitment
Wang Kejun	Deputy General Manager	Appointed	Recruitment
Liu Jiguo	Deputy General Manager	Appointed	Recruitment
Yao Weidong	Financial Controller	Appointed	Change of job title
Yu Lina	Deputy General Manager and Secretary to the Board	Appointed	Change of job title
Yan Linjiao	Former non-executive Director	Resigned	Expiration of term of office of the Board
Wu Zongyan	Former non-executive Director	Resigned	Expiration of term of office of the Board
Wang Kejun	Former non-executive Director	Resigned	Expiration of term of office of the Board
Guo Zhiqiang	Former non-executive Director	Resigned	Expiration of term of office of the Board
Liu Jiguo	Former non-executive Director	Resigned	Expiration of term of office of the Board
Hong Xianguo	Former independent non-executive Director	Resigned	Expiration of term of office of the Board
Zhao Yanshui	Former Standing General Manager	Resigned	Job reallocation
Lian Guoqing	Former Standing Deputy General Manager	Resigned	Job reallocation
Liu Yao	Former Deputy General Manager	Resigned	Job reallocation
Hou Zhiping	Former Deputy General Manager	Resigned	Job reallocation

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

V. EMPLOYEES OF THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES

1. Employees

Number of existing employees of the parent company	7,207
Number of existing employees of major subsidiaries	4,670
Total existing employees	11,877
Number of retired employees who are pensioned by the parent company and major subsidiaries	14,564

Category	Staff composition	Number of persons
Production staff		7,397
Sales staff		935
Technical staff		1,571
Administrative staff		1,754
Executive staff		220
Total		11,877

Education level	Educational Background	Number of persons (person)
Postgraduate and above		264
Graduate		2,080
Diploma		2,151
Below diploma		7,382
Total		11,877

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

2. Remuneration policy

According to its actual situation, the Company implemented a basic salary system based on the wage of the job position with increasing portion allocated to “strategic human resources” and “core human resources” with a focus on combination of “distribution according to work and distribution based on production factors”. For personnel of different types, the Company, based on their job nature, formulated their respective distribution pattern including annual salary system, merit-based salary in job position system, piece-rated system, time-rated system, project based commission system and negotiated salary system, which motivated the initiative of personnel from different positions effectively and therefore supported the sustainable development of the enterprise.

The Company has established a wide range of incentives, which implemented medium-and long-term incentives policy for middle and senior management; the Company has broadened channels for the growth of all kinds of talents, continuously strengthened the construction of multi-channel employee growth mechanism, set up chief experts, Class I expert, Class II expert, chief technician, director, manager and other different levels of professional channels, continued to implement the multi-channel talent incentives to fully mobilize the enthusiasm and creativity of all categories of personnel, so as to provide talent support for enterprise development.

3. Training plan

The Company has actively carried out training for all staff, with the starting point and goal of enhancing the quality of staff, further improved the staff training development system, curriculum development system and trainer team building, carried out various types of targeted training of different levels and systems, so as to constantly optimize the knowledge structure and skills of employees, and promote the match between the employees' competency and job requirements. During the Reporting Period, an accumulative total of 1,372 training courses were organized and the number of trained staff was 33,501.

VI. OTHERS

1. DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the Reporting Period, no rights were granted to any Directors, Supervisors, or their respective spouse or minor children, which would have enabled them to acquire benefits by means of acquisition of shares in or debentures of the Company or any other corporations; nor was the Company, its subsidiaries or holding company, or its holding company's subsidiaries a party to any arrangement, which would have enabled the Directors or Supervisors to acquire such rights in the Company or any other corporations.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

2. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2015, 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 (as defined in 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 considered or deemed to be held by such Directors, Supervisors and chief executives under provisions such as the SFO), or as recorded in the register required to be kept by the Company under section 352 of the SFO, or to be notified to the Company and the Stock Exchange 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, were as follows:

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

3. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

During the Report Period and as at the date of the Annual Report, except as disclosed in this section, none of the Directors or Supervisors had entered, or proposed to enter, into a service contract with any member of the Group (excluding contracts expiring or determinable by relevant member of the Group within one year without payment of compensation, other than statutory compensation).

4. INTERESTS OF DIRECTORS, SUPERVISORS AND ENTITY CONNECTED WITH THEM (AS DEFINED IN THE LISTING RULES OF THE STOCK EXCHANGE) IN MATERIAL TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

During the Reporting Period and as at the date of the Annual Report, save as disclosed in this section, none of the Directors, Supervisors or entity connected with them (as defined in the Listing Rules of the Stock Exchange) had any direct or indirect material interest in any transaction, arrangement or contract of significance to the business of the Company to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party.

CORPORATE GOVERNANCE

I. EXPLANATION ON CORPORATE GOVERNANCE RELATED SITUATION

During the Reporting Period, the Company's General Meeting, Board, Board of Supervisors and Management seriously performed their duties and standardized operation in strict compliance with the "Company Law", "Securities Law", "Code of Corporate Governance for Listed Companies", "Rules Governing the Listing of Stocks on Shanghai Stock Exchange" and other laws, regulations, regulatory documents and "Articles of Association" of the Company. The corporate governance of the Company is in line with the requirements for the corporate governance of listing companies of the CSRC.

During the Reporting Period, the establishment of the corporate governance system of the Company and the operation of the three meetings were as follows:

1. According to the relevant provisions of CSRC and Shanghai Stock Exchange, combined with the actual situation of the three meetings, the "Articles of Association" and "Procedural Rules for the Board of Directors" of the Company were revised to further improve the corporate governance system of the Company.
2. During the Reporting Period, the Company convened two general meetings. The convening procedure for general meetings fully complied with the requirements as set out in the "Articles of Association" and the "Procedural Rules for General Meetings" of the Company, which ensure the equal status enjoyed by all the shareholders of the Company, especially medium and minority shareholders, and all shareholders shall be entitled to fully exercise their own rights.

The controlling shareholders exercised their rights at general meetings as capital contributors in compliance with the law. There were no conducts which went beyond the authority of the shareholders at the general meetings of the Company that interrupted the operation decisions and activities of the Company. During the Reporting Period, there were no conducts by the controlling shareholders of the Company which infringed and damaged interests of the Company and other shareholders through their special status.

Resolutions on connected transactions at general meetings of the Company were considered in strict compliance with the stipulated procedure and the connected shareholders abstained from voting to ensure the relevant connected transactions were considered in accordance with the principle of open, fair, just and reasonable.

3. During the Reporting Period, the Company elected the seventh session of Board, Board of Supervisors as well as new special committees of the Board; the members of the Board and the Board of Supervisors met the qualification conditions specified in the "Company Law" and the Listing Rules of the Stock Exchange. The electoral procedure was in strict compliance with the recruitment procedures specified in the "Company Law" and the "Articles of Association" of the Company.

CORPORATE GOVERNANCE (CONTINUED)

During the Reporting Period, the Company organized and convened meetings of the Board and the Board of Supervisors in strict compliance with the “Articles of Association”, “Procedural Rules for the Board of Directors”, and “Procedural Rules for the Board of Supervisors” of the Company. All Directors and Supervisors of the Company actively attended relevant meetings and seriously considered the relevant resolutions. They performed their duties in a loyal, honest and diligent manner, insisted on being responsible for all shareholders and safeguarded interests of all shareholders. They actively familiarized themselves with the relevant laws and regulations, understood the responsibilities, rights and obligations, attended relevant meetings with a serious and responsible attitude, and fully expressed clear opinions for the matters in discussion.

4. During the Reporting Period, the Company strictly implemented the management system for inside information and insiders. Insider information were discussed, transmitted, reviewed and disclosed in a standardized and legal manner and were prudently and properly kept confidential. No insiders was benefited illegally in the course of transactions with inside information and in turn damaged the interests of the Company and all shareholders.

II. GENERAL MEETINGS

Session of Meeting	Date	Inquiry index for the designated website for publishing the voting results	Date of publication of the voting results
2014 Annual General Meeting	29 May 2015	“Announcement of First Tractor Company Limited on Resolution of 2014 Annual General Meeting” published on www.sse.com.cn of Shanghai Stock Exchange (<i>Note 1</i>)	30 May 2015
2015 First Extraordinary General Meeting	29 October 2015	“Announcement of First Tractor Company Limited on Resolution of 2015 First Extraordinary General Meeting” published on www.sse.com.cn of Shanghai Stock Exchange (<i>Note 2</i>)	30 October 2015

Note 1: The Company also published an announcement on <http://www.hkexnews.hk/> of the Stock Exchange on 29 May 2015.

Note 2: The Company also published an announcement on <http://www.hkexnews.hk/> of the Stock Exchange on 29 October 2015.

Explanation on General Meetings:

During the Reporting Period, proposals presented at the 2014 Annual General Meeting and 2015 First Extraordinary General Meeting of the Company were all considered and approved.

CORPORATE GOVERNANCE (CONTINUED)

III. PERFORMANCE OF DUTIES BY DIRECTORS

(I) Attendance of Board meetings and general meetings by Directors

Name of Director	Whether he/she is an independent Director	Required attendance of Board meetings for the year	Attendance at Board meetings				Absence from two consecutive meetings	Attendance at general meetings	No. of general meetings attended
			Attendance by physical presence	Attendance by telecommunication	Attendance by proxy	Absence			
Zhao Yanshui	No	6	6	4	0	0	No	2	
Wang Erlong	No	6	6	4	0	0	No	2	
Wu Yong	No	6	6	4	0	0	No	1	
Li Hepeng	No	1	1	0	0	0	No	0	
Xie Donggang	No	1	1	0	0	0	No	0	
Li Kai	No	1	1	0	0	0	No	0	
Yin Dongfang	No	1	1	0	0	0	No	0	
Xing Min	Yes	6	6	4	0	0	No	1	
Wu Tak Lung	Yes	6	6	4	0	0	No	0	
Yu Zengbiao	Yes	6	6	4	0	0	No	0	
Yang Minli	Yes	1	1	0	0	0	No	0	
Yan Linjiao	No	5	5	4	0	0	No	2	
Wu Zongyan	No	5	5	4	0	0	No	0	
Wang Kejun	No	5	5	4	0	0	No	2	
Guo Zhiqiang	No	5	5	4	0	0	No	2	
Liu Jiguo	No	5	5	4	0	0	No	2	
Hong Xianguo	Yes	5	5	4	0	0	No	0	

Number of Board meetings convened during the year	6
Among which: number of physical meetings	2
Number of meetings held by means of telecommunication	4
Number of meetings convened on site and with the use of telecommunication	0

(II) Independent Directors' objection to relevant matters of the Company

During the Reporting Period, none of the independent Directors of the Company raised any objection to resolutions proposed at Board meetings or meetings of the Company other than Board meetings held during the year. For details of performance of duties by independent Directors, please refer to the "Report on Performance of Duties of the Independent Directors" published on the website of the Shanghai Stock Exchange and the overseas regulatory announcement published on the website of the Stock Exchange on the date of the Annual Report.

CORPORATE GOVERNANCE (CONTINUED)

IV. DETAILS FOR DISCLOSURE OF MATERIAL OPINIONS AND SUGGESTION AND OBJECTION RAISED IN PERFORMANCE OF DUTIES IN SPECIAL COMMITTEES UNDER THE BOARD DURING THE REPORTING PERIOD

There are four special committees under the Board, namely the Strategy and Investment Committee, Audit Committee, Nomination Committee and Remuneration Committee. All members of each of the committee had considered each Director's professional background and experience and the composition requirements set out in the "Code of Corporate Governance for Listed Companies" of the CSRC and the "Code on Corporate Governance" of the Stock Exchange. During the Reporting Period, there were certain changes in the committees due to the change of session office of the Board of the Company. Save for the Strategy and Investment Committee, Audit Committee, Nomination Committee and Remuneration Committee are all chaired by independent non-executive Directors while the members are mostly non-executive Directors of the Company.

(I) Remuneration Committee

The term of the Remuneration Committee members of the sixth session of the Board ended as at 29 October 2015. The members of the Remuneration Committee of the seventh session of the Board were elected by the seventh session of the Board on 30 October 2015, including Mr. Yu Zengbiao (Independent Non-Executive Director and Chairman of the Remuneration Committee), Mr. Xing Min (Independent Non-Executive Director), Mr. Wu Tak Lung (Independent Non-Executive Director), Mr. Li Hepeng (Non-Executive Director), and Mr. Xie Donggang (Non-Executive Director).

Duties and operation of the Remuneration Committee are set out as follows:

- (1) to make recommendations to the Board on the Company's remuneration policy and structure for Directors, Supervisors and senior management, the remuneration of non-executive Directors and the remuneration packages of individual executive Directors and senior management as well as on matters including the establishment of a formal and transparent procedure for formulation of remuneration policy;
- (2) to review and approve: the management's remuneration proposals; compensation payable to executive Directors and senior management for any loss or termination of office or appointment; and compensation arrangements relating to dismissal or removal of Directors for misconduct, etc.; and
- (3) to supervise the implementation of the Company's remuneration policy to ensure that no Director or any of his associates is involved in deciding his own remuneration.

Details of the Directors, Supervisors and senior management's remuneration are set out in Section IX of this report, "Directors, Supervisors and senior management and employees".

During the Reporting Period, the Remuneration Committee of the sixth session of the Board held a meeting on 24 August 2015, which considered and approved the Company's 2014 annual remuneration and performance appraisal on the senior management and the remuneration proposal for the Directors and Supervisors of the seventh session of the Board and the seventh session of the Board of Supervisors.

CORPORATE GOVERNANCE (CONTINUED)

(II) Nomination Committee

The term of office of the members of Nomination Committee under the sixth session of the Board ended on 29 October 2015. The Nomination Committee under the seventh session of the Board was elected by the seventh session of the Board on 30 October 2015, members of which comprised of Mr. Xing Min (independent non-executive Director) serving as the chairman of the committee, and Mr. Zhao Yanshui (executive Director) and Ms. Yang Minli (independent non-executive Director) serving as members.

Duties and operation of the Nomination Committee are set out as follows:

- (1) to review the structure, size and composition of the Board based on the operating activities, asset scale and shareholding structure of the Company and make recommendations to the Board on any proposed changes to the Board in relation to implementation of the Company's corporate strategy;
- (2) to study the election criteria and procedures for Directors and managers of the Company and make recommendations to the Board;
- (3) to select appropriate candidates for Directors, managers and other senior management of the Company, employment of which is subject to the Board's approval pursuant to the proposals of the workgroup and to make recommendations to the Board with respect to the candidates for the Directors and managers;
- (4) to assess independence of independent Directors; and
- (5) to make recommendations to the Board on the appointment or reappointment of Directors and the succession plan for Directors, in particular for the Chairman and the general manager.

During the Reporting Period, the Nomination Committee under the sixth session of the Board convened two meetings on 11 August and 24 August 2015 respectively with full attendance of the committee members. The meetings considered the "Proposal on the Adjustment of Part of the Managers of the Company" and "Proposal on the Composition and Recommended Candidates for the seventh session of the Board" respectively and the aforesaid matters were submitted to the Board and general meetings for approval in accordance with approval authority.

(III) Audit Committee

The term of office of the members of Audit Committee under the sixth session of the Board ended on 29 October 2015. The Audit Committee under the seventh session of the Board was elected by the seventh session of the Board on 30 October 2015, members of which comprised of Mr. Wu Tak Lung (independent non-executive Director) serving as the chairman of the Audit Committee, and Mr. Yu Zengbiao (independent non-executive Director) and Mr. Yin Dongfang (non-executive Director) serving as members of the Audit Committee. The composition of the Audit Committee under the Board is in compliance with the provisions under Rule 3.21 of the Listing Rules of the Stock Exchange.

CORPORATE GOVERNANCE (CONTINUED)

Duties and operation of the Audit Committee are set out as follows:

- (1) to oversee the relationship between the external auditors and the Company, including but not limited to making recommendations to the Board on appointment, reappointment and removal of external auditors, approving the audit fee, terms of appointment and policies on non-audit services of external auditors, raising any queries in respect of their resignations or dismissals, and reviewing and monitoring the independence and objectivity of the auditors and the effectiveness of audit process;
- (2) to review the financial reports of the Company as to whether they are in compliance with the accounting standards and relevant requirements in relation to financial reporting under the listing rules and other laws and regulations;
- (3) to regulate and review the effectiveness of the internal control system of the Company, the review scope covers the effectiveness and compliance of the Company's internal control system, financial controls, internal audits and risk management systems, etc.;
- (4) to review the Company's financial and accounting policies and practices; and
- (5) to study other topics defined by the Board.

During the Reporting Period, the Audit Committee under the Board convened six meetings, details are set out below:

Session of meeting	Date	Resolutions	Results
First Meeting in 2015	2015.1.12	<ol style="list-style-type: none"> 1. Plan for preparation of annual report of the Company in 2014 2. Plan for preparation of auditing of annual financial report of the Company in 2014 3. Proposal for preparation of annual internal control evaluation of the Company in 2014 	All are passed
Second Meeting in 2015	2015.2.16	The continuing connected transactions between the Company and ZF YTO Drive Axle	Passed
Third Meeting in 2015	2015.3.27	<ol style="list-style-type: none"> 1. The annual report and audited financial report of the Company in 2014 2. The annual internal control evaluation report and internal audit report of the Company in 2014 3. Appointment of annual internal control auditor by the Company and the remuneration thereof in 2015 4. Appointment of the PRC domestic auditors by the Company and the remuneration thereof in 2015 5. Execution of connected transactions of the Company in 2014 6. The performance report of the Audit Committee under the sixth session of the Board in 2014 	All are passed

CORPORATE GOVERNANCE (CONTINUED)

Session of meeting	Date	Resolutions	Results
Fourth Meeting in 2015	2015.4.24	The first quarterly report of the Company in 2015	Passed
Fifth Meeting in 2015	2015.8.20	1. The interim report of the Company in 2015 2. Proposal for continuing connected transactions of the Company for the years from 2016 to 2018	All are passed
Sixth Meeting in 2015	2015.10.22	The third quarterly report of the Company in 2015	Passed

As at the date of publication of this report, the Audit Committee under the seventh session of the Board of the Company has reviewed the financial report of the Company in 2015 prepared in accordance with the PRC Accounting Standards for Business Enterprises and the internal control evaluation report of the Company in 2015 in accordance with the requirements of the Stock Exchange.

(IV) Strategy and Investment Committee

The term of office of the members of Strategy and Investment Committee under the sixth session of the Board ended on 29 October 2015. The Strategy and Investment Committee under the seventh session of the Board was elected by the seventh session of the Board on 30 October 2015, members of which comprised of Mr. Zhao Yanshui (executive Director and Chairman of the Board) serving as the chairman, and Mr. Wang Erlong (executive Director), Mr. Wu Yong (executive Director), Mr. Li Kai (non-executive Director) and Ms. Yang Minli (independent non-executive Director) serving as members.

Duties and operation of the Strategy and Investment Committee are set out as follows:

- (1) to study and make recommendations on the medium and long-term strategic development plans of the Company;
- (2) to study and make recommendations on significant investments, financing proposals and material capital operations which are subject to the approval of the Board as required under the "Articles of Association" of the Company and relevant regulations of the Company;
- (3) to study and make recommendations on significant events which may affect the development of the Company;
- (4) to inspect implementation of the above matters; and
- (5) other matters as authorized by the Board.

V. EXPLANATION ON RISK OF THE COMPANY DISCOVERED BY THE BOARD OF SUPERVISORS

The Board of Supervisors had no objection to the supervised matters during the Reporting Period. For details of the major work of the Board of Supervisors during the Reporting Period, please refer to Section XII headed "Report of the Board of Supervisors".

CORPORATE GOVERNANCE (CONTINUED)

VI. EXPLANATION ON THE INABILITY OF THE COMPANY TO MAINTAIN INDEPENDENCE AND SELF-OPERATION FROM THE CONTROLLING SHAREHOLDERS IN RESPECT OF BUSINESS, STAFF, ASSETS, INSTITUTIONS AND FINANCE, ETC.

The Company possesses a fully independent business system and ability of self-operation in the market. It is independent of the controlling shareholders in respect of business, staff, assets, institutions and finance, etc.

VII. APPRAISAL MECHANISM FOR SENIOR MANAGEMENT DURING THE REPORTING PERIOD AND ESTABLISHMENT AND IMPLEMENTATION OF INCENTIVE MECHANISM

The “Provisional Measures on Remuneration Incentive Management and Medium to Long Term Incentives for Managers of the Company” approved by the Board separates the appraisal of the senior management into two parts: annual remuneration management and medium to long term incentives. During the Reporting Period, the Remuneration committee under the Board determined the results of the annual remuneration and the medium to long term incentives of the senior management according to the “Provisional Measures on Remuneration Incentive Management and Medium to Long Term Incentives for Managers of the Company” and based on the Company’s budget, KPI indicators, major works and completion results of the operating indicators of division of labours in units.

VIII. WHETHER THERE IS DISCLOSURE OF INTERNAL CONTROL SELF-ASSESSMENT REPORT

For details, please refer to the “2015 Annual Internal Control Evaluation Report of First Tractor Company Limited”.

IX. EXPLANATION ON INTERNAL CONTROL AUDIT REPORT RELATED MATTERS

For details, please refer to the “2015 Annual Internal Control Audit Report of First Tractor Company Limited”.

Whether there is disclosure of internal control audit report: Yes

X. CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Company strictly complied with the principles and most code provisions under the “Corporate Governance Code and Corporate Governance Report” (the “Code”) as set out in Appendix 14 to the Listing Rules of the Stock Exchange. The Company deviated from Code provision A.2.1 which requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual and Code provision A.6.7 which requires that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

CORPORATE GOVERNANCE (CONTINUED)

From 1 January 2015 to 13 August 2015, Mr. Zhao Yanshui acted as the Chairman of the Board and the General Manager of the Company. The Board of the Company was composed of highly experienced and talented members and meetings were held regularly to discuss issues that might affect the operations of the Company. The operation of the Board was sufficient to ensure the balance of powers and duties. The Board considered that such structure would not affect the balance of power and duties between the Board and the management. The Board was full of confidence in Mr. Zhao and believed that the then appointment of him as the Chairman and General Manager was beneficial for the business development of the Company. With effect from 14 August 2015, Mr. Zhao Yanshui resigned as the General Manager of the Company while Mr. Wu Yong was appointed as the General Manager of the Company. Mr. Zhao Yanshui remains as the Chairman of the Board. The Company re-complied with Code provision A.2.1.

Due to other business engagement, Mr. Hong Xianguo, Mr. Wu Tak Lung and Mr. Yu Zengbiao, Independent Non-executive Directors and Mr. Wu Zongyan, Non-executive Director, did not attend the general meeting of the Company held on 29 May 2015; and Mr. Hong Xianguo, Mr. Xing Min, Mr. Wu Tak Lung and Mr. Yu Zengbiao, Independent Non-executive Directors and Mr. Wu Zongyan, Non-executive Director, did not attend the general meeting of the Company held on 29 October 2015. Other Non-executive Directors and Independent Non-executive Directors had been present at the respective general meetings to enable the Board to develop a balanced understanding of the views of the shareholders of the Company.

(I) Shareholders' Right

1. According to Article 74 of the "Articles of Association" of the Company, when shareholder(s) solely or jointly holding 10 percent or more of the Company's voting shares require(s) to convene an extraordinary general meeting in writing, the Board of the Company shall convene an extraordinary general meeting within two months.
2. According to Article 78 of the "Articles of Association" of the Company, shareholders individually or jointly holding more than 3% of the Company's shares may raise a provisional proposal and submit to the Board in writing 10 days prior to the date of the general meeting. The Board shall issue a supplemental notice of general meeting announcing the contents of the provisional proposals within 2 days upon receipt of the proposals.
3. If shareholders of the Company have enquiry about relevant information of the Company or request for information, they shall provide documentary evidence that they are holding certain type and numbers of shares of the Company to the Secretary to the Board or office of the Board. After verifying the identity of the shareholders by the Company, the Company will provide relevant information as stipulated in Article 58 of the "Articles of Association" of the Company. For details of contact information of the Company, please refer to annual reports, interim reports and relevant announcements of the Company.

In consideration of the above, the Company was in strict compliance with all the Code provisions and the "Articles of Association" of the Company in relation to shareholders' rights during the Reporting Period.

CORPORATE GOVERNANCE (CONTINUED)

(II) SECURITIES TRANSACTIONS BY DIRECTORS

After making enquiries to, and as confirmed by all Directors of the Company, Mr. Wu Tak Lung, an independent non-executive Director of the Company, holds 10,000 H Shares of the Company. During the Reporting Period, all Directors of the Company had strictly complied with the code of conduct in relation to the securities transactions by Directors under the “Model Code for Securities Transactions by Directors of Listed Issuers” in Appendix 10 to the Listing Rules of the Stock Exchange.

(III) DIRECTORS AND THE BOARD OF DIRECTORS

1. Directors

During the Reporting Period, the Company conducted change of session of the Board. Members of the seventh session of the Board were elected at the 2015 first extraordinary general meeting of the Company on 29 October 2015. The seventh session of the Board consisted of eleven Directors, including executive Directors of Mr. Zhao Yanshui (Chairman), Mr. Wang Erlong (vice chairman), Mr. Wu Yong (general manager), Non-executive Directors of Mr. Li Hepeng, Mr. Xie Donggang, Mr. Li Kai, Mr. Yin Dongfang, and independent non-executive Directors of Mr. Xing Min, Mr. Wu Tak Lung, Mr. Yu Zengbiao and Ms. Yang Minli.

The biographical details of Directors are set out in Section VIII headed “Directors, Supervisors, Senior Management and Employees” in this Annual Report. The Company has received the annual confirmation letter issued by each of the four independent non-executive Directors, namely Mr. Xing Min, Mr. Wu Tak Lung, Mr. Yu Zengbiao and Ms. Yang Minli, in respect of their respective independence in accordance with Rule 3.13 of the Listing Rules of the Stock Exchange, and the independence confirmation letter of Mr. Hong Xianguo in relation to his term of office. The Company considers that all the independent non-executive Directors are qualified independent persons and comply with the requirements on independence as set out in Rule 3.13 of the Listing Rules of the Stock Exchange.

One-third of the members of the Board are independent non-executive Directors. The members of the Board have different professional backgrounds and possess expertise and years of management experience in terms of corporate management, machinery design and manufacturing, and financial management, etc. The diversified professional backgrounds of Directors can ensure the decisions made by the Board to be more scientific and efficient.

During the Reporting Period, other than their working relationships with the Company, none of the Directors, Supervisors or senior management of the Company had any financial, business or family relationship or any other material/connected relationship with each other.

During the Reporting Period, by preparing the “Directors Correspondence”, and sending the links of announcements of the Company to all of its Directors, Supervisors and senior management in a timely manner, the Company provided them with the latest operation updates and public information for them to rely on as basis in making better judgments and decisions on the Company's affairs.

CORPORATE GOVERNANCE (CONTINUED)

2. Board of Directors

The Board is responsible for formulating and reviewing the Company's development strategies and operating strategies, preparing annual budgets and final accounting schemes and annual business plans, proposing dividend plans, monitoring the management and holding regular meetings to discuss matters affecting the Company's operations pursuant to the relevant laws and regulations, rules and "Articles of Association" of the Company. The "Articles of Association" and the "Procedural Rules for the Board of the Company" as considered and approved at the general meeting has stipulated the terms of reference of the Board.

The Board diversity policy formulated by the Company aims to cause the Company to take into account the composition of the Board members from various aspects when electing and appointing them, including but not limited to gender, age, race, cultural and educational background, professional experiences, knowledge and expertise, thereby avoiding a collective mindset of the Board from simplex composition and allowing Board members to consider issues from different perspectives so as to enable the Board to be more deliberate and prudent in making any important decisions.

The seventh session of the Board has diversified feature, its members' age range is between 40 and 65, consisting of male and female, with backgrounds of accounting experts, industry experts in agriculture machinery, power machinery and experienced persons in the fields of finance and investment and manufacturing industry. Their knowledge structure and expertise are professional and mutually complementary to the overall structure of the Board. A diversified Board provides guarantee and support for the scientific decision-making of the Board.

During the Reporting period, the "Articles of Association" and "Procedural Rules for the Board" were modified by the Company according to the adjustment of members of the Board.

During the Reporting Period, the Board convened six meetings (including Board meetings held by way of telecommunication), including four regular meetings. Attendance of Directors in Board meetings are set out in this section "Performance of Duties by Directors".

(IV) The Chairman and management

During the Reporting Period, the Company appointed Mr. Wu Yong as the General Manager of the Company, while the positions of the Chairman and General Manager were held by different people. The Company complies with the Code provisions of A.2.1.

The management of the Company includes the General Manager, Deputy General Manager and Financial Controller, who are responsible for the Company's daily business operation, business planning and implementation, and accountable for the operation of the Company to the Board. The management of the Company shall keep in touch with all Directors to ensure that the Directors are kept updated of information about the Company's business activities. The "Articles of Association" and "Working Rule of the General Manager" of the Company were approved in the general meeting which specifically define the duties and authority of the management.

CORPORATE GOVERNANCE (CONTINUED)

(V) Non-executive Directors (Including Independent Non-executive Directors)

The terms of office of the non-executive Directors, Mr. Li Hepeng, Mr. Xie Donggang, Mr. Li Kai, Mr. Yin Dongdang, and the independent non-executive Directors, Mr. Xing Min, Mr. Wu Tak Lung, Mr. Yu Zengbiao and Ms. Yang Minli, will end on 28 October 2018.

All the above eight non-executive/independent non-executive Directors possess proper experience and professional qualifications required to perform the duties of Directors. In particular, independent non-executive Director Mr. Xing Min is a senior expert in combustion engine industry; independent non-executive Director Mr. Wu Tak Lung has extensive experience in finance, financial affairs and investments; independent non-executive Director Mr. Yu Zengbiao is a senior expert in finance and accounting, and independent non-executive Director Ms. Yang Minli is a senior expert in agricultural machinery.

(VI) Special committees under the Board

Details of the Remuneration Committee, Nomination Committee, Audit Committee and Strategy and Investment Committee are set out in this section “Details for disclosure of material opinions and suggestion and objection raised in performance of duties in special committees under the Board during the Reporting Period”.

(VII) AUDITORS' REMUNERATION

For details, please refer to “Appointment or Dismissal of Accounting Firm” under Section VI headed “Significant Events”.

(VIII) INTERNAL CONTROL

For details, please refer to the “2015 Annual Internal Control Evaluation Report of First Tractor Company Limited” issued by the Company on the same date as this report on the website of the Shanghai Stock Exchange and the overseas regulatory announcement on the website of the Stock Exchange.

CORPORATE GOVERNANCE (CONTINUED)

(IX) INVESTOR RELATIONS

During the Reporting Period, the Company focused on information disclosure and well-prepared investor relations works. The Company continued to disclose the Company's announcements on the website of the Stock Exchange and the designated media as required, and timely published announcements on investor relation special column of the Company's website. On that basis, the Company further strengthened the exchange and communication with investors, and facilitated voting of minority and middle shareholders by providing network voting for the general meeting. The Company organized road show by the management after release of results, so as to answer investors' questions. The Company reasonably arranged for investors' visit requirements, held more than ten one-to-one and one-to-more telephone conferences with domestic and overseas investors throughout the year, and received visit of many batches of fund managers and analysts of investment institutions. The Company further improve effectiveness of information disclosure of the Company through communication with investors and listening to their advices. The Company effectively used a variety of investor communication platforms to pass information to investors through holding of the online results explanation session, the Shanghai Stock Exchange's E-platform interactive, participation in the integrity sunshine activities organized by the Association of Listed Companies of Henan Province, etc.

(X) Internal key contact person of the Company

For details, please refer to section II of this report, "Company Profile and Major Financial Indicators".

(XI) Amendment of Articles of Association

For details, please refer to this section, "Corporate Governance of the Company".

RELEVANT INFORMATION ON BONDS OF THE COMPANY

I. BASIC SITUATION OF THE BONDS OF THE COMPANY

Unit: 0'000 Currency: RMB

Name of bond	Abbreviation	Code	Issue date	Due date	Balance of Bond	Interest rate	The method of repayment of capital with interest	Trading places
Publicly issued corporate bond of First Tractor Company Limited in 2012 (Tranche I)	12 First Tractor 01	122225	4 March 2013	4 March 2018	80,000	4.8%	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 bond of First Tractor Company Limited in 2012 (Tranche II)	12 First Tractor 02	122253	30 May 2013	30 May 2018	70,000	4.5%	Adopting simple annual interest without compound interest nor interest for overdue payment. Interest is paid annually and principal is paid when due. Last interest payment will be paid together with the principal repayment.	Shanghai Stock Exchange

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

Bond Trustee	Name	Everbright Securities Company Limited
	Office address	No. 1508, Xinzha Road, Jingan District, Shanghai, the PRC
	Contact person	Wang Yasheng
Credit Rating Agency	Phone	(86) 021-22169999
	Name	Shanghai Brilliance Credit Rating & Investors Service Company Limited
	Office address	14/F, Huasheng Building, No. 398, Hankou Road, Shanghai, the PRC

RELEVANT INFORMATION ON BONDS OF THE COMPANY (CONTINUED)

III. USE OF FUNDS RAISED BY BONDS OF THE COMPANY

According to the “Prospectus for Publicly Issued Corporate Bonds in 2012 (Tranche I)”, the funds raised by the current bonds was proposed to be fully used to supplement working capital and repay bank loans after deducting the issuing expenses. As at 31 December 2015, the Company had used RMB700 million of raised funds for repayment of bank loans, and the rest was used to supplement working capital.

According to the “Prospectus for Publicly Issued Corporate Bonds in 2012 (Tranche II)”, the funds raised by the current bonds was proposed to be fully used to supplement working capital after deducting the issuing expenses. As at 31 December 2015, the Company had used all of the raised funds to supplement working capital.

IV. THE CREDIT RATING AGENCY OF BONDS OF THE COMPANY

According to the relevant laws and regulations, the Company entrusted Shanghai Brilliance Credit Rating & Investors Service Company Limited to perform track rating for 12 First Tractor 01 corporate bonds and 12 First Tractor 02 corporate bonds. During the Reporting Period, based on the comprehensive analysis and evaluation of the Company’s business conditions, industry and other situation, Shanghai Brilliance Credit Rating & Investors Service Company Limited issued the “Track Rating Report on 12 First Tractor 01 Corporate Bonds and 12 First Tractor 02 Corporate Bonds of First Tractor Company Limited” on 22 April 2015. The Company’s corporate credit rating was AA+, the credit rating of 12 First Tractor 01 corporate bonds was AA+ and the credit rating of 12 First Tractor 02 corporate bonds was AA+.

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

During the Reporting Period, 12 First Tractor 01 corporate bonds didn’t provide guarantees or adopt other credit increase measures, with interest payment once per year within the duration, and payment of the last interest payment together with the principal. The value date of the bonds is 4 March 2013, and the interest payment date is 4 March of each year from 2014 to 2018 (in case of statutory holidays or rest days, it will be postponed to the first following working day, and no additional interest for the interest payment will be charged for the postponed period).

During the Reporting Period, 12 First Tractor 02 corporate bonds didn’t provide guarantees or adopt other credit increase measures, with interest payment once per year within the duration, and payment of the last interest payment together with the principal. The value date of the bonds is 30 May 2013, and the interest payment date is 30 May of each year from 2014 to 2018 (in case of statutory holidays or rest days, it will be postponed to the first following working day, and no additional interest for the interest payment will be charged for the postponed period).

RELEVANT INFORMATION ON BONDS OF THE COMPANY (CONTINUED)

VI. MEETING OF BONDHOLDERS

The Company didn't convene any meeting of bondholders during the Reporting Period.

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

During the Reporting Period, the bond trustee, Everbright Securities Company Limited, performed the duties of a bond trustee according to the "Management Method for Corporate Bond Issuance and Transaction", "Listing Rules of Shanghai Stock Exchange on Corporate Bonds" and "Code of Conduct for Corporate Bond Trustees" and other laws and regulations, including but not limited to continuous concern on the credit status of the Company, supervision of the designated special account intended for receiving, storing and transferring of the funds raised by bonds of the Company, and its principal and interest payment.

VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY FOR THE LATEST TWO YEARS AS AT THE END OF THE REPORTING PERIOD

Unit: Yuan Currency: RMB

Main indicators	2015	2014	Year-on-year increase/ decrease (%)	Reason for Change
Earnings before interest, taxes, depreciation and amortization	661,879,203.46	629,274,345.14	5.18	/
Net cash flow from investment activities	-643,001,833.63	-651,099,306.24	N/A	/
Net cash flow from financing activities	-10,693,437.77	707,727,024.91	-101.51	/
Cash and cash equivalents as at the end of the period	1,690,285,427.32	1,749,902,168.21	-3.41	/
Current Ratio	1.05	1.17	-10.31	/
Quick Ratio	0.86	0.90	-4.16	/
Asset-liability ratio	59.32%	56.94%	4.20	/
EBITDA over total debt	0.08	0.09	-11.11	/
Interest coverage ratio	2.76	2.78	-0.72	/
Cash interest coverage ratio	6.53	2.06	216.99	There was significant increase in net cash flow from operating activities in the same period
EBITDA interest coverage ratio	5.26	5.27	-0.19	/
Loan repayment rate	100%	100%	0	/
Interest coverage rate	100%	100%	0	/

RELEVANT INFORMATION ON BONDS OF THE COMPANY (CONTINUED)

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

For details, please refer to the part of this report in relation to assets of the Company.

X. BANK CREDIT OF THE COMPANY DURING THE REPORTING PERIOD

During the Reporting Period, the Company obtained a total of RMB8.853 billion credit from fifteen banks including ICBC, China Construction Bank, Bank of China, Postal Savings Bank, HSBC and Everbright Bank.

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

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

REPORT OF THE BOARD OF SUPERVISORS

During the Reporting Period, the Board of Supervisors of the Company performed its duties with due diligence pursuant to the requirements of the laws, regulations and systems of the “Company Law”, the “Articles of Association” and the “Rules of Procedure for the Board of Supervisors” of the Company. It supervised production, operation and financial position of the Company and the performance of duties of the Directors and senior management to promote standardized operation of the Company and safeguard the interests of the Company and its shareholders.

I. MEETINGS OF THE BOARD OF SUPERVISORS IN 2015

In 2015, the Board of Supervisors of the Company convened five meetings and all Supervisors attended all meetings and expressed their opinions pursuant to the “Articles of Association” and the “Rules of Procedure for the Board of Supervisors” of the Company. Details of the meetings are as follows:

1. The twelfth meeting of the sixth session of the Board of Supervisors on 30 March 2015

The meeting was convened by way of on-site meeting. All Supervisors attended the meeting, and considered and approved the resolutions in relation to the 2014 annual report and annual report summary, 2014 dividend distribution proposal, 2014 social responsibility report, 2014 internal control self-evaluation report and special report on deposits and actual use of raised funds, and listened to the 2014 work report on investors relation management. (For details, please refer to the announcement on resolutions of the Board of Supervisors on the website of Shanghai Stock Exchange, “China Securities Journal” and “Shanghai Securities News” dated 31 March 2015.)

2. The thirteenth meeting of the sixth session of the Board of Supervisors on 29 April 2015

The meeting was convened by way of telecommunication. All Supervisors attended the meeting, and considered and approved the “2015 first quarterly report of the Company”.

3. The fourteenth meeting of the sixth session of the Board of Supervisors on 25 August 2015

The meeting was convened by way of on-site meeting, all Supervisors attended the meeting and considered and approved the resolutions in relation to the 2015 Interim Report, the Special Report on deposits and actual use of raised funds in the first half of 2015, and termination of the Fuel Injection System Product Upgrading and Expansion Renovation Project and use of remaining raised funds to permanently supplement working capital, and nomination of candidates for the seventh session of the Board of Supervisors. (The announcement on the Resolutions of the Board of Supervisors was available on the website of Shanghai Stock Exchange, “China Securities Journal” and “Shanghai Securities News” dated 26 August 2015).

4. The fifteenth meeting of the sixth session of the Board of Supervisors on 23 October 2015

The meeting was convened by way of telecommunication. All Supervisors attended the meeting, and considered and approved the “2015 third quarterly report of the Company”.

REPORT OF THE BOARD OF SUPERVISORS (CONTINUED)

5. The first meeting of the seventh session of the Board of Supervisors on 30 October 2015

The meeting was convened by way of on-site meeting. All Supervisors attended the meeting, and considered and approved the resolution of election of the Chairman of the seventh session of the Board of Supervisors of the Company. (The announcement on the Resolution of the Board of Supervisors was available on the website of Shanghai Stock Exchange, "China Securities Journal" and "Shanghai Securities News" dated 31 October 2015.)

II. SIT-IN THE BOARD AND GENERAL MEETINGS

In 2015, the Supervisors of the Company sit in the on-site meetings of the Board convened by the Company, and reviewed the resolutions materials for the Board meetings convened by way of telecommunication by the Company. Some of the Supervisors of the Company attended all general meetings convened by the Company during the year.

III. WORK OF THE BOARD OF SUPERVISORS OF THE COMPANY IN 2015

- (I) Change of session of the Board of Supervisors

During the Reporting Period, the Company changed session of the Board of Supervisors. In accordance with the "Articles of Association" of the Company, as nominated by the sixth session of the Board of Supervisors of the Company, the Company's 2015 first extraordinary general meeting and the congress of workers and staff elected the seventh session of the Board of Supervisors which consisted of six Supervisors (including two staff representative Supervisors), and the number and composition of seventh session of the Board of Supervisors met the provisions of the "Company Law" and "Articles of Association".

- (II) The supervision on the relevant matters of the Company

1. Supervision on the operation of the Company in accordance with the law

In 2015, the Board of Supervisors conducted necessary and effective supervision on the matters relating to production and operation, financial position and internal control of the Company. The Board of Supervisors believed that the procedure of decision-making of the Company during the Reporting Period was strictly in compliance with the relevant requirements of the laws and regulations of the PRC and the "Articles of Association" and systems of the Company. The governance and operation of the Company were up to standard. The Directors, senior management of the Company performed their duties and exercised their functions in due diligence. No violation of laws, regulation, the "Articles of Association" or damage to the interests of the Company and investors was found.

REPORT OF THE BOARD OF SUPERVISORS (CONTINUED)

2. Review of the financial position of the Company

During the Reporting Period, the Board of Supervisors maintained communication with the management, listened to the work report from the financial officer of the Company, audited the financial report of the Company and reviewed audit report issued by the accounting firms to carefully perform the supervision and checking on the financial position and finance management work of the Company.

The 2015 financial report of the Company has been audited by ShineWing Certified Public Accountants in accordance with the PRC Accounting Standards for Business Enterprises, which issued an unqualified audit report. The Board of Supervisors was of the view that the finance and internal control system of the Company were sound, and accounting and financial management system of the Company were effectively implemented. There was no material omission of information and false statements in the Company's 2015 Annual Report. It truly and accurately reflected the financial position and operating results of the Company. During the Reporting Period, the Board of Supervisors did not aware of any breach of confidentiality requirements on the part of the persons involved in the preparation and consideration and approval of the 2015 Annual Report.

3. Consideration and approval of use of raised funds and implementation of termination of fund raising project of the Company

During the Reporting Period, the Company's raised funds was deposited in the special account for raised funds, and the use and management procedures were in line with the provisions of the use and management of the raised funds of regulatory agencies and the Company. The Company terminated the Fuel Injection System Product Upgrading and Expansion Renovation Project and used the remaining raised funds to permanently supplement working capital, which was in line with the Company's development strategy in compliance with the approval procedures, without harming the interests of the Company and its shareholders.

4. Supervision on approval and implementation of connected transactions

After examination on connected transactions of the Company during the Reporting Period, the Board of Supervisors was of the opinion that connected transactions of the Company were in line with the actual needs of the production and operation of the Company with fair and reasonable pricing. The approval procedure by the Board was in compliance with the requirements of the laws, regulations and the "Articles of Association" and did not damage the interests of the Company and the shareholders.

REPORT OF THE BOARD OF SUPERVISORS (CONTINUED)

5. Opinions on evaluation on internal control of the Company

The Board of Supervisors supervised the Company's internal control implementation through listening to the work report and checking the working papers, etc., and is of the view that the Company's internal control system was effectively implemented, and the internal audit department and personnel allocation were in place, ensuring effective implementation and supervision of the Company's key internal control activities. The 2015 evaluation report on internal control issued by the Company gave a true and objective picture of the establishment and implementation of the internal control of the Company. There was no objection to the evaluation report on internal control of the Company.

6. Supervision over the investor relation management of the Company during the Reporting Period

In 2015, the Company worked on information disclosure. Meanwhile, the Company communicated with investors in the form of road show by management, general meeting, the analyst meeting, etc., to help investors understand the Company's operation and management situation. In addition, the Company timely released measures to stabilize the Company's share price according to fluctuations of the stock market, and shared the Company's value with investors. The Company's 2015 annual investor relations management was in line with the requirements of the "Management System for Investor Relations".

In 2016, the Board of Supervisors of the Company will continue to perform supervisory duties in a more conscientious working attitude pursuant to the relevant laws and regulations including the "Company Law" and the "Securities Law", and the requirements of the "Articles of Association" and the "Rules of Procedure for the Board of Supervisors" of the Company, so as to enhance the supervisory effect, further promote standardised operation of the Company and safeguard the interest of the Company's shareholders.

SUPPLEMENTAL INFORMATION ON FINANCE BUSINESS

I. BASIC INFORMATION ON FINANCE BUSINESS

YTO Finance, a controlled subsidiary of the Company, is a non-banking financial institution established as approved by Document No. 299 of the Head Office of the People's Bank of China (1992), with registered capital of RMB500 million. YTO Finance principally engages in business including handling of internal transfer settlement between member companies, collecting the deposit of member companies, providing loans, finance lease, bill acceptance and discounting, and entrusting loans and investments to member companies; and is approved to deal with business including equity investment, portfolio investment with financial institutions, consumer credit service, buyer's credit and finance lease for products of member companies and inter-bank borrowing and lending.

II. CONSTRUCTION OF THE RISK CONTROL SYSTEM OF FINANCE BUSINESS

The Group attaches great importance to risk control of finance business, and YTO Finance has established complete corporate governance structure and risk control department. YTO Finance has a corporate governance structure consisting of main bodies of shareholders' meeting, Board of Directors, Board of Supervisors and management. The Group supervises and manages the business development and operational risk control of YTO Finance through appointment of directors, supervisors, etc. YTO Finance is subject to unified management and clear authority and responsibilities through level-by-level authorization.

The board of directors sets up the Risk Management Committee which is responsible for formulating and implementing system and procedures to identify, measure, supervise and manage corporate risk, analyzing and evaluating various possible risks in corporate operating activities, estimating possible loss of various risks, and adopting effective control policies and measures, in order to ensure realization of corporate targets on risk management and operation. Meanwhile, the board of directors sets up the internal audit committee to conduct internal audit inspection on various business of YTO Finance regularly and irregularly, produce independent internal audit report and be accountable to the board of directors.

Under the management of YTO Finance, the Internal Control Committee, Assets-Liabilities Management Committee, Credit Review Committee and Investment Audit Committee were established to manage and control YTO Finance's internal control, assets and liabilities structure, different credit and investment businesses respectively, among which:

Internal Control Committee: is mainly responsible for the dynamic management and process control on business risks of YTO Finance and inspection and evaluation on internal control of YTO Finance, in order to ensure consistent compliance with the PRC laws and regulations and internal rules and regulations of the YTO Finance, fully implement and realize development strategy and operation targets of the YTO Finance, have an effective risk management system and maintain timely, accurate and complete business record, financial information and other management information.

Assets-Liabilities Management Committee: is mainly responsible for consistent implementation of the PRC laws and regulations and relevant rules of regulatory department, to promote reasonable assets and liabilities structure of the YTO Finance and prevent occurrence of liquidity risk. It coordinates and unifies the management of both assets and liabilities of the YTO Finance to have better solutions in relation to conflict between assets liquidity and profitability and adopt effective ways and mechanism dealing with imbalance assets and liabilities structure.

SUPPLEMENTAL INFORMATION ON FINANCE BUSINESS (CONTINUED)

Credit Review Committee: is responsible for performing risk review and assessment for business of YTO Finance including various loans, financial lease, discounting, re-discounting, acceptance, transfer of credit assets, issuance of bank's acceptance bill, guarantee and confirmation of credit amount, under the principle of liquidity, safety and efficiency and separation of reviewing and granting credit.

Investment Audit Committee: is fully responsible for auditing the portfolio investment of YTO Finance and investment business on equity investment, etc. with financial institutions. YTO Finance issues phased investment objectives under the framework of the overall investment policy, strategy and scale determined by the shareholders' meeting and Board of Directors of YTO Finance. YTO Finance considers and approves various specific investment schemes and recommendations under the conditions of improving safety of investment and operation, maintaining liquidity of operational assets, realizing profitability of investment and operation and having the principle of separation of business review and business operation.

III. BUSINESS DEVELOPMENT AND REGULATORY INDICATORS IN 2015

(I) Business development

In recent years, YTO Finance insists on highlighting the principal business, realizing complementary advantage and synergy development between the principal business and innovative business, with continuous growth of business scale. During the Reporting Period, YTO Finance realized profit before tax of RMB105.8669 million, with an increase of RMB14.9871 million or 16.49% as compared with the last year, net profit of RMB80.9195 million, with an increase of RMB17.7397 million or 28.08% as compared with the last year, total assets of RMB5.471 billion, with an increase of RMB1.682 billion or 44.38% as compared with the end of the last year, and the total liabilities of RMB4.711 billion, with an increase of RMB1.630 billion or 52.88% as compared with the end of the last year.

(II) Key regulatory indicators

As at the end of 2015, the non-performing asset ratio and non-performing loan ratio of YTO Finance were maintained at 0, with loan loss reserve adequacy ratio of 100% and adequate impairment for provision of assets. YTO Finance had proportion of investment of 53.16%, liquidity ratio of 84.21%, capital adequacy ratio of 16.24%. The various regulatory indicators were in line with the regulatory rules and requirements of CBRC.

During the Reporting Period, according to the standards defined in the "Guidelines on the Industrial Rating of Finance Company of the Enterprise Group", the China National Association of Finance Companies organized 196 domestic finance companies to perform an objective and fair assessment of the funds centralized management capability, management and service capability, risk management capability and profitability capability, and YTO Finance was rated as Level A finance company, which was the highest level according to the regulatory positioning of CBRC.

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

AUDITOR'S REPORT

XYZH/2016BJA40365

To the Board of Directors of First Tractor Company Limited:

We have audited the accompanying financial statements of First Tractor Company Limited (hereafter referred to as "YTO Company"), which comprise the consolidated and the parent company's balance sheets as at December 31, 2015, and the consolidated and the parent company's income statements, the consolidated and the parent company's cash flow statements, the consolidated and the parent company's statements of changes in equity for the year then ended, and notes to these financial statements.

I. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The management of YTO Company is responsible for the preparation and fair presentation of these financial statements. These responsibilities include: (1) preparing these financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation of the financial statements; (2) designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

II. AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

III. OPINION

In our opinion, the financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises in all material respects and present fairly the consolidated and the parent company's financial position of YTO Company as at December 31, 2015, and of their consolidated and the parent company's financial performance and cash flows for the year then ended.

ShineWing Certified Public Accountants
(Limited Liability Partnership)

Beijing, China

Chinese Certified Public Accountant: **Ma, Chuanjun**
Chinese Certified Public Accountant: **Song, Gang**

March 29, 2016

CONSOLIDATED BALANCE SHEET

As at December 31, 2015

Prepared by: First Tractor Company Limited

Unit: RMB

Item	Note	Ending balance	Beginning balance
Current assets:			
Cash and cash equivalents	VI.1	1,897,794,077.61	1,998,159,516.29
Settlement reserves for balance			
Loans to banks and other financial institutions			
Financial assets measured at fair value and its movement recorded through profit and loss	VI.2	414,865,981.64	354,360,150.44
Derivative financial assets			
Notes receivable	VI.3	629,595,676.71	940,748,139.33
Accounts receivable	VI.4	846,592,058.32	879,355,043.69
Advances to suppliers	VI.5	60,933,298.85	292,088,912.74
Premium receivables			
Reinsurance receivables			
Reinsurance contract reserves receivable			
Interest receivable	VI.6	1,878,611.11	133,472.22
Dividend receivable			
Other receivables	VI.7	67,644,192.90	228,490,379.91
Financial assets purchased with agreement to re-sale	VI.9	899,544,776.20	0.00
Inventories	VI.8	1,168,906,538.26	1,447,426,253.97
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets	VI.11	468,428,422.33	56,383,561.23
Total current assets		<u>6,456,183,633.93</u>	<u>6,197,145,429.82</u>

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at December 31, 2015

Item	Note	Ending balance	Beginning balance
Non-current assets:			
Loans and advances to customers	VI.10	1,859,617,637.45	1,362,361,447.55
Available-for-sale financial assets	VI.12	259,434,541.41	285,935,741.41
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	VI.13	150,640,194.51	65,849,170.84
Investment properties			
Fixed assets	VI.14	2,866,761,443.98	2,738,916,218.10
Construction in progress	VI.15	613,389,411.85	642,813,215.87
Construction materials			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets	VI.16	922,350,120.29	947,153,734.35
Research and development expenses	VI.17	0.00	0.00
Goodwill	VI.18	0.00	0.00
Long-term prepayments	VI.19	34,047,868.91	23,378,553.87
Deferred tax assets	VI.20	110,024,707.65	92,141,133.86
Other non-current assets			
		6,816,265,926.05	6,158,549,215.85
Total non-current assets			
		13,272,449,559.98	12,355,694,645.67
Total assets			

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at December 31, 2015

Item	Note	Ending balance	Beginning balance
Current liabilities:			
Short-term loans	VI.21	1,938,954,945.26	1,644,532,646.15
Borrowings from central bank			
Receipts of deposits and deposits from other banks	VI.22	527,213,699.13	576,246,341.28
Loans from other banks	VI.23	350,000,000.00	350,000,000.00
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable	VI.24	1,299,804,364.19	916,374,670.17
Accounts payable	VI.25	1,526,746,992.98	1,350,582,485.03
Advance from customers	VI.26	303,082,198.22	266,897,178.83
Funds from selling out and repurchasing financial assets			
Fee and commission payable			
Employee benefits payable	VI.27	102,912,994.81	100,709,706.51
Taxes payables	VI.28	-347,088,631.55	-326,702,397.31
Interests payable	VI.29	53,716,956.57	57,516,420.08
Dividends payable			
Other payables	VI.30	242,762,492.73	256,876,518.96
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	VI.31	32,395,168.40	30,055,745.54
Other current liabilities	VI.32	98,038,848.99	53,243,515.75
Total current liabilities		<u>6,128,540,029.73</u>	<u>5,276,332,830.99</u>

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at December 31, 2015

Item	Note	Ending balance	Beginning balance
Non-current liabilities			
Long-term loans	VI.33	26,607,000.00	46,597,500.00
Bonds payable	VI.34	1,494,277,758.19	1,491,971,739.19
Including: Preference shares			
Perpetual bond			
Long-term payables			
Long-term employee salary payable			
Special payables			
Contingent liabilities			
Deferred income	VI.35	184,932,985.40	174,628,692.16
Deferred tax liabilities	VI.20	39,507,239.32	45,336,983.15
Other non-current liabilities			
Total non-current liabilities		<u>1,745,324,982.91</u>	<u>1,758,534,914.50</u>
Total liabilities		<u>7,873,865,012.64</u>	<u>7,034,867,745.49</u>

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at December 31, 2015

Item	Note	Ending balance	Beginning balance
Shareholder's equity			
Share capital	VI.36	995,900,000.00	995,900,000.00
Other equity instruments Including: Preferred shares Perpetual bond			
Capital reserves	VI.37	2,124,246,289.70	2,124,246,289.70
Less: Treasury shares			
Other comprehensive income	VI.38	9,734,262.44	16,295,741.20
Special reserves	VI.39	2,441,385.29	0.00
Surplus reserves	VI.40	389,744,226.05	368,972,848.56
General risk reserves	VI.41	8,819,548.63	7,683,706.66
Retained earnings	VI.42	<u>1,142,994,139.49</u>	<u>1,080,369,447.42</u>
Total equity attributable to shareholders of the Company		<u>4,673,879,851.60</u>	<u>4,593,468,033.54</u>
Minority interests	VI.43	<u>724,704,695.74</u>	<u>727,358,866.64</u>
Total shareholder's equity		<u>5,398,584,547.34</u>	<u>5,320,826,900.18</u>
Total liabilities and shareholder's equity		<u>13,272,449,559.98</u>	<u>12,355,694,645.67</u>

Legal Representative:
Yanshui Zhao

Chief Financial Officer:
Weidong Yao

Accounting Manager:
Juan Zhou

BALANCE SHEET OF THE PARENT COMPANY

As at December 31, 2015

Prepared by: First Tractor Company Limited

Unit: RMB

Item	Note	Ending balance	Beginning balance
Current assets:			
Cash and cash equivalents	XV.1	2,641,377,805.70	1,545,998,376.10
Financial assets measured at fair value and its movement recorded through profit and loss			
Derivative financial assets			
Notes receivable	XV.2	160,330,666.21	320,864,230.37
Accounts receivable	XV.3	786,820,250.06	864,908,505.18
Advances to suppliers	XV.4	125,952,346.17	287,933,932.64
Interests receivable	XV.5	5,026,297.48	5,279,014.53
Dividends receivable	XV.6	4,910,000.00	20,694,898.90
Other receivables	XV.7	21,157,333.66	201,047,271.43
Inventories	XV.8	635,262,051.21	581,750,569.91
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets	XV.9	545,688,872.91	182,037,351.92
Total current assets		<u>4,926,525,623.40</u>	<u>4,010,514,150.98</u>

BALANCE SHEET OF THE PARENT COMPANY (CONTINUED)

As at December 31, 2015

Item	Note	Ending balance	Beginning balance
Non-current assets:			
Available-for-sale financial assets	XV.10	148,318,000.00	169,840,000.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	XV.11	3,110,401,363.95	2,971,115,370.22
Investment properties			
Fixed assets	XV.12	1,452,487,773.35	1,445,442,696.02
Construction in progress	XV.13	494,736,372.32	446,998,550.61
Construction materials			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets	XV.14	570,647,987.35	584,435,134.44
Research and development expenses	XV.15	0.00	0.00
Goodwill			
Long-term deferred expenditures	XV.16	31,799,571.67	18,915,585.93
Deferred tax assets	XV.17	16,464,738.92	7,100,975.68
Other non-current assets			
		5,824,855,807.56	5,643,848,312.90
Total non-current assets			
		10,751,381,430.96	9,654,362,463.88
Total assets			

BALANCE SHEET OF THE PARENT COMPANY (CONTINUED)

As at December 31, 2015

Item	Note	Ending balance	Beginning balance
Current liabilities:			
Short-term loans	XV.18	1,953,532,480.00	1,528,219,200.00
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable	XV.19	1,271,660,254.35	824,335,790.27
Accounts payable	XV.20	1,053,676,797.99	907,428,178.52
Advance from customers		131,835,905.09	138,590,676.64
Employee benefits	XV.21	36,318,471.38	30,822,241.98
Taxes payable	XV.22	-306,489,816.89	-289,463,168.86
Interests payable	XV.23	52,990,678.02	56,724,301.01
Dividends payables			
Other payables	XV.24	160,626,647.15	175,113,885.41
Liabilities classified as held for sale			
Non-current liabilities due within one year	XV.25	24,882,000.00	25,513,000.00
Other current liabilities	XV.26	7,922,339.20	8,280,760.00
Total current liabilities		<u>4,386,955,756.29</u>	<u>3,405,564,864.97</u>

BALANCE SHEET OF THE PARENT COMPANY (CONTINUED)

As at December 31, 2015

Item	Note	Ending balance	Beginning balance
Non-current liabilities:			
Long-term loans	XV.27	26,607,000.00	46,597,500.00
Bonds payable	XV.28	1,494,277,758.19	1,491,971,739.19
Including: Preferred shares Perpetual bond			
Long-term payables			
Long-term employee salary payable			
Special payables			
Provisions			
Deferred income	XV.29	119,031,862.41	126,198,362.41
Deferred tax liabilities	XV.17	4,157,427.27	6,624,000.00
Other non-current liabilities			
Total non-current liabilities		1,644,074,047.87	1,671,391,601.60
Total liabilities		6,031,029,804.16	5,076,956,466.57

BALANCE SHEET OF THE PARENT COMPANY (CONTINUED)

As at December 31, 2015

Item	Note	Ending balance	Beginning balance
Shareholder's equity			
Share capital	XV.30	995,900,000.00	995,900,000.00
Other equity instruments			
Including: Preference shares			
Perpetual bond			
Capital reserves	XV.31	2,018,025,662.91	2,018,025,662.91
Less: Treasury shares			
Other comprehensive income	XV.32	23,558,754.55	37,536,000.00
Special reserves	XV.33	0.00	0.00
Surplus reserves	XV.34	315,250,942.22	294,479,564.73
Retained earnings	XV.35	1,367,616,267.12	1,231,464,769.67
Total shareholder's equity		<u>4,720,351,626.80</u>	<u>4,577,405,997.31</u>
Total liabilities and shareholder's equity		<u>10,751,381,430.96</u>	<u>9,654,362,463.88</u>

Legal Representative:
Yanshui Zhao

Chief Financial Officer:
Weidong Yao

Accounting Manager:
Juan Zhou

CONSOLIDATED INCOME STATEMENT

For the year of 2015

Prepared by: First Tractor Company Limited

Unit: RMB

Item	Note	This year	Last year
1. Total operating revenue		9,655,491,061.08	9,026,978,821.14
Including: Operating revenue	VI.47	9,299,840,739.37	8,929,316,050.68
Interest income	VI.48	355,264,578.40	97,253,173.58
Earned insurance premiums			
Fees and commission income	VI.49	385,743.31	409,596.88
2. Total cost of operation		9,580,721,409.54	9,138,543,652.57
Including: Cost of operation	VI.47	7,617,420,810.89	7,457,744,855.37
Interest expenses	VI.48	243,810,083.69	29,170,550.21
Fees and commission expense	VI.49	452,274.93	455,137.26
Refunded premiums			
Net amount of compensation payout			
Net amount of reserves for reinsurance contract			
Policy dividend payment			
Reinsurance expenses			
Business taxes and surcharges	VI.50	33,623,299.94	27,702,955.77
Selling and distribution expenses	VI.51	446,334,564.36	393,300,666.51
Administrative expenses	VI.52	933,468,993.96	973,938,133.86
Financial expenses	VI.53	147,304,923.93	89,732,342.21
Loss on impairment of assets	VI.54	158,306,457.84	166,499,011.38
Add: Gain arising from the changes in fair value (loss listed with "-")	VI.55	3,009,536.29	8,113,671.48
Investment income (Loss listed with "-")	VI.56	95,364,775.28	108,929,271.92
Including: income from investments in associates and joint ventures		2,498,121.25	238,416.56
Exchange gain (Loss listed with "-")			
3. Operating profit (Loss listed with "-")		173,143,963.11	5,478,111.97
Add: Non-operating income	VI.57	59,808,311.35	211,836,734.97
Including: Gain from disposal of non-current assets		908,287.65	162,319,571.87
Less: Non-operating expenses	VI.58	11,274,661.44	5,420,715.28
Including: Loss on disposal of non-current assets		4,412,254.29	1,742,962.60

CONSOLIDATED INCOME STATEMENT (CONTINUED)

For the year of 2015

Item	Note	This year	Last year
4. Total profit (Loss listed with “-”)		221,677,613.02	211,894,131.66
Less: Income tax expenses	VI.59	82,623,352.12	47,668,186.23
5. Net profit (Net loss listed with “-”)		139,054,260.90	164,225,945.43
Net profit attributable to owners of the company		135,322,811.53	167,698,247.35
Non-controlling interest		3,731,449.37	-3,472,301.92
6. Net other comprehensive income after tax	VI.65	-7,172,820.86	18,801,873.15
Net other comprehensive income after tax attributable to owners of the company		-6,561,478.76	19,286,318.99
(1) Other comprehensive income that can not be reclassified to profit and loss in subsequent periods			
1. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans			
2. Share of other comprehensive income of investee that will be subsequently reclassified to profit and loss under equity method			
(2) Other comprehensive income that will be subsequently reclassified to profit and loss		-6,561,478.76	19,286,318.99
1. Share of other comprehensive income of investee that will be subsequently reclassified to profit and loss under equity method			
2. Gains and losses from changes in fair value of available-for-sale financial assets		-17,442,385.10	34,160,499.37
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		10,880,906.34	-14,874,180.38
6. Others			
Net other comprehensive income after tax attributable to minority interests		-611,342.10	-484,445.84
7. Total comprehensive income		131,881,440.04	183,027,818.58
Total comprehensive income attributable to shareholders of the parent company		128,761,332.77	186,984,566.34
Total comprehensive income attributable to minority interests		3,120,107.27	-3,956,747.76
8. Earnings per share:			
(1) Basic earnings per share (Yuan/share)	VI.64	0.1359	0.1684
(2) Diluted earnings per share (Yuan/share)	VI.64	0.1359	0.1684

Legal Representative:
Yanshui Zhao

Chief Financial Officer:
Weidong Yao

Accounting Manager:
Juan Zhou

INCOME STATEMENT OF THE PARENT COMPANY

For the year of 2015

Prepared by: First Tractor Company Limited

Unit: RMB

Item	Note	This year	Last year
1. Operating revenue	XV.39	6,763,127,047.38	6,580,375,503.53
Less: Cost of operation	XV.39	5,827,381,298.18	5,810,930,049.16
Business taxes and surcharges	XV.40	2,149,436.50	986,877.60
Selling and distribution expenses	XV.41	49,869,488.48	32,551,613.88
Administrative expenses	XV.42	575,175,365.96	587,003,461.16
Financial expenses	XV.43	108,332,165.67	70,355,282.45
Loss on impairment of assets	XV.44	86,400,301.02	1,251,965.49
Add: Gain arising from the changes in fair value (Loss listed with "-")			
Investment income (Loss listed with "-")	XV.45	96,961,107.60	191,746,829.83
Including: Gain from investments in associates and joint ventures		2,771,106.81	-102,035.92
2. Operating profit (Loss listed with "-")		210,780,099.17	269,043,083.62
Add: Non-operating income	XV.46	18,311,443.92	175,867,897.60
Including: Gain from disposal of non-current assets		742,433.96	162,074,545.02
Less: Non-operating expenses	XV.47	2,298,866.46	1,412,346.42
Including: Gain from disposal of non-current assets		1,855,018.39	662,003.34
3. Total profit (Total loss listed with "-")		226,792,676.63	443,498,634.80
Less: Income tax expenses	XV.48	19,078,901.69	21,243,543.92
4. Net profit (Net loss listed with "-")		207,713,774.94	422,255,090.88

INCOME STATEMENT OF THE PARENT COMPANY (CONTINUED)

For the year of 2015

Item	Note	This year	Last year
5. Net other comprehensive income after tax	XV.52	-13,977,245.45	22,140,800.00
(1) Other comprehensive income that can not be reclassified to profit and loss in subsequent periods			
1. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans			
2. Share of other comprehensive income of investee that will be subsequently reclassified to profit and loss under equity method			
(2) Other comprehensive income that will be subsequently reclassified to profit and loss		-13,977,245.45	22,140,800.00
1. Share of other comprehensive income of investee that will be subsequently reclassified to profit and loss under equity method			
2. Gains and losses from changes in fair value of available-for-sale financial assets		-13,977,245.45	22,140,800.00
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			
6. Total comprehensive income		193,736,529.49	444,395,890.88

Legal Representative:
Yanshui Zhao

Chief Financial Officer:
Weidong Yao

Accounting Manager:
Juan Zhou

CONSOLIDATED CASH FLOW STATEMENT

For the year of 2015

Prepared by: First Tractor Company Limited

Unit: RMB

Item	Note	This year	Last year
1. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		10,159,448,631.12	9,774,840,619.81
Net increase in deposits from customers and deposits from other banks		-49,032,642.15	11,224,054.23
Net increase in loans from central bank			
Net increase in loans from other financial institutions			
Cash receipts of premium of direct insurance contracts			
Net cash received from reinsurance contracts			
Net increase in deposits from insurance policy holders and investment			
Net increase in disposal of financial assets at fair value through profit and loss			
Cash receipts of interest, fees and commission		353,905,182.82	98,145,636.78
Net increase in placement from banks and other financial institution			
Net increase in sales and repurchase operations		-897,369,493.18	0.00
Cash received from taxes refund		55,853,125.40	44,425,394.37
Cash received relating to other operating activities	VI.66	89,960,837.82	174,549,186.45
Sub-total of cash inflows from operating activities		9,712,765,641.83	10,103,184,891.64
Cash paid for goods and services		6,153,518,040.32	7,412,911,085.98
Net increase in loans and disbursement to customers		422,637,379.77	485,178,865.72
Net increase in deposit with central bank and inter-banks		-44,014,692.06	-1,197,623.57
Cash paid for claims of direct insurance contracts			
Cash paid for interest, fee and commission		244,124,019.22	32,116,165.19
Cash paid for dividends of insurance policies			
Cash paid to and on behalf of employees		1,231,694,475.04	1,158,039,580.57
Payments of taxes and surcharges		324,665,856.57	236,460,204.54
Cash paid relating to other operating activities	VI.66	742,344,842.79	704,810,215.69
Sub-total of cash outflows from operating activities		9,074,969,921.65	10,028,318,494.12
Net cash flows from operating activities		637,795,720.18	74,866,397.52

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the year of 2015

Item	Note	This year	Last year
2. Cash flows from investment activities:			
Cash received from return of investments		8,455,816.13	37,038,420.87
Cash received from investments income		110,152,104.83	66,621,516.71
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		171,965,083.80	8,401,219.56
Net cash received from disposal of subsidiaries and other business units		0.00	68,053,939.41
Cash received relating to other investing activities	VI.66	24,480,000.00	22,900,000.00
Sub-total of cash inflows from investing activities		315,053,004.76	203,015,096.55
Cash paid to acquire fixed assets, intangible assets and other long-term assets		410,751,381.82	656,813,797.60
Cash paid for investments		547,303,456.57	160,045,020.43
Net increase in pledged deposits			
Net cash paid to acquire subsidiaries and other business units		0.00	37,255,584.76
Cash paid relating to other investing activities			
Sub-total of cash outflow from investing activities		958,054,838.39	854,114,402.79
Net cash flows from investing activities		-643,001,833.63	-651,099,306.24
3. Cash flows from financing activities			
Cash received from investment absorption			
Including: Cash received by subsidiaries from investment absorption of minority interest			
Cash received from loans granted		1,627,890,025.00	1,852,805,450.91
Cash received from issue of bonds			
Cash received relating to other financing activities			
Sub-total of cash inflows from financing activities		1,627,890,025.00	1,852,805,450.91
Cash paid for settlement of borrowings		1,455,543,010.00	954,796,539.87
Cash paid for dividends, profits appropriation or payments of interest		183,040,452.77	190,281,886.13
Including: Dividends and profits paid to minority interests		6,075,589.00	17,856,905.60
Cash paid relating to other financing activities			
Sub-total of cash outflows from financing activities		1,638,583,462.77	1,145,078,426.00
Net cash flows from financing activities		-10,693,437.77	707,727,024.91

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the year of 2015

Item	Note	This year	Last year
4. Effect of changes in foreign exchange rate on cash and cash equivalents		-43,717,189.67	571,093.95
5. Net increase in cash and cash equivalents		-59,616,740.89	132,065,210.14
Add: Cash and cash equivalents at the beginning of the year		1,749,902,168.21	1,617,836,958.07
6. Cash and cash equivalents at the end of the year		1,690,285,427.32	1,749,902,168.21

Legal Representative:
Yanshui Zhao

Chief Financial Officer:
Weidong Yao

Accounting Manager:
Juan Zhou

CASH FLOW STATEMENT OF THE PARENT COMPANY

For the year of 2015

Prepared by: First Tractor Company Limited

Unit: RMB

Item	Note	This year	Last year
1. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		7,275,802,028.13	7,223,498,121.92
Cash received from taxes refund		5,545,518.31	4,791,902.28
Cash received relating to other operating activities	XV.53	74,199,048.11	88,837,537.67
Sub-total of cash inflows from operating activities		7,355,546,594.55	7,317,127,561.87
Cash paid for goods and services		4,956,914,182.90	5,683,486,827.95
Cash paid to and on behalf of employees		620,760,695.92	568,893,895.23
Payments of taxes and surcharges		57,769,173.38	35,963,790.90
Cash paid relating to other operating activities	XV.53	551,820,995.90	697,446,582.73
Sub-total of cash outflows from operating activities		6,187,265,048.10	6,985,791,096.81
Net cash flows from operating activities		1,168,281,546.45	331,336,465.06
2. Cash flows from investing activities:			
Cash received from return of investments		137,078,181.82	107,000,102.20
Cash received from investments income		136,614,571.96	125,831,971.20
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		167,786,100.94	7,996,819.17
Net cash received from disposal of subsidiaries and other business units		0.00	101,555,369.62
Cash received relating to other investing activities	XV.53	0.00	38,547,954.93
Sub-total of cash inflows from investing activities		441,478,854.72	380,932,217.12
Cash paid to acquire fixed assets, intangible assets and other long-term assets		278,698,100.64	406,810,035.25
Cash paid for investments		632,014,886.92	332,000,000.00
Net cash paid to acquire subsidiaries and other business units		0.00	37,255,584.76
Cash paid relating to other investing activities			
Sub-total of cash outflows from investing activities		910,712,987.56	776,065,620.01
Net cash flows from investing activities		-469,234,132.84	-395,133,402.89

CASH FLOW STATEMENT OF THE PARENT COMPANY (CONTINUED)

For the year of 2015

Item	Note	This year	Last year
3. Cash flows from financing activities:			
Cash received from investment absorption			
Cash received from loans granted		1,870,116,900.00	3,342,997,040.00
Cash received from issue of bonds			
Cash received relating to other financing activities			
Sub-total of cash inflows from financing activities		1,870,116,900.00	3,342,997,040.00
Cash paid for settlement of borrowings		1,494,722,210.00	2,674,696,539.87
Cash paid for dividends, profits appropriation or payments of interest		186,867,523.41	163,934,713.69
Cash paid relating to other financing activities			
Sub-total of cash outflows from financing activities		1,681,589,733.41	2,838,631,253.56
Net cash flows from financing activities		188,527,166.59	504,365,786.44
4. Effect of changes in foreign exchange rate on cash and cash equivalents			
		-39,829,583.82	-6,001.58
5. Net increase in cash and cash equivalents			
		847,744,996.38	440,562,847.03
Add: Cash and cash equivalents at the beginning of the year		1,398,841,155.04	958,278,308.01
6. Cash and cash equivalents at the end of the year		2,246,586,151.42	1,398,841,155.04

Legal Representative:
Yanshui Zhao

Chief Financial Officer:
Weidong Yao

Accounting Manager:
Juan Zhou

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

For the Year 2015

Unit: RMB

Prepared by: First Tractor Company Limited

Item	Equity attributable to the shareholders of the parent company										Total shareholder's equity			
	Share capital	Preference shares	Perpetual bond	Others	Capital reserves	Treasury shares	Less: comprehensive income	Other comprehensive income	Special reserves	Surplus reserves		General risk reserves	Retained earnings	Minority interests
1. Ending balance of last year	995,900,000.00				2,124,246,289.70		16,295,741.20	16,295,741.20		368,972,848.56	7,683,706.66	1,080,369,447.42	727,359,866.64	5,320,826,900.18
Add: Changes in accounting policies														
Correction of prior periods errors														
Business combination under common control														
Others														
2. Beginning balance of current year	995,900,000.00				2,124,246,289.70		16,295,741.20	16,295,741.20		368,972,848.56	7,683,706.66	1,080,369,447.42	727,359,866.64	5,320,826,900.18
3. Increase/Decrease for the year (Decrease listed with "-")														
(1) Total comprehensive income							-6,561,478.76	-6,561,478.76						
(2) Contribution and withdrawal of capital by shareholders														
1. Ordinary shares contributed by shareholders														
2. Equity contributed by holders of other equity instruments														
3. Share-based payments recognized in equity														
4. Others														
(3) Profit appropriations														
1. Appropriation to surplus reserves														
2. Appropriation to general risks reserves														
3. Appropriation to equity holders (or shareholders)														
4. Others														
(4) Transfer														
1. Transfer of capital reserve to share capital														
2. Transfer of surplus reserves to share capital														
3. Surplus reserves making up of losses														
4. Others														
(5) Special reserves														
1. Current year appropriation														
2. Current year write-off														
(6) Others														
4. Ending balance of current year	995,900,000.00				2,124,246,289.70		9,734,262.44	9,734,262.44	2,441,385.29	369,744,226.05	8,819,546.63	1,142,994,139.49	724,704,695.74	5,338,584,547.24

STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY OF THE PARENT COMPANY

For the Year 2015

Unit: RMB

Prepared by: First Tractor Company Limited

Item	This year							Total shareholder's equity				
	Share capital	Preference shares	Perpetual bond	Others	Capital reserves	Treasury shares	Less: comprehensive income		Other comprehensive income	Special reserves	Surplus reserves	Retained earnings
1. Ending balance of last year	995,900,000.00				2,018,025,662.91		37,536,000.00	294,479,564.73	1,231,464,769.67	4,577,405,997.31		4,577,405,997.31
Add: Changes in accounting policies												
Correction of prior periods errors												
Others												
2. Beginning balance of current year	995,900,000.00				2,018,025,662.91		37,536,000.00	294,479,564.73	1,231,464,769.67	4,577,405,997.31		4,577,405,997.31
3. Increase/ Decrease for the year (Decrease listed with "-")												
(1) Total comprehensive income							-13,977,245.45	20,771,377.49	136,151,497.45	142,945,629.49		142,945,629.49
(2) Contribution and withdrawal of capital by shareholders							-13,977,245.45		207,713,774.94	183,736,529.49		183,736,529.49
1. Ordinary shares contributed by shareholders												
2. Equity contributed by holders of other equity instruments												
3. Share-based payments recognized in equity												
4. Others												
(3) Profit appropriations								20,771,377.49	-71,562,277.49	-50,790,900.00		-50,790,900.00
1. Appropriation to surplus reserves								20,771,377.49	-20,771,377.49			
2. Appropriation to equity holders (or shareholders)												
3. Others												
(4) Transfer												
1. Transfer of capital reserve to share capital												
2. Transfer of surplus reserves to share capital												
3. Surplus reserves making up of losses												
4. Others												
(5) Special reserves												
1. Current year appropriation										7,690,187.75		7,690,187.75
2. Current year write-off										-7,690,187.75		-7,690,187.75
(6) Others												
4. Ending balance of current year	995,900,000.00				2,018,025,662.91		23,558,754.55	315,250,942.22	1,367,616,267.12	4,720,351,626.80		4,720,351,626.80

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

For the Year 2015

Item	Last year							Total shareholder's equity			
	Share capital	Preference shares	Perpetual bond	Others	Capital reserves	Treasury shares	Less: comprehensive income		Special reserves	Surplus reserves	Retained earnings
1. Ending balance of last year	995,900,000.00				2,054,901,402.01		15,395,200.00		252,254,055.64	911,189,187.88	4,229,639,945.53
Add: Changes in accounting policies											
Correction of prior periods errors											
Others											
2. Beginning balance of current year	995,900,000.00				2,054,901,402.01		15,395,200.00		252,254,055.64	911,189,187.88	4,229,639,945.53
3. Increase/ Decrease for the year (Decrease listed with "-")											
(1) Total comprehensive income					-36,875,739.10		22,140,800.00		42,225,509.09	320,275,581.79	347,766,151.78
(2) Contribution and withdrawal of capital by shareholders					-36,875,739.10		22,140,800.00			422,255,090.88	444,395,890.88
1. Ordinary shares contributed by shareholders											
2. Equity contributed by holders of other equity instruments											
3. Share-based payments recognized in equity											
4. Others											-36,875,739.10
(3) Profit appropriations					-36,875,739.10				42,225,509.09	-101,979,509.09	-66,875,739.10
1. Appropriation to surplus reserves											
2. Appropriation to equity holders (or shareholders)											
3. Others											
(4) Transfer											
1. Transfer of capital reserve to share capital											
2. Transfer of surplus reserves to share capital											
3. Surplus reserves making up of losses											
4. Others											
(5) Special reserves											
1. Current year appropriation											12,418,075.36
2. Current year write-off											-12,418,075.36
(6) Others											
4. Ending balance of current year	995,900,000.00				2,018,025,662.91		37,536,000.00		294,479,564.73	1,231,464,769.67	4,577,405,997.31

Legal Representative:
Yanshui Zhao

Chief Financial Officer:
Weidong Yao

Accounting Manager:
Juan Zhou

NOTES TO THE FINANCIAL STATEMENTS

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

I. GENERAL INFORMATION OF THE COMPANY

First Tractor Company Limited (referred hereunder as the “Company”; the Company together with its subsidiaries are referred as the “Group”) is a limited company located in People’s Republic of China and established on May 8, 1997. The Company took over the principle business on tractor manufacturing and the corresponding assets and liabilities of YTO Group Corporation (referred hereunder as the “YTO Group”), with the net assets of RMB636,346,000 equivalent to 450,000,000 state-owned corporation shares held by the Company, according to the reorganization plan effective from December 31, 1996. Thereafter, the Company issues 335,000,000 H shares (par value: RMB1) under approval and the issuance resulted in the increase registered and paid-up share capital of the Company to RMB785,000,000. The Company has been listed in Hong Kong Exchanges and Clearing Limited (“HKEx”) since June 23, 1997. On October 24, 2007, the Company allotted 60,900,000 H shares with the price of HKD3.95/share, which increased the registered and paid-up share capital of the Company to RMB845,900,000.

According to the Permission [2012] No. 736 of China Securities Regulatory Commission, the Company was approved to publicly issue RMB common stocks not exceeding 150,000,000 shares, and the Company actually issued 150,000,000 shares with the issue price of RMB5.40/share on July 27, 2012. The total proceed from the issuance of shares was received by the Company on August 1, 2012. The Company was listed and started to trade in Shanghai Stocks Exchange on August 8, 2012. The registered and paid-up share capital of the Company had increased to RMB995,900,000.

The business license registration number of the Company is 410000400013049. The registered address is No. 154 Construction Road, Luoyang, Henan Province. The legal representative is Zhao, Yanshui. 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.

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”). Both of the two companies are companies registered and established in China.

II. SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company include First Tractor Company Limited, YTO (Luoyang) Diesel Engine Co., Ltd., Luoyang Changxing Agricultural Machinery Co., Ltd., YTO Finance Company Limited, and other 29 companies. Compared with the results of the last year, in this year, due to the absorption merger by Changtuo Agricultural Machinery Equipment Group to merge Jilin Province Chillida Gear Co., Ltd, the number of subsidiaries is decreased by one company. See the details in the Notes “VII ∙ Changes in scope of consolidation”.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

III. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

1. Basis of preparation

Based on the going-concern assumption and transactions and events actually incurred, the consolidated financial statements of the Group have been prepared in accordance with the Accounting Standards for Business Enterprises 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 “IV Principal accounting policies and accounting estimates” of this Notes.

2. Going concern

The Group has a history of generating profit from operation recently and has the support of financial resources. The determination that the financial statements are prepared based on going concerns is reasonable and in conformity with the actual operation of the Group.

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance of Accounting Standards for Business Enterprises

The 2015 financial statements of the Group have been prepared in accordance with the Accounting Standards for Business Enterprises (ASBEs), and present truly and completely the consolidated and the financial position of the Company as at December 31, 2015 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 October 31, 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.

2. Accounting year

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

3. Operating Cycle

The operating cycle of the Group is 12 months.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

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

The Group, as the acquirer, recognises acquired assets and liabilities under common control at the carrying amounts of the acquiree in the consolidated financial statements of the ultimate shareholder on the acquisition date. The difference between the carrying amount of the net assets obtained and the amount of consideration paid for the combinations adjusted to capital reserves (capital premium). If the balance of capital reserves is insufficient to be off-set, any excess is adjusted against retained earnings.

Identifiable assets, liabilities and contingent liabilities acquired through business combination not under the common control are recognised at their fair values at the acquisition date. The cost of business combination is the sum of cash paid, the fair value of non-cash assets, liabilities issued or assumed, equity securities issued on the date of acquisition, and other direct expenses incurred in order to obtain the control over acquire (the cost of the combination is the sum of the cost of each individual transaction for enterprise consolidation realized through multiple steps of transactions). Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be recognised as goodwill. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, firstly review the fair value of each identifiable net assets, liabilities and or contingent liabilities and the non-cash assets or issued equity securities as the consolidation of the combination. After the review, if the combination cost is still less than the entitled fair value of the net identifiable assets acquired from the acquiree under the combination, the remaining difference is recognized as non-operating income in the current profit or loss.

6. Preparation of consolidated financial statements

The consolidation scope of the Group includes all subsidiaries controlled.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Preparation of consolidated financial statements (Continued)

All significant inter-company balances, transactions and unrealized profits are eliminated when consolidation statements are prepared. Shareholders' equity of subsidiaries not attributable to the parent, net profit and loss, other comprehensive income and the comprehensive income that is attributable to minority interest shall be disclosed as non-controlling shareholders' equity, non-controlling shareholders' profit or loss, other comprehensive income attributable to non-controlling shareholders and total comprehensive income attributable to non-controlling shareholders in the consolidation income statements.

For a subsidiary acquired through business combination under common control, its operating results and cash flow shall be consolidated from the beginning of the period that the Group acquires its control. Adjustments to prior period during the preparation of consolidated financial statements are considered to exist in the reporting entity after combination since the ultimate control was obtained.

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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. For non-monetary items in foreign currency measured at fair value, the exchange rate on the date when the fair value is recognised is applied and the exchange difference is accounted into current profit or loss as a result of fair value change, or recognised as other comprehensive income and charged into capital reserves.

(2) 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 arisen from the above translation's are presented separately under other comprehensive income. The cash flows in foreign currencies are translated at the spot exchange rate at the date when the cash flows incurred. The impact amount of exchange rate fluctuations on cash and cash equivalents is separately presented in the statement of cash flow.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial assets and liabilities

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

(1) Financial assets

1) *The classification, recognition and measurement of financial assets*

The financial assets of the Group are classified into financial assets at fair value through profit or loss, held-to-maturity investments, loan and receivables and available-for-sale financial assets, according to the purposes of investments and their economic substance.

Financial assets at fair value through profit or loss include trading financial assets and the financial assets designated as, when initially recognized, the financial assets measured at fair value and its movement recorded through profit and loss.

Held-to-maturity investments are non-derivative financial assets with fixed maturity and fixed or determinable payments for which management has both positive intention and ability to hold to maturity. Held to maturity investment is subsequently measured under amortized costs. Its amortization, impairment, and gain or loss from derecognition is recognized as profit or loss of the current year.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified as financial assets of any other class at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial assets and liabilities (Continued)

(1) Financial assets (Continued)

2) *Recognition and measurement of financial assets transfer*

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial assets and liabilities (Continued)

(1) Financial assets (Continued)

3) *Test of impairment on financial assets and relevant accounting treatments*

The Group assesses the carrying amount of financial assets, other than those at fair value through profit and loss, at the balance sheet date. Impairment of financial assets is accrued when there is objective evidence shows that a financial asset is impaired.

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

When an impairment of financial assets carried at amortized cost has occurred, the amount of loss is accrued for the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit loss that have not been incurred). If there is objective evidence indicating that the value of the financial asset is recovered and recovery is related objectively to events occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss for the period.

When impairment incurred in available for sale financial assets, the accumulated losses in fair value that was previously directly recorded in shareholder's equity are transferred out and recognised as impairment losses. For the available-for-sale investment on debt instruments which impairment losses have been recognised, if in subsequent period, its fair value increases and the increase is objectively related to an event occurring after the impairment loss was recognised in profit or loss, the previous recognised impairment loss is reversed into profit or loss for the period. For equity investments classified as available-for-sale equity on which impairment loss has been recognised, the increase in its fair value in a subsequent period is directly charged into shareholders' equity.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial assets and liabilities (Continued)

(2) Financial liabilities

1) *The classification, recognition and measurement of financial liability*

Financial liabilities of the Group are classified as financial liabilities at fair value through profit or loss and other financial liabilities.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and those designated as fair value through profit or loss on initial recognition. They are subsequently measured at fair value. The net gain or loss arising from changes in fair value, dividends and interest paid related to such financial liabilities are recorded in profit or loss for the period in which they are incurred.

Other liabilities are subsequently measured at residual cost using the effective interest rate method.

2) *De-recognition of financial liability*

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial assets and liabilities (Continued)

(2) Financial liabilities (Continued)

3) *Determine the fair value of financial assets and financial liabilities*

Fair values of the financial assets and liabilities of the Group are determined by prices existed in major markets. Where there is no major market, the most beneficial market prices together with then available and sufficient data and other evaluation technology supporting information are used to determine fair values of financial assets and liabilities.

Input data for determining fair values has three levels, the first level is the available unadjusted price for a same asset or liability on the date of evaluation in an active market; the second level is the direct or indirect visible input data related to the same asset or liability apart from data in the first level; the third level is the invisible input data related to the same asset or liability.

Input data in the first layer has the first priority and the third layer is the last to consider by the Group. The lowest layer that has significant impact on the overall fair value evaluation determines which layer this fair value evaluation result shall belong to.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Bad debts provision of receivables

Receivables include accounts receivable, other receivables, advances to suppliers etc. The account receivables of the Group arise from selling goods and rendering services. The Group initially recognise account receivables in accordance to the fair value of the selling price stated in the contract signed or the amount negotiated with purchasers.

The Group recognises bad debts when the following conditions are met: the debtors are dissolved, bankrupt, insolvent, in significant deficiency in cash flows or suspended its business due to natural disaster and unable to settle the debts in the foreseeable period; or there are conclusive evidences indicating the debts are not recovered or not likely to be recoverable.

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

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

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

The basis or standard for determining the significant level of individual receivable	Consider individual receivables above RMB5 million as the significant amount
Provision-making method on individual receivables above significant level	The provision of bad debts is made according to the difference between the present value of future cash flows and the book value of receivable

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Inventories

The inventories of the Group include raw material, packing materials, low-valued consumables, work-in-process, finished goods, and projects costs etc.

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

Net realisable value of finished goods, work in progress, or held-for-sale raw materials are determined by their estimated selling price less estimated selling expenses and related taxes. Net realisable value for raw material held for production are determined by the estimated selling price of finished goods less the estimated cost to completion, selling expenses and taxes.

13. Long-term equity investment

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Long-term equity investment (Continued)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Long-term equity investment (Continued)

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

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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Long-term equity investment (Continued)

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

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

14. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. Fixed assets

Fixed assets are tangible assets, having useful life over one accounting year, which are held for the production of goods and/or the rendering of services, leasing to others, or for operating purposes.

Fixed asset is recognised when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Fixed assets consist of buildings, machinery, transportation equipment, electric devices, office equipment, other equipments, and land recognized individually.

Apart from those fixed assets that are fully depreciated but still in use, as well as land separately recognised, the Group depreciates all fixed assets under straight-line method.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16. Construction in progress

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

17. Borrowing cost

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

18. Intangible assets

The intangible assets of the Group include the land use right, patent technology, non-patent technology, software, and trade mark. Intangible assets are measured at their actual cost when acquired. Amongst, the cost of purchased intangible assets is the actual purchase price and other necessary expenditures on purchase. The cost of intangible assets injected by investors to the Company is measured at the consideration as specified in the investment contracts or agreements. In the case where the consideration of the contracts or agreements is not a fair value, the assets are measured at its fair value. For intangible asset obtained through the consolidation not under the common control from the acquiree, which is owned by the acquiree but is not recognized in its financial statements, the intangible asset is recognized based on its fair value when initially recognizing the assets of the acquiree.

Land-use rights are amortised evenly over the lease terms from the date of transferred. Patents, technologies and other intangible assets are amortised over the shortest of their estimated useful life, contractual beneficial period and useful life specified in the law. Assessment on useful life and amortisation for those assets that have limited useful lives takes place at the end of each year. In case of changes on method exists, adjustment to accounting estimates shall be made accordingly.

The right to use on trade mark and the production permission have indefinite useful life. Evaluation of the useful life is based on the trend of market and competition, service cycle of products, and long-term management and development strategy. The basis indicates that the right to use on trade mark and the production permission will generate net cash flow during long-term period without definite time limit. Therefore, term within which the right and permission will economically benefit the Group is unpredictable. The useful life is indefinite.

Research and development expenditures of the Group is classified into expenditure on the researching phase and expenditure on the development phase depends on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at the end of the project. The expenditures in research phase are accounted into current profit or loss. The expenditures in development phase are recognised as intangible assets if they meet the following conditions simultaneously:

- (1) It is technically feasible that the intangible asset can be used or sold upon completion;
- (2) The management has the intention to complete the intangible asset for use or sale;
- (3) There is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

18. Intangible assets (Continued)

- (4) There is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset;
- (5) The expenses attributable to the development stage of the intangible asset can be measured reliably.

Other expenditures that do not meet the above conditions are expensed in the period as incurred. Development expenditure previously expensed is not recognised as an asset in subsequent period. Capitalised expenditure on the development phase is presented in the balance sheet as development expenditure and transfer to intangible assets when they are ready for intended use.

19. Impairment on long-term assets

The Group assesses at each balance sheet date whether there is any indication that long-term equity investments, investment properties measured under cost modelling, fixed assets, construction in progress, and intangible assets with definite useful life may be impaired. If there is any indication that an asset may be impaired, it will be tested for impairment by the Group. Goodwill and intangible assets with indefinite useful life are tested for impairment every year end regardless of whether indication for impairment exists.

If the recoverable amount of an asset is less than its carrying amount, the difference is accounted as provision for impairment and recognised as an impairment loss. Above impairment loss is not allowed to be reversed at subsequent accounting period once it has been recognised. Recoverable amount of assets means the higher of the net amount of asset's fair value less disposal cost and the present value of predicted cash flows that are generated by the assets in the future.

Indications of impairment are as the following;

- (1) During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
- (2) Significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated;
- (3) Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Impairment on long-term assets (Continued)

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

20. Long-term prepayments

Long-term prepayments are expenditures that have been incurred but shall be amortised over the current period and subsequent periods of more than one year (not included one year). The expenditures are amortised evenly over the estimated beneficial period and disclosed at the net amount of actual expenditure after accumulated amortisation. If the long-term prepayments are no longer beneficial to the subsequent accounting periods, the unamortised balance is then transferred to profit or loss for the period. The long-term prepayments of the Group include leasing, amortization on moulds, and so on.

21. Employee benefits

Employee's benefits include short-term remuneration, post-employment benefits, layoff benefits and other long-term benefits.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Employee benefits (Continued)

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.

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

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 labor 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Employee 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.

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.

22. Contingent liabilities

When an external warranty, commercial acceptance discount, pending legal proceedings or arbitration, warranty on quality of goods or other contingent matters meet the following requirements, the Group shall recognize contingent liabilities: the assumed responsibilities are current liability; the fulfilment of obligations will cause the outflow of economic benefit from the Group; the amount of liabilities can be measured reliably.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Recognition principles and measurement method of revenue

The revenue of the Group is mainly derived from selling goods, rendering services and allowing the use of assets by others. The criteria of reorganization are as follows:

1. The revenue from sales of goods

Sales of goods are recognised when the significant risks and rewards of the ownership of commodities are transferred to customers; the Group has no longer retained continuous management rights generally associated with the ownerships; the Group has no longer effective control over the commodities sold; the amount of revenue can be reliably measured; it is very likely that the economic benefits will flow to the enterprise; and the related costs that has incurred or will be incurred can be reliably measured.

2. The revenue from rendering service

The revenue from rendering service will be recognized when the total income and cost of service can be measured reliable, relative economic benefits likely flow into the Group, and the percentage of completion of the service can be measured reliably. As at the balance sheet date, the amount of rendering could be reliably measured, is recognized at percentage of completion, which is determined by the actual labor cost already incurred divided by the total estimate costs;

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

3. The revenue from transfer of asset use right

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. Government subsidy

Government grants are monetary or non-monetary assets obtained from the governments, excluding the contributed capital from the government investor.

Where a government grant is in the form of a monetary asset, it is measured at the amount received. Where a government grant is made on the basis of a fixed amount or strong evidence showing such grant is expected to receive and relevant government finance supporting policies are met, it is measured at the amount receivable. Where a government grant is in the form of a non-monetary asset, it is measured at fair value. If fair value cannot be determined reliably, it is measured at a nominal amount of RMB1.00.

The Group classifies government subsidies as grants pertinent to assets and grants pertinent to incomes. The government grants pertinent to assets are recognized as deferred revenue, and equally accounted into current profit or loss within the useful life. The government grants pertinent to incomes and used to compensate the related expenses or losses in subsequent periods are recognized as deferred income, and accounted into profit and loss during the period when the related expenses are recognized; the government grants used to compensate the related expenses or losses are directly recognized in profit or loss.

25. Deferred tax assets/deferred tax liabilities

Deferred tax assets and deferred liabilities of the Group are recognised based on the differences (temporary differences) between tax bases of assets and liabilities and respective carrying amount. Deductible losses or tax credit that can be carried forward in accordance with tax law requirements for deduction of taxable income in subsequent years are recognised as deferred tax assets. The temporary difference of initial recognition of goodwill shall not be recognised as deferred tax liabilities. The temporary difference caused by the initial recognition of assets and liabilities from non-enterprise combination, which is not influence profits and tax payables, shall not be recognised as deferred tax asset and liabilities. At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available to offset the deductible temporary difference.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Lease

Leases are classified as finance leases and operating leases at the date of inception. Finance lease is a lease that substantially transfers all the risks and rewards of ownership of the assets. Operating leases are leases other than finance leases. The leases of the Group are operating leases.

The Group, as a lessee to a financing lease, recognises the assets under finance lease at the lower of the fair value at the inception of the lease and the present value of minimum lease payment. The corresponding liability is recorded as long-term payable at the amount of minimum lease payments. The difference is recorded as unrecognised finance lease charge.

The Group, as a lessee to an operating lease, recognises lease payment on a straight-line basis over the terms of the lease and records as a cost of an assets or an expense for the period.

27. Safety production cost

The Group accrues safety production cost and records it to the cost of related products or in the profit or loss and transferred to special reserve based on Caiqi [2012] No.16 Management of Drawing and Using Safety Production Cost jointly issued by the Ministry of Finance and State Administration of Work Safety on February 14, 2012. The Group shall directly reduce special reserve if the safety production cost is belonging to expense. If fixed asset is arose in using safety production cost, all expenditures are recorded in construction in progress and recognized as fixed asset when the safety project is finished and ready for its intended use; meanwhile, the Group shall reduce special reserve based on the cost of the fixed asset and recognize the accumulated depreciation in the same amount. No deprecation shall be recognised in for this fixed asset in following periods.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Segment information

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

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

29. Discontinued operation

Discontinued operation is a component of the Group that either has been disposed of or is classified as held-for-sale, and can be distinguished from other components within the Group in the business operations and in the preparation of financial statements. The component will be wholly or partly disposed of according to the plan of the Group.

A component is classified as held-for-sale when all of the following conditions are satisfied: the Group has made a resolution on disposal of the component; an irrevocable contract with the transferee has been signed; and the transfer will be completed within one year.

30. Changes in significant accounting policies and accounting estimates

None.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

V. TAXATION

Main categories of tax and tax rates

1. Value added tax (VAT)

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

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

During the period from January 1 to December 31, 2015, 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 Ling [2011] No.63 Decisions on amending “Interim Provision of Exemption from Import Tax for Products for Development of Science and Technology” and “Provision of Exemption from Import Tax for Products for Scientific Research and Education” issued by the Ministry of Finance, the General Administration of Customs and State Administration of Taxation. During the period from January 1 to December 31, 2015, Luoyang Tractor Research Institute Co., Ltd, as the transformed scientific research institute, entitled to the policy of full VAT refund on purchase of domestic equipment according to Caishui [2011] No.88 Notice of Continuing Implementing Tax Policies for the Purchase of Equipment by Research and Development Institutes from Ministry of Finance, Ministry of Commerce, General Administration of Customs and State Administration of Taxation.

Luoyang Tractor Research Institute Co., Ltd. is exempted from VAT on revenue from technology development according to Caishui [2013] No. 106 Notice of Adding Railway Transport and Postal Industry to Pilot of Levying Business Tax instead of VAT.

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.

2. Business tax

As for the revenue from service fee and etc of the Group, the business tax is calculated on 5% of the taxable income. 6% VAT rate shall be applied to the revenues which were taxable to business tax originally and were to calculate and pay VAT since the commencement of ‘Business to VAT Transfer’ from August 1, 2013.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

V. TAXATION (CONTINUED)

Main categories of tax and tax rates (Continued)

3. Urban construction and maintenance tax

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

4. Education surcharges

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

5. Enterprise income tax

As jointly approved by the Science and Technology Department and the Finance Department of Henan Province, the State Administration of Taxation and the local tax bureau, First Tractor Company Limited and its subsidiaries, YTO Diesel Engine Co., Ltd., Tractors Research Company, Luoyang Xiyuan Vehicles and Power Inspection Institute Co., Ltd. and YTO Flag Auto-body Company Limited are entitled to the 15% preferential income tax rate for new and high tech enterprises according to the stipulations of Article 28 of Law of the People's Republic of China on Enterprise Income Tax.

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

The other subsidiaries of the Company are entitled to the 25% enterprise income tax.

6. Property tax

The applicable tax rate is 1.2% when the tax base is 70% of the property's original cost. The applicable tax rate is 12% when the tax base is the rental income.

7. Other taxes

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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, 2015, 'Ending balance' refers to December 31, 2015, 'Current period' refers to the period from January 1, 2015 to December 31, 2015, 'Last period' refers to the period from January 1, 2014 to December 31, 2014, and the monetary unit is RMB.

1. Monetary funds

Item	Ending balance	Beginning balance
Cash on hand	983,395.10	1,225,011.51
Bank deposits	1,717,588,725.96	1,824,370,871.38
Other monetary funds	179,221,956.55	172,563,633.40
Total	<u>1,897,794,077.61</u>	<u>1,998,159,516.29</u>
Including: total amount deposited abroad	28,910,171.89	173,871,582.28

Notes: At the end of December 31, 2015, the restricted monetary funds of the Group is RMB207,508,650.29, including statutory reserve of RMB39,541,027.43 deposited at central bank, security deposit of acceptance notes of RMB153,702,064.13, and other security deposit of RMB14,265,558.73.

2. Financial assets measured at fair value with changes in value recognised in profit or loss

(1) Classification of trading financial assets

Item	Ending balance	Beginning balance
Trading financial assets	44,865,981.64	14,360,150.44
Including: investments on bond instrument	10,424,360.53	0.00
Investments on equity instrument	14,432,348.51	14,360,150.44
Others	20,009,272.60	0.00
Designated as financial assets measured at fair value with changes in value recognised in profit or loss	370,000,000.00	340,000,000.00
Including: investments on debt instrument	0.00	0.00
Investments on equity instrument	0.00	0.00
Trust products	370,000,000.00	340,000,000.00
Total	<u>414,865,981.64</u>	<u>354,360,150.44</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

2. Financial assets measured at fair value with changes in value recognised in profit or loss (Continued)

(2) Analysis of trading financial assets is as following:

Item	Ending fair value	Beginning fair value
Listed		
China (except for Hong Kong)	4,092,441.10	6,148,800.00
Hong Kong	10,339,907.41	8,211,350.44
Subtotal	14,432,348.51	14,360,150.44
Unlisted	400,433,633.13	340,000,000.00
Total	414,865,981.64	354,360,150.44

Notes: the market value of the stock held by the Group is RMB14,432,348.51 at the end of the year.

3. Notes receivable

(1) Classification of notes receivable

Types of notes	Ending balance	Beginning balance
Bank acceptance notes	603,725,168.22	928,490,389.33
Commercial acceptance notes	25,870,508.49	12,257,750.00
Total	629,595,676.71	940,748,139.33

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

3. Notes receivable (Continued)

(2) Notes receivables which have been pledged at the end of the year

Item	Amount pledged at the end of the year
Bank acceptance notes	485,390,596.47

(3) Notes receivables which have been endorsed or discounted but not yet due at the end of the year

Item	Amount derecognized at the end of the year	Amount not derecognized at the end of the year
Bank acceptance notes	489,862,109.11	0.00
Commercial acceptance notes	7,140,000.00	0.00
Total	497,002,109.11	0.00

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

4. Accounts receivable

Name of the item	Ending balance	Beginning balance
Accounts receivable	1,365,434,680.04	1,270,883,492.72
Less: provision for bad debts	518,842,621.72	391,528,449.03
Net amount	846,592,058.32	879,355,043.69

(1) Aging analysis of accounts receivable

Aging	Ending balance	Beginning balance
Within 1 year	718,873,964.01	692,243,522.17
1-2 years	89,726,305.78	173,347,290.36
2-3 years	24,505,256.60	13,718,015.86
Over 3 years	13,486,531.93	46,215.30
Net amount	846,592,058.32	879,355,043.69

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

4. Accounts receivable (Continued)

(2) Classification of accounts receivables by risks

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

Category	Beginning balance				
	Book balance		Bad debt allowance		Book value
	Amount	Percentage (%)	Amount	Percentage of accrual (%)	
Individually significant and provided for bad debts on individual basis	165,722,986.41	13.04	99,195,014.05	59.86	66,527,972.36
Provided for bad debts on portfolio basis of credit risk characteristics	1,097,253,075.26	86.34	291,472,051.63	26.56	805,781,023.63
Individually insignificant but provided for bad debts on individual basis	7,907,431.05	0.62	861,383.35	10.89	7,046,047.70
Total	1,270,883,492.72	100.00	391,528,449.03	-	879,355,043.69

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

4. Accounts receivable (Continued)

(2) Classification of accounts receivables by risks (Continued)

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

Company name	Book balance	Amount of bad debts	Percentage of accrual (%)	Reason for provision
Ningxia Boxin Hengtong Mechanical Equipment Co., Ltd	68,361,182.48	64,347,177.66	94.13	Note
Tumoteyouqi Santian Mining Co., Ltd	35,473,653.72	9,846,686.35	27.76	Note
Shaanxi Linfeng Engineering Machinery Co., Ltd	23,760,398.53	23,182,983.29	97.57	Note
Shanxi Dongyuan Auto Sales Co., Ltd	8,776,765.54	8,776,765.54	100.00	Note
Luoyang Jinjun Industry and Trade Co., Ltd	7,976,000.15	7,976,000.15	100.00	Note
Henan Xiangyanghong Machinery Manufacturing Co., Ltd	5,422,000.00	3,592,300.00	66.25	Note
Cuba TECNOIMPORT	330,709,950.40	8,689,457.37	2.63	Note
Cuba TRANSIMPORT	8,186,297.10	96,516.44	1.18	Note
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	8,500,250.60	0.00	0.00	Note
Total	497,166,498.52	126,507,886.80	-	-

Note: according to the business nature of the Group, for customer accounts receivable of which the individual amount was more than 5 million yuan, these accounts receivables were tested separately. Provision for bad debts amount is based on the assessed loss rate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

4. Accounts receivable (Continued)

(2) Classification of accounts receivables by risks (Continued)

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

Aging	Accounts receivable	Ending balance Bad debt allowance	Percentage of accrual (%)
Within 1 year	392,453,450.01	8,588,167.95	2.19
1-2 years	169,814,559.35	84,907,279.68	50.00
2-3 years	210,800,427.33	210,800,427.33	100.00
Over 3 years	81,893,348.33	81,893,348.33	100.00
Total	<u>854,961,785.02</u>	<u>386,189,223.29</u>	<u>45.17</u>

Aging	Accounts receivable	Beginning balance Bad debt allowance	Percentage of accrual (%)
Within 1 year	739,101,711.86	54,715,202.01	7.40
1-2 years	242,789,027.56	121,394,513.78	50.00
2-3 years	47,149,311.02	47,149,311.02	100.00
Over 3 years	68,213,024.82	68,213,024.82	100.00
Total	<u>1,097,253,075.26</u>	<u>291,472,051.63</u>	<u>26.56</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

4. Accounts receivable (Continued)

(2) Classification of accounts receivables by risks (Continued)

3) At the end of the year, accounts receivables which are individually insignificant but provided for bad debts on individual basis

Company name	Book balance	Amount of bad debts	Percentage of accrual (%)	Reason for provision
Tunisia Interparts	3,545,291.31	136,395.64	3.85	Note
Luoyang Glass Co., Ltd	2,382,772.21	2,382,772.21	100.00	Note
Luoyang Jiangyang Hardware Co., Ltd	2,314,276.83	1,567,991.29	67.75	Note
Algeria Sarlfrabic Import Export The United Arab Emirates	1,368,201.52	20,523.02	1.50	Note
Flying Wheel Trading	1,235,326.88	1,235.33	0.10	Note
Yunnan Huaxing Machinery Co., Ltd	600,000.00	600,000.00	100.00	Note
He, Jinjun	440,000.00	440,000.00	100.00	Note
Tumoteyouqi Sidaogou Mining Co., Ltd	432,162.75	17,816.87	4.12	Note
YTO (Luoyang) Engineering Machinery Co., Ltd	298,020.00	298,020.00	100.00	Note
Tongliao Yu Tai Auto Trade Co., Ltd	154,500.00	154,500.00	100.00	Note
Linfen Liya River Agricultural Machinery Engineering Machinery Co., Ltd	152,393.00	142,805.27	93.71	Note
Jiangsu zhunti Machinery Manufacturing Co., Ltd	383,452.00	383,452.00	100.00	Note
Total	13,306,396.50	6,145,511.63	46.18	-

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

4. Accounts receivable (Continued)

(3) Details of accrual, collection or reversal of bad debt allowance

The amount of bad debt allowance accrued in this period is RMB184,435,330.62; the amount of reversed bad debt allowance is RMB44,565,548.09.

(4) Accounts receivable actually written off during the year

Item	Amount written off
Accounts receivable actually written off	<u><u>12,497,006.78</u></u>

Among which, details of significant accounts receivable written off:

Company name	Nature of accounts receivable	Amount written off	Reason for written off	Written off procedures performed	Whether arising from related party transactions
Jiangxi Jiangfa Engine Factory	Payment for goods	5,354,471.23	Proceeding procedures completed, the court has made a decision to terminate the execution	Board meeting resolution	No
Shouzhou Huaxing Agricultural Machinery Service Co., Ltd	Payment for goods	2,266,735.00	The counter party is insolvent, no executable property	Board meeting resolution	No
Jiujiang Kashite Automobile Industry Co., Ltd	Payment for goods	1,565,468.00	Proceeding procedures completed, the court has made a decision to terminate the execution	Board meeting resolution	No
Jiujiang Cylinder Cover Factory	Payment for goods	1,447,672.88	Proceeding procedures completed, the court has made a decision to terminate the execution	Board meeting resolution	No
Total		<u><u>10,634,347.11</u></u>	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

4. Accounts receivable (Continued)

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

Company name	Relationship to the Group	Ending balance	Aging	Proportion to the ending balance of accounts receivable (%)
Cuba TECNOIMPORT	Non-related party	330,709,950.40	Within 1 year	24.21
Liaoning Dongsheng Machinery Equipment Co., Ltd	Non-related party	82,011,622.00	Within 1 year: 52,500.00, 1-2 years: 3,216,619.00, 2-3 years: 78,742,503.00	6.01
Ningxia Boxin Hengtong Mechanical Equipment Co., Ltd	Non-related party	68,361,182.48	1-2 years: 264,158.39, 2-3 years: 66,965,567.81, 3-4 years: 1,131,456.28	5.01
Urumqi Shifeng Agricultural Machinery Co., Ltd	Non-related party	65,548,300.91	1-2 years: 29,226,840.00, 2-3 years: 36,321,460.91	4.80
Tumoteyouqi Santian Mining Co., Ltd	Non-related party	35,473,653.72	1-2 years 209,055.84; 2-3 years: 31,409,772.83, 3-4 years: 3,854,825.05	2.60
Total	-	<u>582,104,709.51</u>	-	<u>42.63</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

5. Advances to suppliers

(1) Aging analysis of advances to suppliers

Item	Ending balance		Beginning balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	47,065,479.16	77.24	262,375,404.56	89.83
1-2 years	2,700,201.60	4.43	5,857,870.72	2.00
2-3 years	2,280,121.16	3.74	8,693,433.51	2.98
Over 3 years	8,887,496.93	14.59	15,162,203.95	5.19
Total	<u>60,933,298.85</u>	<u>100.00</u>	<u>292,088,912.74</u>	<u>100.00</u>

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

Company name	Ending balance	Aging	Percentage to the total ending balance of advances to suppliers (%)
Shanghai Peng Pu Machinery Factory Co., Ltd	6,490,000.00	Over 3 years	10.65
ANGANG Steel Co., Ltd	4,556,490.53	Within 1 year	7.48
Henan Branch of China Export Credit Insurance Corporation	3,064,259.86	Within 1 year	5.03
Luoyang Qiannianfeng Agriculture Machinery Co., Ltd	2,706,425.00	Within 1 year	4.44
Shandong Kangda Precision Machinery Manufacturing Co., Ltd	<u>2,000,415.00</u>	Within 1 year	<u>3.28</u>
Total	<u>18,817,590.39</u>	–	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

6. Interests receivable

(1) Classification of interests receivable

Item	Ending balance	Beginning balance
Interest on fixed term deposits	1,878,611.11	133,472.22

(2) The Group does not have any significant overdue interest at the end of the year.

7. Other receivables

Name of the item	Ending balance	Beginning balance
Other receivables	81,965,303.92	240,583,624.80
Less: provision for bad debts	14,321,111.02	12,093,244.89
Net amount	67,644,192.90	228,490,379.91

(1) Aging analysis of other receivables

Aging	Ending balance	Beginning balance
Within 1 year	55,672,162.70	218,598,912.87
1-2 years	6,097,207.27	2,930,430.15
2-3 years	2,866,780.35	2,865,953.19
Over 3 years	3,008,042.58	4,095,083.70
Net amount	67,644,192.90	228,490,379.91

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

7. Other receivables (Continued)

(2) Classification of other receivables

Category	Ending balance				
	Book balance		Bad debt allowance		Book value
	Amount	Percentage (%)	Amount	Percentage of accrual (%)	
Other receivables that are individually significant and are provided for bad debts on individual basis	0.00	0.00	0.00	0.00	0.00
Other receivables that are provided for bad debts on portfolio basis of credit risk characteristics	81,965,303.92	100.00	14,321,111.02	17.47	67,644,192.90
Other receivables that are individually insignificant but are individually provided for bad debts	0.00	0.00	0.00	0.00	0.00
Total	81,965,303.92	100.00	14,321,111.02	-	67,644,192.90

Category	Beginning balance				
	Book balance		Bad debt allowance		Book value
	Amount	Percentage (%)	Amount	Percentage of accrual (%)	
Other receivables that are individually significant and are provided for bad debts on individual basis	0.00	0.00	0.00	0.00	0.00
Other receivables that are provided for bad debts on portfolio basis of credit risk characteristics	240,583,624.80	100.00	12,093,244.89	5.03	228,490,379.91
Other receivables that are individually insignificant but are individually provided for bad debts	0.00	0.00	0.00	0.00	0.00
Total	240,583,624.80	100.00	12,093,244.89	-	228,490,379.91

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

7. Other receivables (Continued)

(2) Classification of other receivables (Continued)

- 1) Within the portfolios, other receivables on which bad debt allowances are accrued by aging analysis

Aging	Ending balance		
	Other receivables	Bad debt allowance	Percentage of accrual (%)
Within 1 year	22,473,169.99	422,280.43	1.88
1-2 years	5,748,428.20	1,125,667.88	19.58
2-3 years	2,966,474.95	542,871.56	18.30
Over 3 years	14,541,278.68	12,230,291.15	84.11
Total	<u>45,729,351.82</u>	<u>14,321,111.02</u>	<u>31.32</u>
	Beginning balance		
Aging	Other receivables	Bad debt allowance	Percentage of accrual (%)
Within 1 year	218,829,847.60	230,934.73	0.11
1-2 years	3,377,665.78	447,235.63	13.24
2-3 years	2,870,953.19	5,000.00	0.17
Over 3 years	15,505,158.23	11,410,074.53	73.59
Total	<u>240,583,624.80</u>	<u>12,093,244.89</u>	<u>5.03</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

7. Other receivables (Continued)

(2) Classification of other receivables (Continued)

2) Within the portfolios, other receivables on which bad debt allowances are accrued by other methods

Aging	Ending balance		
	Other receivables	Bad debt allowance	Percentage of accrual (%)
Low risk portfolio of deposits and petty cash	36,235,952.10	0.00	0.00

(3) Details of accrual, collection or reversal of bad debt allowance

The amount of bad debt allowance accrued in this period is RMB3,521,343.30; the reversed amount of bad debt allowance is RMB1,885,866.02.

(4) Classification of other receivables by nature

Nature of payment	Ending book balance	Beginning book balance
Receivables and payments between companies	44,037,517.32	209,922,919.15
Deposits and petty cash	10,171,007.22	4,801,363.19
Receivables from asset transfer	3,572,242.13	5,664,401.72
Collection and payment of social insurance withheld	4,877,936.27	2,604,086.50
Others	4,985,489.96	5,497,609.35
Total	67,644,192.90	228,490,379.91

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

7. Other receivables (Continued)

(5) Details of top five other receivables with the ending balance classified by the borrowers

Company name	Nature of payment	Ending balance	Aging	Percentage to the total ending balance of other receivables (%)	Bad debt allowance Ending balance
National Tax Bureau of Luoyang Jianxi District	Refundable export tax refund	15,178,423.68	Within 1 year	18.52	0.00
Haima Commercial Automobile Co., Ltd	Payment for goods	2,700,000.00	Within 1 year	3.29	0.00
ZF YTO (Luoyang) Drive Axle Co., Ltd	Payment and receivables on current accounts	2,659,325.93	Within 1 year	3.24	26,593.26
Shaanxi Heavy-Duty Truck Co., Ltd	Deposit	2,001,000.00	Within 1 year	2.44	0.00
Luoyang Jiangyang Hardware Co., Ltd	Rent expense	1,060,000.00	Within 1 year: 530,000.00, 1-2 years: 530,000.00	1.29	275,600.00
Total	-	<u>23,598,749.61</u>	-	<u>28.78</u>	<u>302,193.26</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

8. Inventories

(1) Classification of inventories

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Raw materials	520,878,427.01	42,485,078.39	478,393,348.62	529,119,196.09	39,685,264.31	489,433,931.78
Work in progress	335,089,344.27	21,090,101.39	313,999,242.88	369,581,970.81	16,892,562.44	352,689,408.37
Finished goods	402,192,537.54	35,242,101.16	366,950,436.38	626,856,803.24	33,450,492.97	593,406,310.27
Turnover materials	10,242,741.10	679,230.72	9,563,510.38	12,599,084.39	733,421.05	11,865,663.34
Others	0.00	0.00	0.00	30,940.21	0.00	30,940.21
Total	1,268,403,049.92	99,496,511.66	1,168,906,538.26	1,538,187,994.74	90,761,740.77	1,447,426,253.97

(2) Impairment provision for inventories

Item	Beginning balance	Increase in this year		Decrease in this year		Ending balance
		Provision	Others	Reversed or written-off	Other transfer out	
Raw materials	39,685,264.31	4,929,661.09	0.00	2,129,847.01	0.00	42,485,078.39
Work in progress	16,892,562.44	4,813,814.54	0.00	616,275.59	0.00	21,090,101.39
Finished goods	33,450,492.97	21,866,177.63	0.00	20,074,569.44	0.00	35,242,101.16
Turnover materials	733,421.05	0.00	0.00	54,190.33	0.00	679,230.72
Others	0.00	0.00	0.00	0.00	0.00	0.00
Total	90,761,740.77	31,609,653.26	0.00	22,874,882.37	0.00	99,496,511.66

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

8. Inventories (Continued)

(3) Provision for the impairment of inventories

Item	Basis for recognition of net realizable value	Reason for reversal or written-off in this year
Raw materials	Ending market price less estimated expense to incur	Normal reversal of price decrease
Work in progress	Ending market price less estimated expense to incur	Normal reversal of price decrease
Finished goods	Ending market price less estimated expense to incur	Normal reversal of price decrease
Turnover materials	Ending market price less estimated expense to incur	Normal reversal of price decrease
Others	Ending market price less estimated expense to incur	Normal reversal of price decrease
Total	—	—

9. Financial assets purchased for re-sale

(1) Analysis based on the nature of the counterparty

Item	Ending balance	Beginning balance
Financial assets purchased for re-sale	—	—
Domestic interbank	899,544,776.20	0.00
Domestic other financial institutions	0.00	0.00
Total	899,544,776.20	0.00

(2) Analysis by remaining maturity date

Item	Ending balance	Beginning balance
Due within one month	899,544,776.20	0.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

9. Financial assets purchased for re-sale (Continued)

(3) Analysis by asset type

Item	Ending balance	Beginning balance
Bond	<u>899,544,776.20</u>	<u>0.00</u>

10. Granting loans and advances

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

Item	Ending balance	Beginning balance
Individual loans and advances	2,519,006.06	5,198,656.49
Credit cards	0.00	0.00
Property mortgages	139,006.06	181,788.67
Others	<u>2,380,000.00</u>	<u>5,016,867.82</u>
Corporate loans and advances	1,879,186,519.90	1,377,830,189.22
Loans	614,350,000.00	410,680,000.00
Discounting	1,264,836,519.90	967,150,189.22
Others	0.00	0.00
Total loans and advances	<u>1,881,705,525.96</u>	<u>1,383,028,845.71</u>
Less: Impairment provision of loans	22,087,888.51	20,667,398.16
Including: Provision made on individual basis	0.00	0.00
Provision made on portfolio basis	<u>22,087,888.51</u>	<u>20,667,398.16</u>
Total carrying value of loans and advances	<u>1,859,617,637.45</u>	<u>1,362,361,447.55</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

10. Granting loans and advances (Continued)

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

Distribution of industry	Ending balance	Percentage (%)	Beginning balance	Percentage (%)
Machinery manufacturing	1,879,186,519.90	99.87	1,377,830,189.22	99.62
Individuals	2,519,006.06	0.13	5,198,656.49	0.38
Total loans and advances	1,881,705,525.96	100.00	1,383,028,845.71	100.00
Less: Impairment provision of loans	22,087,888.51	1.18	20,667,398.16	1.49
Including: Provision made on individual basis	0.00	0.00	0.00	0.00
Provision made on portfolio basis	22,087,888.51	1.18	20,667,398.16	1.49
Total carrying value of loans and advances	1,859,617,637.45	98.82	1,362,361,447.55	98.51

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

10. Granting loans and advances (Continued)

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

Geographic distribution	Ending balance	Percentage (%)	Beginning balance	Percentage (%)
Northeast China	65,000,000.00	3.45	10,000,000.00	0.72
Central China	1,814,325,525.96	96.42	1,373,028,845.71	99.28
Northwest China	2,380,000.00	0.13	0.00	0.00
Total loans and advances	1,881,705,525.96	100.00	1,383,028,845.71	100.00
Less: Impairment provision of loans	22,087,888.51	1.18	20,667,398.16	1.49
Including: Provision made on individual basis	0.00	0.00	0.00	0.00
Provision made on portfolio basis	22,087,888.51	1.18	20,667,398.16	1.49
Total carrying value of loans and advances	1,859,617,637.45	98.82	1,362,361,447.55	98.51

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

10. Granting loans and advances (Continued)

(4) Distribution details by type of credit guarantee modes

Item	Ending balance	Beginning balance
Credit loans	533,880,000.00	312,520,000.00
Guaranteed loans	72,870,000.00	83,360,000.00
Loans secured by collateral	1,274,955,525.96	987,148,845.71
Including: Mortgage loans	2,519,006.06	5,198,656.49
Pledged loans	1,272,436,519.90	981,950,189.22
Total loans and advances	1,881,705,525.96	1,383,028,845.71
Less: Impairment provision of loans	22,087,888.51	20,667,398.16
Including: Provision made on individual basis	0.00	0.00
Provision made on portfolio basis	22,087,888.51	20,667,398.16
Total carrying value of loans and advances	1,859,617,637.45	1,362,361,447.55

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

10. Granting loans and advances (Continued)

(5) Provision for losses on loans

Item	Amount in this year		Amount in last year	
	Individual	Portfolio	Individual	Portfolio
Beginning balance	0.00	20,667,398.16	0.00	13,597,507.75
Current year provision	0.00	1,420,490.35	0.00	7,069,890.41
Ending balance	0.00	22,087,888.51	0.00	20,667,398.16

11. Other current assets

Item	Ending balance	Beginning balance
Deferred expenses	329,857.61	101,018.59
Structured deposit	75,000,000.00	50,000,000.00
Prepaid enterprise income tax	11,098,564.72	6,282,542.64
Financial products	382,000,000.00	0.00
Total	468,428,422.33	56,383,561.23

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

11. Other current assets (Continued)

- Note:*
- (1) On November 18, 2015, the Company and Luoyang Branch of China Everbright Bank signed the "Structured deposit contract", to purchase "2015 ninety-fourth issue of the structured deposits to public business 5" at the amount of RMB23 million. The annual rate of return is 3.3%. The starting date to calculate the return is November 18, 2015 and the maturity date is May 18, 2016. The product is guaranteed income type product. The principal and return will be returned at one time at maturity.
 - (2) On November 5, 2015, the Company and YTO (Luoyang) Fuel Injection Co., Ltd signed the "Structured deposit contract", to purchase the structured product with the contract number of "2015101040499" at the amount of RMB52 million. The annual rate of return is 3.4%. The starting date to calculate the return is November 5, 2015 and the maturity date is January 12, 2016. The product is guaranteed income type product. The principal and return will be returned at one time at maturity.
 - (3) On November 23, 2015, the Company and Luoyang Branch of Bank of Pingdingshan Co., Ltd signed the "Sales agreement of RMB financial products of Bank of Pingdingshan", to purchase the product of "2015 10th exclusive Yingcheng wealth organization" at the amount of RMB200 million. The annual rate of return is 4%. The starting date to calculate the return is November 24, 2015 and the maturity date is May 25, 2016. The product is guaranteed income type product. The principal and return will be returned at one time at maturity.
 - (4) On September 28, 2015, the Company and Luoyang Branch of Bank of Pingdingshan Co., Ltd signed the "Sales agreement of RMB financial products of Bank of Pingdingshan", to purchase the product of "2015 37th exclusive Yingcheng wealth organization" at the amount of RMB62 million. The annual rate of return is 4.9%. The starting date to calculate the return is September 29, 2015 and the maturity date is February 25, 2016. The product is guaranteed income type product. The principal and return will be returned at one time at maturity.
 - (5) On August 13, 2015, the Company and Luoyang Branch of Bank of Pingdingshan Co., Ltd signed the "Sales agreement of RMB financial products of Bank of Pingdingshan", to purchase the product of "2015 31th prudent type of Yingcheng wealth" at the amount of RMB62 million. The annual rate of return is 5.0%. The starting date to calculate the return is August 18, 2015 and the maturity date is January 6, 2016. The product is guaranteed income type product. The principal and return will be returned at one time at maturity.
 - (6) On August 6, 2015, the Company and Luoyang Branch of Bank of Pingdingshan Co., Ltd signed the "Sales agreement of RMB financial products of Bank of Pingdingshan", to purchase the product of "2015 30th prudent type of Yingcheng wealth" at the amount of RMB58 million. The annual rate of return is 5.0%. The starting date to calculate the return is August 11, 2015 and the maturity date is February 4, 2016. The product is guaranteed income type product. The principal and return will be returned at one time at maturity.

The total amount of the above (3) to (6) products is RMB382,000,000.00.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

12. Financial assets available for sale

(1) Details of financial assets available for sale

Item	Book balance	Ending balance Impairment provision	Book value
Debt instruments available for sale	0.00	0.00	0.00
Equity instruments available for sale	71,305,200.00	0.00	71,305,200.00
Measured at fair value	71,305,200.00	0.00	71,305,200.00
Measured at cost	0.00	0.00	0.00
Others	197,252,141.41	9,122,800.00	188,129,341.41
Total	268,557,341.41	9,122,800.00	259,434,541.41

Item	Book balance	Beginning balance Impairment provision	Book value
Debt instruments available for sale	0.00	0.00	0.00
Equity instruments available for sale	97,806,400.00	0.00	97,806,400.00
Measured at fair value	97,806,400.00	0.00	97,806,400.00
Measured at cost	0.00	0.00	0.00
Others	198,830,843.41	10,701,502.00	188,129,341.41
Total	296,637,243.41	10,701,502.00	285,935,741.41

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

12. Financial assets available for sale (Continued)

(2) Analysis of financial assets available for sale is as following

Item	Ending balance	Beginning balance
Listed	71,305,200.00	97,806,400.00
China (except for Hong Kong)	71,305,200.00	97,806,400.00
Hong Kong	0.00	0.00
Other regions	0.00	0.00
Unlisted	188,129,341.41	188,129,341.41
Total	259,434,541.41	285,935,741.41

(3) Financial assets available for sale measured at fair value at year end

Item	Equity instruments available for sale	Debt instruments available for sale	Others	Total
Cost of equity instrument	34,719,818.18	0.00	0.00	34,719,818.18
Fair value	71,305,200.00	0.00	0.00	71,305,200.00
Accumulated other comprehensive income from changes on fair value	36,585,381.82	0.00	0.00	36,585,381.82
Impairment provision accrued	0.00	0.00	0.00	0.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

12. Financial assets available for sale (Continued)

(4) Financial assets available for sale measured at cost at year end

Invested company	Book balance				Impairment provision			Ending balance	Shareholding percentage in the invested company (%)	Cash dividend in the year
	Beginning balance	Increase in this year	Decrease in this year	Ending balance	Beginning balance	Increase in this year	Decrease in this year			
Beijing Zhongnongwang Technology Co., Ltd (Note 1)	2,122,800.00	0.00	0.00	2,122,800.00	2,122,800.00	0.00	0.00	2,122,800.00	15.00	0.00
Nanyang Xiangrui Agricultural Equipment Co., Ltd (Note 3)	1,400,000.00	0.00	0.00	1,400,000.00	1,400,000.00	0.00	0.00	1,400,000.00	7.00	0.00
YTO (Luoyang) Dongfanghong Tire Company (Note 3)	800,000.00	0.00	0.00	800,000.00	800,000.00	0.00	0.00	800,000.00	3.11	0.00
Luoyin Financial Leasing Co., Ltd	110,000,000.00	0.00	0.00	110,000,000.00	0.00	0.00	0.00	0.00	18.34	0.00
Bank of Luoyang Co., Ltd	78,129,341.41	0.00	0.00	78,129,341.41	0.00	0.00	0.00	0.00	4.89	13,435,000.00
Marine Biological Technology Co., Ltd (Note 2)	1,578,702.00	0.00	1,578,702.00	0.00	1,578,702.00	0.00	1,578,702.00	0.00	20.00	0.00
Luoyang Bofeng Bearing Co., Ltd (Note 3)	4,800,000.00	0.00	0.00	4,800,000.00	4,800,000.00	0.00	0.00	4,800,000.00	16.00	0.00
Total	198,830,843.41	0.00	1,578,702.00	197,252,141.41	10,701,502.00	0.00	1,578,702.00	9,122,800.00	-	13,435,000.00

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

Note 2: The 20% equity right in Marine Biological Technology Co., Ltd held by the subsidiary of the Company, Brilliance China Machinery Holdings Co., Ltd, such company has been in the status of discontinued operations. Brilliance China Machinery Holdings Co., Ltd has accrued the impairment provision on this investment at the full amount. In June 12, 2015, the General Manager's Office of the Company has approved the write-off of the equity investment in Marine Biological Technology Co., Ltd as a treatment of investment loss.

Note 3: Full impairment has been made on investments in Nanyang Xiangrui Agricultural Equipment Co., Ltd, YTO (Luoyang) Dongfanghong Tire Company and Luoyang Bofeng Bearing Co., Ltd by the Group due to their poor management performance.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

12. Financial assets available for sale (Continued)

(5) Financial assets available for sale Impairment provision

Classification of financial assets available for sale	Equity instruments available for sale	Debt instruments available for sale	Others	Total
Beginning balance of impairment provision accrued	0.00	0.00	10,701,502.00	10,701,502.00
Current year provision	0.00	0.00	0.00	0.00
Including: transferred in from other comprehensive income	0.00	0.00	0.00	0.00
Decrease in this year	0.00	0.00	1,578,702.00	1,578,702.00
Including: reversal due to fair value increase afterwards	0.00	0.00	0.00	0.00
Ending balance of impairment provision accrued	<u>0.00</u>	<u>0.00</u>	<u>9,122,800.00</u>	<u>9,122,800.00</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

13. Long term equity investments

(1) Classification of long term equity investments

Invested company	Beginning balance	Additional investment	Investment reduced	Changes of increase/decrease in the year						Ending balance	Ending balance of impairment provision
				Investment profit/loss recognized under equity method	Adjustment of other comprehensive income	Declared cash dividends/profit to be distributed	Other equity changes	Provision for impairment	Others		
I. Investments in subsidiaries	16,200,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	16,200,000.00	16,200,000.00
YTO (Shenyang) Co., Ltd (Note 1)	16,200,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	16,200,000.00	16,200,000.00
II. Investments in associates	72,853,686.49	81,514,886.92	0.00	3,276,136.75	0.00	0.00	0.00	0.00	0.00	157,644,710.16	7,004,515.65
ZF YTO (Luoyang) Drive Axle Co., Ltd (Note 2)	57,155,113.08	81,514,886.92	0.00	3,774,910.59	0.00	0.00	0.00	0.00	0.00	142,444,910.59	0.00
YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd Luoyang Fusaite Auto Co., Ltd (Note 1)	1,090,457.28	0.00	0.00	-68,917.58	0.00	0.00	0.00	0.00	0.00	1,021,539.70	0.00
Luoyang I&C Technology Consulting Co., Ltd	7,004,515.65	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7,004,515.65	7,004,515.65
Luoyang Yongwei Machinery Co., Ltd	177,404.35	0.00	0.00	-97,365.14	0.00	0.00	0.00	0.00	0.00	80,039.21	0.00
	7,426,196.13	0.00	0.00	-332,491.12	0.00	0.00	0.00	0.00	0.00	7,093,705.01	0.00
Total	89,053,686.49	81,514,886.92	0.00	3,276,136.75	0.00	0.00	0.00	0.00	0.00	173,844,710.16	23,204,515.65

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

Note 2: Please refer to the statement in the Note "XV.11. Long term equity investments" for details of matters about ZF YTO (Luoyang) Drive Axle Co., Ltd.

(2) Analysis of long term equity investments

Item	Ending balance	Beginning balance
Listed	0.00	0.00
Unlisted	150,640,194.51	65,849,170.84
Total	150,640,194.51	65,849,170.84

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

14. Fixed assets

(1) Detail spreadsheet of fixed assets

Item	Land	Buildings	Machinery	Transportation equipment	Electronic and office equipment	Other equipment	Total
I. Original book balance							
1. Beginning balance	7,701,634.80	1,914,201,761.16	3,321,445,514.77	56,524,147.08	124,460,537.95	12,201,128.19	5,436,534,723.95
2. Amount increase in this year	0.00	119,342,956.53	292,337,957.77	2,573,195.74	8,858,198.35	864,161.19	423,976,469.58
(1) Purchase	0.00	1,129,840.85	4,542,226.28	536,543.72	2,231,709.63	42,619.41	8,482,939.89
(2) Transferred from construction in progress	0.00	118,212,815.68	287,386,592.66	2,036,652.02	6,626,488.72	821,541.78	415,084,090.86
(3) Others	0.00	300.00	409,138.83	0.00	0.00	0.00	409,438.83
3. Amount decrease in this year	372,293.20	3,384,220.69	69,199,752.27	3,883,015.88	1,033,933.17	187,479.44	78,060,694.65
(1) Disposal or scrapped	0.00	2,549,776.52	67,462,795.90	3,488,415.88	1,028,550.03	105,780.21	74,635,318.54
(2) Others	372,293.20	834,444.17	1,736,956.37	394,600.00	5,383.14	81,699.23	3,425,376.11
4. Ending balance	7,329,341.60	2,030,160,497.00	3,544,583,720.27	55,214,326.94	132,284,803.13	12,877,809.94	5,782,450,498.88
II. Accumulated depreciation							
1. Beginning balance	0.00	716,878,074.09	1,863,782,596.30	29,032,541.50	61,756,850.18	7,103,478.93	2,678,553,541.00
2. Amount increase in this year	0.00	60,138,007.81	207,936,179.90	4,788,786.20	7,479,647.52	768,415.49	281,111,036.92
(1) Accruals	0.00	60,138,007.81	207,936,179.90	4,788,786.20	7,479,647.52	768,415.49	281,111,036.92
3. Amount decrease in this year	0.00	1,734,864.61	56,954,511.09	2,653,870.69	935,353.03	141,227.26	62,419,826.68
(1) Disposal or scrapped	0.00	1,724,992.07	56,813,565.56	2,653,870.69	930,602.30	97,650.69	62,220,681.31
(2) Others	0.00	9,872.54	140,945.53	0.00	4,750.73	43,576.57	199,145.37
4. Ending balance	0.00	775,281,217.29	2,014,764,265.11	31,167,457.01	68,301,144.67	7,730,667.16	2,897,244,751.24
III. Impairment provision							
1. Beginning balance	0.00	1,500.00	18,829,333.73	11,663.13	14,618.31	207,849.68	19,064,964.85
2. Amount increase in this year	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(1) Accruals	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Amount decrease in this year	0.00	0.00	606,042.88	0.00	14,618.31	0.00	620,661.19
(1) Disposal or scrapped	0.00	0.00	606,042.88	0.00	14,618.31	0.00	620,661.19
(2) Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Ending balance	0.00	1,500.00	18,223,290.85	11,663.13	0.00	207,849.68	18,444,303.66
IV. Book value							
1. Book value of ending balance	7,329,341.60	1,254,877,779.71	1,511,596,164.31	24,035,206.80	63,983,658.46	4,939,293.10	2,866,761,443.98
2. Book value of beginning balance	7,701,634.80	1,197,322,187.07	1,438,833,584.74	27,479,942.45	62,689,069.46	4,889,799.58	2,738,916,218.10

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

14. Fixed assets (Continued)

(1) Detail spreadsheet of fixed assets (Continued)

Note: The depreciation recognized as profit or loss was RMB281,111,036.92 in this year (amount in last year: RMB263,982,811.91).

Increase in fixed assets includes RMB415,084,090.86 transferred from construction in progress.

The net loss on sale of fixed asset in the current year is RMB3,363,800.18.

The ending balance of the original cost of fixed assets that has been fully depreciated but still in use is RMB943,347,363.50.

Refer to the statement in the Note "VI.69" for detailed information about the ending balance of pledge on fixed assets.

(2) Analysis of buildings by regions of location and investment period:

Item	Ending balance	Beginning balance
Located within the territory of China	1,254,877,779.71	1,197,322,187.07
Long-term (Over 50 years)	0.00	0.00
Mid-term (10-50 years)	1,254,877,779.71	1,197,322,187.07
Short-term (Within 10 years)	0.00	0.00
Located abroad	0.00	0.00
Long-term (Over 50 years)	0.00	0.00
Mid-term (10-50 years)	0.00	0.00
Short-term (Within 10 years)	0.00	0.00
Total	<u>1,254,877,779.71</u>	<u>1,197,322,187.07</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

14. Fixed assets (Continued)

(3) Fixed assets leased out by operating lease

The ending balance of the fixed assets with book value of RMB64,431,076.00 is leased out due to operating lease (last year: RMB38,016,984.38). The details are as followings:

Item	Book value
Buildings	63,196,124.62
Machinery	42,918.97
Land	1,192,032.41
Total	64,431,076.00

(4) Fixed assets with the property right certificate unprocessed yet

With a carrying amount of RMB55,019,469.15 of fixed assets are purchased from outside party in this year (last year: RMB37,920,767.99); the formalities of property rights transfer are not processed or still in progress. Since transferring process stated above is implemented based on relevant legal agreements, the Board of Directors of the Group believes that there are no substantive legal barriers or impacts which could affect the normal use rights of these buildings regarding to the transfer of ownership rights; and not constituting significant impacts on the normal operations of the Group. Accordingly no provision for impairment needs to be recorded, and no significant additional cost would incur.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

14. Fixed assets (Continued)

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

Item	Book value	Reason for property right certificate not yet processed
Period 1 plant for the 100 thousand light diesel engines of the subsidiary, Jiangyan Power	18,459,664.42	The corresponding land ownership right on the real estate has not been processed
YTO Industrial Park staff dining hall three-layer frame	5,815,524.96	In progress and expected to finalise in December 2016
Main Factory house and office building of subsidiary Fulaige Zhengzhou Branch	14,037,366.81	Land title was obtained in April 2014. 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.
Subsidiary transportation machinery plant and office building	16,706,912.96	The land was bought from Cijian Town People's Government Xin'an County in August 2004. According to the agreement signed by both of the 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 entity cannot afford such a huge amount of taxes because of the consecutive business losses suffered in the recent years. Therefore, the property ownership certificate application is still in progress.
Total	<u>55,019,469.15</u>	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

15. 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	181,656,589.97	0.00	181,656,589.97	147,522,531.79	0.00	147,522,531.79
Agricultural high-power diesel engine project	160,110,988.49	0.00	160,110,988.49	119,741,781.66	0.00	119,741,781.66
New giant parts workshop of No. 3 Assembling Factory	68,002,643.08	0.00	68,002,643.08	52,511,937.03	0.00	52,511,937.03
Cylinder old line reconstruction project	14,615,143.64	0.00	14,615,143.64	33,989,624.98	0.00	33,989,624.98
EPC project	6,711,337.76	0.00	6,711,337.76	15,041,213.76	0.00	15,041,213.76
Forged crankshaft machining line project	3,070,320.43	0.00	3,070,320.43	13,540,080.94	0.00	13,540,080.94
Technical innovation project	16,231,226.80	0.00	16,231,226.80	11,774,699.74	0.00	11,774,699.74
Construction in progress in France	7,576,695.24	5,981,106.34	1,595,588.90	10,943,799.83	0.00	10,943,799.83
IF furnace reconstruction project	4,618,714.63	0.00	4,618,714.63	6,914,101.32	0.00	6,914,101.32
KW model line transformation system project	7,412,071.81	0.00	7,412,071.81	6,910,533.35	0.00	6,910,533.35
Technology improvement project to promote the qualities for						
P-type injector, P-type injector pump	5,596,360.53	0.00	5,596,360.53	6,406,878.69	0.00	6,406,878.69
Enhancement of the heat treatment	6,597,049.23	0.00	6,597,049.23	6,207,418.13	0.00	6,207,418.13
Project of command and exhibition center	2,168,589.30	0.00	2,168,589.30	3,896,957.02	0.00	3,896,957.02
400 and LF904 fender welding automatic production line	4,072,651.99	0.00	4,072,651.99	3,217,948.72	0.00	3,217,948.72
Cooling road expansion project	3,011,038.45	0.00	3,011,038.45	3,011,038.45	0.00	3,011,038.45
Electrophoresis line	4,571,112.96	0.00	4,571,112.96	2,611,192.96	0.00	2,611,192.96
Plant foundation	2,224,411.39	0.00	2,224,411.39	2,224,411.39	0.00	2,224,411.39
Environmental protection facilities upgrading precipitators	2,283,435.16	0.00	2,283,435.16	2,104,741.88	0.00	2,104,741.88
Logistics service building and dismantling room project	3,450,616.05	0.00	3,450,616.05	2,076,315.45	0.00	2,076,315.45
Technical innovation project of the Company	17,543,913.97	0.00	17,543,913.97	127,163,157.69	0.00	127,163,157.69
Public rental housing project	38,397,949.20	0.00	38,397,949.20	0.00	0.00	0.00
Others	67,981,635.31	8,533,977.20	59,447,658.11	73,536,828.29	8,533,977.20	65,002,851.09
Total	<u>627,904,495.39</u>	<u>14,515,083.54</u>	<u>613,389,411.85</u>	<u>651,347,193.07</u>	<u>8,533,977.20</u>	<u>642,813,215.87</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

15. Construction in progress (Continued)

(2) Details of significant changes of construction in progress

Project name	Beginning balance	Increase in this year	Decrease in this year		Ending balance
			Transferred to fixed assets	Other decrease	
Core capacity upgrading project on new wheeled tractor	147,522,531.79	98,257,570.51	64,123,512.33	0.00	181,656,589.97
Agricultural high-power diesel engine project	119,741,781.66	40,369,206.83	0.00	0.00	160,110,988.49
New giant parts workshop of No. 3 Assembling Factory	52,511,937.03	15,490,706.05	0.00	0.00	68,002,643.08
Cylinder old line reconstruction project	33,989,624.98	1,814,920.41	21,189,401.75	0.00	14,615,143.64
EPC project	15,041,213.76	0.00	8,329,876.00	0.00	6,711,337.76
Forged crankshaft machining line project	13,540,080.94	5,440,800.81	15,910,561.32	0.00	3,070,320.43
Technical innovation project	11,774,699.74	9,142,904.60	4,686,377.54	0.00	16,231,226.80
Construction in progress in France	10,943,799.83	4,812,123.05	8,179,227.64	0.00	7,576,695.24
IF furnace reconstruction project	6,914,101.32	0.00	2,295,386.69	0.00	4,618,714.63
KW model line transformation system project	6,910,533.35	501,538.46	0.00	0.00	7,412,071.81
Technology improvement project to promote the qualities for P-type injector, P-type injector pump	6,406,878.69	39,623,739.78	40,434,257.94	0.00	5,596,360.53
Enhancement of the heat treatment	6,207,418.13	389,631.10	0.00	0.00	6,597,049.23
Project of command and exhibition center 400 and LF904 fender welding automatic production line	3,896,957.02	548,172.45	2,276,540.17	0.00	2,168,589.30
Cooling road expansion project	3,217,948.72	854,703.27	0.00	0.00	4,072,651.99
Electrophoresis line	3,011,038.45	0.00	0.00	0.00	3,011,038.45
Plant foundation	2,611,192.96	1,959,920.00	0.00	0.00	4,571,112.96
Environmental protection facilities upgrading precipitators	2,224,411.39	0.00	0.00	0.00	2,224,411.39
Logistics service building and dismounting room project	2,104,741.88	5,149,177.19	4,970,483.91	0.00	2,283,435.16
Technical innovation project of the Company	2,076,315.45	3,723,064.78	2,348,764.18	0.00	3,450,616.05
Public rental housing project	127,163,157.69	55,318,184.98	164,676,513.70	260,915.00	17,543,913.97
Others	0.00	38,397,949.20	0.00	0.00	38,397,949.20
	73,536,828.29	74,962,560.30	75,663,187.69	4,854,565.59	67,981,635.31
Total	651,347,193.07	396,756,873.77	415,084,090.86	5,115,480.59	627,904,495.39

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

15. Construction in progress (Continued)

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

Project name	Budget	Percentage of	Rate of	Accumulated	Including:	Rate of interest	Source of
		project investment to the budgeted amount					
		(%)	(%)				
Core capacity upgrading project on new wheeled tractor	596,300,000.00	80.00	90.00	0.00	0.00	-	Fund-raising
Agricultural high-power diesel engine project	199,000,000.00	84.45	80.00	12,829,031.02	0.00	4.404-6.9	Fund-raising
New giant parts workshop of No. 3 Assembling Factory	93,000,000.00	87.28	80.00	0.00	0.00	-	Self-raised
Cylinder old line reconstruction project	38,050,000.00	98.00	98.00	0.00	0.00	-	Self-raised
EPC project	29,773,300.00	51.00	51.00	0.00	0.00	-	Self-raised
Forged crankshaft machining line project	58,000,000.00	80.86	90.00	819,901.92	0.00	4.404-6.9	Self-raised
Technical innovation project	43,709,000.00	64.00	64.00	0.00	0.00	-	Self-raised
Construction in progress in France	33,132,624.73	9.79	9.79	0.00	0.00	-	Self-raised
IF furnace reconstruction project	52,200,000.00	13.25	13.25	0.00	0.00	-	Self-raised
KW model line transformation system project	7,982,000.00	87.00	87.00	0.00	0.00	-	Self-raised
Technology improvement project to promote the qualities for P-type injector, P-type injector pump	126,000,000.00	31.00	31.00	0.00	0.00	-	Self-raised
Enhancement of the heat treatment	14,800,000.00	80.00	80.00	0.00	0.00	-	Self-raised
Project of command and exhibition center	3,980,000.00	80.00	80.00	0.00	0.00	-	Self-raised
400 and LF904 fender welding automatic production line	6,275,000.00	65.00	65.00	0.00	0.00	-	Self-raised
Cooling road expansion project	3,100,000.00	97.13	97.13	0.00	0.00	-	Self-raised
Electrophoresis line	2,800,000.00	53.29	53.29	0.00	0.00	-	Self-raised
Plant foundation	3,268,000.00	73.55	73.55	0.00	0.00	-	Self-raised
Environmental protection facilities upgrading precipitators	7,890,000.00	83.00	90.00	0.00	0.00	-	Self-raised
Logistics service building and dismounting room project	4,600,000.00	74.00	80.00	0.00	0.00	-	Self-raised
Technical innovation project of the Company	881,555,067.34	20.70	20.70	0.00	0.00	-	Fund-raising, self-raised
Public rental housing project	90,000,000.00	42.66	42.66	0.00	0.00	-	Self-raised
Total	2,295,414,992.07	-	-	13,648,932.94	0.00	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

15. Construction in progress (Continued)

(3) Details of accruals of impairment provision on construction in progress in this year

Project name	Beginning balance	Increase in this year	Decrease in this year	Ending balance
Others	8,533,977.20	0.00	0.00	8,533,977.20
Tractor Line project	0.00	5,981,106.34	0.00	5,981,106.34
Total	<u>8,533,977.20</u>	<u>5,981,106.34</u>	<u>0.00</u>	<u>14,515,083.54</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

16. Intangible assets

(1) Detail spreadsheet of intangible assets

Item	Land use right	Patents	Trademarks	Software	Others	Total
I. Original book balance						
1. Beginning balance	929,588,539.95	3,235,906.54	59,526,000.00	49,400,857.44	8,414,404.30	1,050,165,708.23
2. Amount of increase in this year	169,388.09	79,828.10	0.00	7,838,420.00	807,074.66	8,894,710.85
(1) Purchase	0.00	79,828.10	0.00	2,983,854.41	807,074.66	3,870,757.17
(2) Others	169,388.09	0.00	0.00	4,854,565.59	0.00	5,023,953.68
3. Amount decrease in this year	0.00	184,649.73	0.00	1,134,122.00	276,982.68	1,595,754.41
(1) Disposal	0.00	0.00	0.00	1,134,122.00	0.00	1,134,122.00
(2) Others	0.00	184,649.73	0.00	0.00	276,982.68	461,632.41
4. Ending balance	929,757,928.04	3,131,084.91	59,526,000.00	56,105,155.44	8,944,496.28	1,057,464,664.67
II. Accumulated depreciation						
1. Beginning balance	72,925,452.34	3,102,445.33	0.00	25,973,815.58	1,010,260.63	103,011,973.88
2. Amount of increase in this year	24,266,280.17	22,242.21	0.00	8,538,276.49	465,807.54	33,292,606.41
Accruals	24,266,280.17	22,242.21	0.00	8,538,276.49	465,807.54	33,292,606.41
3. Amount of decrease in this year	0.00	170,898.29	0.00	993,955.54	25,182.08	1,190,035.91
(1) Disposal	0.00	0.00	0.00	993,955.54	0.00	993,955.54
(2) Others	0.00	170,898.29	0.00	0.00	25,182.08	196,080.37
4. Ending balance	97,191,732.51	2,953,789.25	0.00	33,518,136.53	1,450,886.09	135,114,544.38
III. Impairment provision						
1. Beginning balance	0.00	0.00	0.00	0.00	0.00	0.00
2. Amount of increase in this year	0.00	0.00	0.00	0.00	0.00	0.00
Accruals	0.00	0.00	0.00	0.00	0.00	0.00
3. Amount of decrease in this year	0.00	0.00	0.00	0.00	0.00	0.00
(1) Disposal	0.00	0.00	0.00	0.00	0.00	0.00
(2) Others	0.00	0.00	0.00	0.00	0.00	0.00
4. Ending balance	0.00	0.00	0.00	0.00	0.00	0.00
IV. Book value						
1. Book value of ending balance	832,566,195.53	177,295.66	59,526,000.00	22,587,018.91	7,493,610.19	922,350,120.29
2. Book value of beginning balance	856,663,087.61	133,461.21	59,526,000.00	23,427,041.86	7,404,143.67	947,153,734.35

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

16. Intangible assets (Continued)

(2) Analysis of land use right by regions of location and terms:

Item	Ending balance	Beginning balance
Located within the territory of China	929,757,928.04	929,588,539.95
Long-term (Over 50 years)	609,175,607.80	609,175,607.80
Mid-term (10-50 years)	320,582,320.24	320,412,932.15
Short-term (Within 10 years)	0.00	0.00
Located abroad	0.00	0.00
Long-term (Over 50 years)	0.00	0.00
Mid-term (10-50 years)	0.00	0.00
Short-term (Within 10 years)	0.00	0.00
Total	929,757,928.04	929,588,539.95

Note: The amortization amount recognized as profit or loss in this year was RMB33,292,606.41 (last year: RMB34,029,757.55).

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 use 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 2020 (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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

16. Intangible assets (Continued)

(3) Land use right with property right certificate not yet processed

The land use rights in the intangible assets of the Group with the property right certificate not yet obtained has a net value of RMB522,101.31 at the end of the year (beginning balance: RMB43,814,883.74). The application for related land use right certificates is being processed. As the above assets are purchased in accordance with the relevant legitimate agreement, the Board of Directors believes that there is no substantive legal barriers which could materially affect the title transfer and no significant impact on the normal operations of the Group. Therefore, no provision for impairment needs to be recorded and no significant additional cost would incur.

Item	Book value	Reason for property right certificate not yet processed
East side of Jing Wu Road, Jiang Yan City	522,101.31	Procedures not completed
Total	522,101.31	–

17. Development expenditure

Classification of research and development	Beginning balance	Increase in this year Internal development expenditure	Decrease in this year Recognized as intangible assets	Transfer to current period profit and loss	Ending balance
Research and development of tractor products	0.00	197,691,866.12	0.00	197,691,866.12	0.00
Research and development for dynamical machinery products	0.00	86,114,873.63	0.00	86,114,873.63	0.00
Updates on accessories and R&D on other machinery products	0.00	41,122,422.24	0.00	41,122,422.24	0.00
Fundamental research	0.00	30,952,277.44	0.00	30,952,277.44	0.00
Technological process research and development	0.00	33,360,244.45	0.00	33,360,244.45	0.00
Total	0.00	389,241,683.88	0.00	389,241,683.88	0.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

18. Goodwill

(1) Original value of goodwill

Name of investee company	Beginning balance	Increase in this year		Decrease in this year		Ending balance
		Formed from business combination	Others	Disposal	Others	
Chang Tuo Agricultural Machinery Equipment Group Co., Ltd	14,297,893.81	0.00	0.00	0.00	0.00	14,297,893.81

(2) Impairment provision for goodwill

Name of investee company	Beginning balance	Increase in this year		Decrease in this year		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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

19. Long-term deferred expenses

Item	Beginning balance	Increase in this year	Amortization in this year	Other decrease in this year	Ending balance
Patents use right	103,276.34	0.00	21,367.52	0.00	81,908.82
Equipment relocation expense	445,666.11	0.00	445,666.11	0.00	0.00
Mould amortization	15,782,056.99	17,153,451.05	8,661,215.39	0.00	24,274,292.65
Work table	283,262.13	0.00	283,262.13	0.00	0.00
Repair expense	6,321,084.77	4,798,679.16	2,230,683.53	0.00	8,889,080.40
Others	443,207.53	805,813.68	446,434.17	0.00	802,587.04
Total	<u>23,378,553.87</u>	<u>22,757,943.89</u>	<u>12,088,628.85</u>	<u>0.00</u>	<u>34,047,868.91</u>

20. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets recognized

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred tax asset	Deductible temporary difference	Deferred tax asset
Provision for asset impairment	39,617,298.67	6,979,960.53	46,359,917.11	9,275,547.72
Deductible losses	200,672,323.24	66,221,866.67	208,756,800.00	69,585,600.00
Termination welfare	19,897,178.46	3,139,632.22	23,559,099.03	3,721,872.39
Wages payable and accrued expense	91,758,115.52	19,360,902.06	39,501,780.90	9,558,113.75
Deferred revenue	95,482,307.78	14,322,346.17	0.00	0.00
Total	<u>447,427,223.67</u>	<u>110,024,707.65</u>	<u>318,177,597.04</u>	<u>92,141,133.86</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

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

(2) Deferred tax liabilities recognized

Item	Ending balance		Beginning balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Asset evaluation increase from business combination not under same control	131,091,643.65	32,772,910.91	139,153,832.61	34,788,458.15
Fair value change of financial assets available-for-sale	36,585,381.82	6,374,727.27	58,008,400.00	10,086,100.00
Valuation of trading financial instruments and derivative financial instruments	1,438,404.58	359,601.14	1,849,700.00	462,425.00
Total	<u>169,115,430.05</u>	<u>39,507,239.32</u>	<u>199,011,932.61</u>	<u>45,336,983.15</u>

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

Item	Ending balance	Beginning balance
Bad debt allowance	535,696,325.64	406,932,012.01
Impairment provision for inventories	59,879,212.99	44,401,823.66
Impairment provision for long term equity investments	23,204,515.65	23,204,515.65
Impairment provision for financial assets available for sale	9,122,800.00	10,701,502.00
Impairment provision for goodwill	14,297,893.81	14,297,893.81
Impairment provision for fixed assets	18,444,303.66	19,064,964.85
Impairment provision for construction in progress	14,515,083.54	8,533,977.20
Impairment provision on granting loans and advances	22,087,888.51	20,667,398.16
Deductible losses	336,337,825.41	380,487,943.23
Total	<u>1,033,585,849.21</u>	<u>928,292,030.57</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

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

(4) Deductible losses unrecognized as deferred tax liabilities due in the following year

Item	Ending balance	Beginning balance	Note
Year of 2015	0.00	47,301,365.05	–
Year of 2016	31,210,989.09	50,116,122.21	–
Year of 2017	20,324,715.49	55,095,535.10	–
Year of 2018	71,231,299.70	131,778,225.02	–
Year of 2019	92,771,757.23	96,196,695.85	–
Year of 2020	120,799,063.90	0.00	–
Total	336,337,825.41	380,487,943.23	–

21. Short-term borrowings

Classification of borrowings	Ending balance	Beginning balance
Pledged loans	376,890,220.10	300,502,792.48
Mortgaged loans	70,000,000.00	70,000,000.00
Guaranteed loans	83,013,840.00	59,808,410.91
Credit loans	1,409,050,885.16	1,214,221,442.76
Total	1,938,954,945.26	1,644,532,646.15

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

21. Short-term borrowings (Continued)

Details of pledged loans: the subsidiary of the Group, YTO Group Financing Co., Ltd. received short-term borrowings of RMB174,254,746.32 Luoyang Central Branch of the People's Bank of China by taking bank acceptance notes and commercial acceptance notes as the pledge, receiving short-term borrowings of RMB99,932,751.38 from Business processing center of Changzhou Branch of China Minsheng Banking Corporation, receiving short-term borrowings of RMB69,577,232.35 Hefei Branch of China Minsheng Banking Corporation, and receiving short-term borrowings of RMB33,125,490.05 from Ma'anshan Branch of China Minsheng Banking Corporation, with the total amount of RMB376,890,220.10.

Details of mortgage 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 with the original value of RMB100,098,120.94 and land use right as mortgages.

Details of guaranteed loans: at the end of the period, the subsidiary of the Group, YTO (France) Agriculture Co., Ltd. drawn short-term borrowings of EUR 11.7 million from the Industrial and Commercial Bank of China (Paris Branch), converted into RMB83,013,840.00, for which the Company was the guarantor.

22. Absorption of deposits and interbank deposits

Item	Ending balance	Beginning balance
Demand deposit	395,974,994.52	271,361,543.62
Including: Corporate	395,713,195.29	269,440,896.09
Individual	261,799.23	1,920,647.53
Time deposit (including notice deposit)	131,238,704.61	304,884,797.66
Including: Corporate	131,238,704.61	304,884,797.66
Individual	0.00	0.00
Other deposits (including outward remittance, remittance payable etc)	0.00	0.00
Total	527,213,699.13	576,246,341.28

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

23. Deposits from banks and other financial institutes

Category	Ending book balance	Beginning book balance
Deposits from banks	350,000,000.00	350,000,000.00
Deposits from other financial institutions	0.00	0.00
Total	350,000,000.00	350,000,000.00

24. Notes payable

Types of notes	Ending balance	Beginning balance
Bank acceptance notes	1,142,243,667.86	590,532,840.88
Commercial acceptance notes	157,560,696.33	325,841,829.29
Total	1,299,804,364.19	916,374,670.17

25. Accounts payable

(1) Accounts payable

Item	Ending balance	Beginning balance
Purchase payable	1,370,467,578.02	1,178,243,379.75
Purchase of construction equipment payable	128,465,813.34	83,787,541.39
Service fee payable	23,535,898.88	40,921,388.89
Others	4,277,702.74	47,630,175.00
Total	1,526,746,992.98	1,350,582,485.03

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

25. Accounts payable (Continued)

(2) Aging analysis of accounts payable

The aging analysis of accounts payable as at December 31, 2015 is as follows:

Item	Ending balance	Beginning balance
Within 1 year	1,381,275,324.73	1,227,246,014.76
1-2 years	73,232,449.45	53,754,824.26
2-3 years	28,024,357.56	17,044,284.99
Over 3 years	44,214,861.24	52,537,361.02
Total	<u>1,526,746,992.98</u>	<u>1,350,582,485.03</u>

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

Company name	Ending balance	Reason for not paid or reversed
The Fourth Design Institute of the Ministry of Machinery Industry	8,214,820.00	Unsettled
Ethiopia DANA	6,941,747.18	Unsettled
Zhangjiagang Free Trade Zone Yetai International Trade Co., Ltd	5,915,437.00	Unsettled
SCHNEIDER ELECTRIC CONSULTING	5,734,681.21	Unsettled
ARGO TRACTORS SPA	4,311,330.17	Unsettled
Total	<u>31,118,015.56</u>	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

26. Advance from customers

(1) Advance from customers

Item	Ending balance	Beginning balance
Within 1 year (including 1 year)	268,068,899.17	235,328,765.97
Over 1 year	35,013,299.05	31,568,412.86
Total	303,082,198.22	266,897,178.83

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

Company name	Ending balance	Reason for not paid or reversed
SINOMACH-HI (Luoyang) Co., Ltd	4,820,499.11	Unsettled
Poly Technology Co., Ltd	4,291,619.50	Unsettled
Ningxia Boxin Hengtong Mechanical Equipment Co., Ltd	3,560,000.00	Unsettled
Total	12,672,118.61	–

27. Employee benefits payable

(1) Classification of employee benefits payable

Item	Beginning balance	Increase in this year	Decrease in this year	Ending balance
Short-term remuneration	50,915,094.48	1,071,445,787.48	1,061,266,563.82	61,094,318.14
Post-employment welfare				
– Defined contribution plan	2,347,532.16	158,423,408.36	158,636,287.09	2,134,653.43
Termination welfare	47,447,079.87	15,750,437.78	23,513,494.41	39,684,023.24
Total	100,709,706.51	1,245,619,633.62	1,243,416,345.32	102,912,994.81

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

27. Employee benefits payable (Continued)

(2) Short-term remuneration

Item	Beginning balance	Increase in this year year	Decrease in this	Ending balance
Wages or salaries, bonuses, allowances and subsidies	37,209,632.58	819,418,649.45	819,158,453.80	37,469,828.23
Staff welfare expense	4,675,421.97	89,643,752.77	91,658,826.94	2,660,347.80
Social insurance expense	161,236.15	67,172,532.80	65,608,803.23	1,724,965.72
Including: Medical insurance expense	161,236.15	57,853,737.16	56,349,526.03	1,665,447.28
Work-related injury insurance	0.00	5,092,122.86	5,080,363.49	11,759.37
Maternity insurance	0.00	4,226,672.78	4,178,913.71	47,759.07
Housing funds	203,543.69	60,545,209.00	58,983,315.94	1,765,436.75
Union & education funds	8,281,163.95	23,658,723.82	14,883,488.57	17,056,399.20
Short-term paid leave	0.00	0.00	0.00	0.00
Short-term profit sharing plan	0.00	0.00	0.00	0.00
Others	384,096.14	11,006,919.64	10,973,675.34	417,340.44
Total	50,915,094.48	1,071,445,787.48	1,061,266,563.82	61,094,318.14

(3) Defined contribution plan

Item	Beginning balance	Increase in this year year	Decrease in this	Ending balance
Basic pension	1,603,618.07	124,901,041.45	125,334,631.71	1,170,027.81
Enterprise annuity payment	743,914.09	24,067,523.03	23,873,209.81	938,227.31
Unemployment insurance premium	0.00	9,454,843.88	9,428,445.57	26,398.31
Total	2,347,532.16	158,423,408.36	158,636,287.09	2,134,653.43

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

28. Taxes payable

Item	Ending balance	Beginning balance
Value-added tax (VAT)	-394,007,148.45	-363,700,448.06
Business tax	2,854,018.57	1,293,380.39
Enterprise income tax	34,562,297.76	25,873,741.93
Individual income tax	1,962,245.42	1,214,050.48
Urban maintenance and construction tax	515,290.44	369,530.87
Property tax	4,174,596.04	5,320,788.80
Land use tax	1,597,460.36	2,007,565.34
Education surcharge	368,066.20	263,940.65
Other taxes	884,542.11	655,052.29
Total	<u>-347,088,631.55</u>	<u>-326,702,397.31</u>

29. Interests payable

Item	Ending balance	Beginning balance
Interest payable on corporate bonds	50,382,301.08	50,334,301.01
Interests payable on short-term borrowings	2,615,558.13	6,390,000.00
Interests payable on deposits absorbed	719,097.36	792,119.07
Total	<u>53,716,956.57</u>	<u>57,516,420.08</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

30. Other payables

(1) Classification of other payables by nature

Nature of payment	Ending balance	Beginning balance
Receivables and payments between companies	69,483,845.33	107,079,064.05
Deposits and securities	65,349,436.65	88,303,473.58
Expenses payable	63,439,870.04	20,381,548.34
Collection and payment on behalf of others	33,279,762.66	15,306,592.51
Others	11,209,578.05	25,805,840.48
Total	<u>242,762,492.73</u>	<u>256,876,518.96</u>

(2) Significant amount of other payables aged over 1 year

Name of the item	Ending balance	Reason for not paid or reversed
YTO Group Corporation	49,340,612.33	Unsettled
Quality assurance warranty deposited by companies located abroad	3,675,111.67	Unsettled
Subsidy for the survivors of work-related injury	1,843,372.95	Unsettled
Security bond for efficiency risks	1,222,000.00	Unsettled
Housing construction and housing maintenance fund	1,191,278.90	Unsettled
Total	<u>57,272,375.85</u>	–

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

31. Non-current liabilities due within one year

Item	Ending balance	Beginning balance
Long-term loans due within 1 year	17,738,000.00	18,639,000.00
Deferred revenues due within 1 year	14,657,168.40	11,416,745.54
Total	32,395,168.40	30,055,745.54

32. Other current liabilities

Item	Ending balance	Beginning balance
Discount and allowance	44,015,136.75	29,488,722.16
Warranty fee for 3 after sale services included	51,748,899.24	20,011,890.59
Agent fees	1,820,000.00	1,920,000.00
Others	454,813.00	1,822,903.00
Total	98,038,848.99	53,243,515.75

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

33. Long-term loans

(1) Classification of loans

Classification of loans	Ending balance	Beginning balance
Credit loans	44,345,000.00	65,236,500.00
Less: due within 1 year	17,738,000.00	18,639,000.00
Total	26,607,000.00	46,597,500.00

Note: The interest rate range of long-term loans is 6 month EUR LIBOR + 3.5%.

(2) Due date analysis of long-term loans

Item	Ending balance	Beginning balance
1-2 years	17,738,000.00	0.00
2-5 years	8,869,000.00	46,597,500.00
Total	26,607,000.00	46,597,500.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

34. Bonds payable

(1) Classification of bonds payable

Item	Ending balance	Beginning balance
12 YTO 01 Corporate bond	797,472,004.37	796,393,416.63
12 YTO 02 Corporate bond	696,805,753.82	695,578,322.56
Total	1,494,277,758.19	1,491,971,739.19

(2) Increase or decrease movements of bonds payable (excluding preference shares and perpetual debt and other financial instruments classified as financial liabilities)

Bond name	Total face value	Issue date	Term of bond	Amount issued	Beginning balance	Amount issued in this year	Interest accrued on face value	Amortisation on premiums or discounts	Repayment in this year	Ending balance
12 YTO 01 Corporate bond	800,000,000.00	2013/3/4	5 years	794,550,000.00	796,393,416.63	0.00	108,572,054.79	2,922,004.37	38,400,000.00	797,472,004.37
12 YTO 02 Corporate bond	700,000,000.00	2013/5/30	5 years	693,734,150.95	695,578,322.56	0.00	81,554,794.52	3,071,602.87	31,500,000.00	696,805,753.82
Total	1,500,000,000.00	-	-	1,488,284,150.95	1,491,971,739.19	0.00	190,126,849.31	5,993,607.24	69,900,000.00	1,494,277,758.19

Note: Approved by the China Securities Regulatory Commission [2013] No.89, the overall bonds issued is RMB1.5 billion and completed in two phases, which has RMB800 million in the first phase and RMB700 millions in the second phase. The name of the bonds are: 2012 Public Offering Corporate Bonds of the First Tractor Company Limited (Phase I) (Abbreviation: 12 YTO 01 Corporate bonds) and 2012 Public Offering Corporate Bonds of the First Tractor Company Limited (Phase II) (Abbreviation: 12 YTO 02 Corporate bonds).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

34. Bonds payable (Continued)

(2) Increase or decrease movements of bonds payable (excluding preference shares and perpetual debt and other financial instruments classified as financial liabilities) (Continued)

Note: (Continued)

12 YTO 01 Coporate bond uses simplified annual interest rate with no compound interest applied at a coupon rate of 4.8%. The Company remains the right to decide whether to raise the coupon rate of the bonds for the next two years at the end of the third year. If the Company exercises the right to raise the coupon rate, the rate of outstanding bonds still valid for the next 2 years of existence is the coupon rate of the first 3 years plus added basis point and will remain unchanged for the next 2 years. If the Company chooses not to exercise the option to raise the coupon rate, then the coupon rate of the next 2 years remains unchanged as the original coupon rate during the existence period. At the end of the third year of the existence period, the Company chose not to raise the coupon rate. Namely the coupon rate of "12 YTO 01" in the last two years of the existence period is still 4.8%. According to the statistics of the bond resale declaration of China Securities Depository and Clearing Co., Ltd. Shanghai Branch on 12 YTO 01 Coporate bond in February 2016, the number of valid resale declaration in this time is 0. The resale amount is RMB0.

12 YTO 02 Coporate bond uses simplified annual interest rate with no compound interest applied at a coupon rate of 4.5%. The Company remains the right to decide whether to raise the coupon rate of the bonds for the next two years at the end of the third year. If the Company exercises the right to raise the coupon rate, the rate of outstanding bonds still valid for the next 2 years of existence is the coupon rate of the first 3 years plus added basis point and will remain unchanged for the next 2 years. If the Company chooses not to exercise the option to raise the coupon rate, then the coupon rate of the next 2 years remains unchanged as the original coupon rate during the existence period.

(3) Other financial instruments classified as financial liabilities

None

35. Deferred revenue

(1) Classification of deferred revenue

Item	Beginning balance	Increase in this year	Decrease in this year	Ending balance
Government grants	174,628,692.16	35,784,000.00	25,479,706.76	184,932,985.40

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

35. Deferred revenue (Continued)

(2) Item of government grants

Item of government grants	Beginning balance	Increase of subsidy in this year	Amount recognized as non-operating income in this year		Ending balance	Related to assets/ related to income
				Other changes		
The upgrade of core ability in new type of wheeled tractors	53,200,000.00	0.00	0.00	0.00	53,200,000.00	Related to assets
High-power non-road diesel engines	49,000,000.00	0.00	0.00	0.00	49,000,000.00	Related to assets
Promote independent research and development ability	17,237,629.75	0.00	38.36	1,295,168.40	15,942,422.99	Related to assets
Diesel engine crankshaft forging line	6,780,000.00	0.00	0.00	3,390,000.00	3,390,000.00	Related to assets
Technical innovation of wheeled tractors	6,920,000.00	0.00	0.00	2,768,000.00	4,152,000.00	Related to assets
Xinjiang agricultural equipment construction projects	6,574,700.00	0.00	0.00	0.00	6,574,700.00	Related to assets
C series of government project aid	4,296,000.00	0.00	0.00	716,000.00	3,580,000.00	Related to assets
Eighty thousand diesel engine technical renovation project domestic equipment subsidies	1,018,000.00	0.00	0.00	1,018,000.00	0.00	Related to assets
Award funding for science and technology research and development service platform	0.00	500,000.00	0.00	0.00	500,000.00	Related to income
Annual output of 1000 big horsepower shift heavy wheeled tractors	2,750,000.00	0.00	0.00	0.00	2,750,000.00	Related to assets
Energy-saving diesel engine crankshaft machining production line project	2,700,000.00	0.00	22,500.00	270,000.00	2,407,500.00	Related to assets
Non-road high-power diesel engines	6,000,000.00	2,000,000.00	8,000,000.00	0.00	0.00	Related to income
LF series power shift tractor research and development and industrialization	0.00	3,000,000.00	0.00	0.00	3,000,000.00	Related to income
Special funds for urban affordable housing project	0.00	8,640,000.00	0.00	0.00	8,640,000.00	Related to assets
Test platform for key products	0.00	15,840,000.00	0.00	0.00	15,840,000.00	Related to assets
Special funds for tractors, diesel engine castings and rapid development of new product demonstration and application	419,960.00	0.00	0.00	0.00	419,960.00	Related to assets
Comprehensive technical service platform for small and medium sized agricultural machinery enterprises	0.00	2,000,000.00	2,000,000.00	0.00	0.00	Related to income
Agricultural equipment integrated technology service platform	0.00	3,000,000.00	0.00	3,000,000.00	0.00	Related to income
Project of foundry company KW line dust pollution control	0.00	800,000.00	800,000.00	0.00	0.00	Related to income
Revitalization of industry and technology transformation	17,600,000.00	0.00	0.00	2,200,000.00	15,400,000.00	Related to assets
Others	132,402.41	4,000.00	0.00	0.00	136,402.41	Related to assets
Total	174,628,692.16	35,784,000.00	10,822,538.36	14,657,168.40	184,932,985.40	-

Note: The reason of other changes is that the deferred income which has been transferred to non-current liabilities due within one year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

37. Capital reserves

Amount in this year

Item	Beginning balance	Increase in this year	Decrease in this year	Ending balance
Capital stock premium	1,876,462,052.15	0.00	0.00	1,876,462,052.15
Others capital reserves	247,784,237.55	0.00	0.00	247,784,237.55
Including: Others	247,784,237.55	0.00	0.00	247,784,237.55
Total	<u>2,124,246,289.70</u>	<u>0.00</u>	<u>0.00</u>	<u>2,124,246,289.70</u>

Amount in last year

Item	Beginning balance	Increase in this year	Decrease in this year	Ending balance
Capital stock premium	1,913,337,791.25	0.00	36,875,739.10	1,876,462,052.15
Others capital reserves	247,784,237.55	0.00	0.00	247,784,237.55
Including: Others	247,784,237.55	0.00	0.00	247,784,237.55
Total	<u>2,161,122,028.80</u>	<u>0.00</u>	<u>36,875,739.10</u>	<u>2,124,246,289.70</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

38. Other comprehensive income

Item	Beginning balance	Amount before income tax incurred in this year	Amount incurred in this year		Amount after tax attributable to the parent company	Amount after tax attributable to minority shareholders	Ending balance
			Less: amount included in other comprehensive income in prior period and transferred to profit and loss in the current period	Less: income tax expenses			
I. Other comprehensive income not to be classified into profit or loss	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II. Other comprehensive income to be classified into profit or loss	16,295,741.20	1,365,624.59	12,249,818.18	-3,711,372.73	-6,561,478.76	-611,342.10	9,734,262.44
Gain or loss from fair value changes in available for sale financial assets	47,173,416.79	-9,173,200.00	12,249,818.18	-3,711,372.73	-17,442,385.10	-269,260.35	29,731,031.69
Translation difference of foreign currency financial statements	-30,877,675.59	10,538,824.59	0.00	0.00	10,880,906.34	-342,081.75	-19,996,769.25
Total other comprehensive income	16,295,741.20	1,365,624.59	12,249,818.18	-3,711,372.73	-6,561,478.76	-611,342.10	9,734,262.44

39. Special reserves

Amount in this year

Item	Beginning balance	Increase in this year	Decrease in this year	Ending balance
Safety production expense	0.00	18,786,218.22	16,344,832.93	2,441,385.29

Amount in last year

Item	Beginning balance	Increase in this year	Decrease in this year	Ending balance
Safety production expense	0.00	26,040,986.46	26,040,986.46	0.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

40. Surplus reserves

Amount in this year

Item	Beginning balance	Increase in this year	Decrease in this year	Ending balance
Statutory surplus reserves	368,201,417.56	20,771,377.49	0.00	388,972,795.05
Discretionary surplus reserves	771,431.00	0.00	0.00	771,431.00
Total	<u>368,972,848.56</u>	<u>20,771,377.49</u>	<u>0.00</u>	<u>389,744,226.05</u>

Amount in last year

Item	Beginning balance	Increase in this year	Decrease in this year	Ending balance
Statutory surplus reserves	325,975,908.47	42,225,509.09	0.00	368,201,417.56
Discretionary surplus reserves	771,431.00	0.00	0.00	771,431.00
Total	<u>326,747,339.47</u>	<u>42,225,509.09</u>	<u>0.00</u>	<u>368,972,848.56</u>

Note: The Group reserves for statutory surplus on 10% of the net profits of the parent Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

41. General risk reserves

Amount in this year

Item	Ending balance	Beginning balance	Percentage of provision
General risk reserves	8,819,548.63	7,683,706.66	Reserved on 1% of current year net profits of the subsidiary of the Group – YTO group finance Co., Ltd

Amount in last year

Item	Ending balance	Beginning balance	Percentage of provision
General risk reserves	7,683,706.66	7,097,463.55	Reserved on 1% of current year net profits of the subsidiary of the Group – YTO group finance Co., Ltd

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

42. Retained earnings

Amount in this year

Item	Amount	Percentage of accrual or distribution (%)
Ending balance of last year	1,080,369,447.42	
Add: adjustment on beginning balance of retained earnings	0.00	
Beginning balance of this year	1,080,369,447.42	
Add: net profit for the year attributable to shareholders of the parent company	135,322,811.53	
Less: statutory surplus reserve	20,771,377.49	10% of current year net profits of the parent company
General risk reserves		Reserved on 1% of current year net profits of the subsidiary of the Group – YTO group finance Co., Ltd
Common stock dividends payable	1,135,841.97 50,790,900.00	
Ending balance of this year	1,142,994,139.49	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

42. Retained earnings (Continued)

Amount in last year

Item	Amount	Percentage of accrual or distribution (%)
Ending balance of last year	1,015,236,952.27	
Add: adjustment on beginning balance of retained earnings	0.00	
Beginning balance of this year	1,015,236,952.27	
Add: net profit for the year attributable to shareholders of the parent company	167,698,247.35	
Less: statutory surplus reserve	42,225,509.09	10% of current year net profits of the parent company
General risk reserves	586,243.11	Reserved on 1% of current year net profits of the subsidiary of the Group – YTO group finance Co., Ltd
Common stock dividends payable	59,754,000.00	
Ending balance of this year	<u>1,080,369,447.42</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

43. Minority interests

Minority interests attributable to the minority shareholders of each subsidiary

Name of the subsidiary	Percentage of minority shareholding (%)	Ending balance	Beginning balance
YTO (Luoyang) Transportation Machinery Co.,Ltd	6.61	265,147.39	851,728.19
Brilliance China Machinery Holdings Co., Ltd	9.90	14,873,085.93	13,309,390.34
YTO Group Finance Co., Ltd	7.21	55,076,476.66	51,161,197.23
China-Africa Heavy Industry Investment Co., Ltd	45.00	41,992,081.02	42,676,766.28
Luoyang Tractor Research Institute Co., Ltd	49.00	314,862,253.25	301,630,031.32
YTO (Luoyang) Diesel Engine Co., Ltd	14.5311	184,960,156.25	175,050,223.72
YTO (Luoyang) Fuel Injection Co., Ltd	13.8870	32,947,280.68	31,882,079.89
Chang Tuo Agricultural Machinery Equipment Group Co., Ltd	66.6667	83,578,263.21	114,762,500.04
YTO (Luoyang) Harvesting Machinery Co., Ltd	6.09	-3,850,048.65	-3,965,050.37
Total	-	724,704,695.74	727,358,866.64

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

44. Net current assets

Item	Ending balance	Beginning balance
Current assets	6,456,183,633.93	6,197,145,429.82
Less: current liabilities	6,128,540,029.73	5,276,332,830.99
Net current assets	327,643,604.20	920,812,598.83

45. Total assets minus current liabilities

Item	Ending balance	Beginning balance
Total assets	13,272,449,559.98	12,355,694,645.67
Less: current liabilities	6,128,540,029.73	5,276,332,830.99
Total assets minus current liabilities	7,143,909,530.25	7,079,361,814.68

46. Borrowings and payables

The summary of loans and payables for the Group is as follows:

Item	Ending balance	Beginning balance
Short-term bank loans	1,938,954,945.26	1,644,532,646.15
Long-term loans due within 1 year	17,738,000.00	18,639,000.00
Long-term loans	26,607,000.00	46,597,500.00
Bonds payable	1,494,277,758.19	1,491,971,739.19
Total	3,477,577,703.45	3,201,740,885.34

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

46. Borrowings and payables (Continued)

(1) Analysis of borrowings and payables

Item	Ending balance	Beginning balance
Bank loans		
– Must be repaid within one year	1,956,692,945.26	1,663,171,646.15
– Must be repaid after one year	26,607,000.00	46,597,500.00
Subtotal	<u>1,983,299,945.26</u>	<u>1,709,769,146.15</u>
Others borrowings		
– Must be repaid within one year	0.00	0.00
– Must be repaid after one year	1,494,277,758.19	1,491,971,739.19
Subtotal	<u>1,494,277,758.19</u>	<u>1,491,971,739.19</u>
Total	<u>3,477,577,703.45</u>	<u>3,201,740,885.34</u>

(2) Due date analysis of borrowings and payables

1) Bank loans

Item	Ending balance	Beginning balance
Pay upon request or due within 1 year	1,956,692,945.26	1,663,171,646.15
1-2 years	17,738,000.00	0.00
2-5 years	8,869,000.00	46,597,500.00
Over 5 years	0.00	0.00
Total	<u>1,983,299,945.26</u>	<u>1,709,769,146.15</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

46. Borrowings and payables (Continued)

(2) Due date analysis of borrowings and payables(Continued)

2) Others borrowings

Item	Ending balance	Beginning balance
Pay upon request or due within 1 year	0.00	0.00
1-2 years	0.00	0.00
2-5 years	1,494,277,758.19	1,491,971,739.19
Over 5 years	0.00	0.00
Total	<u>1,494,277,758.19</u>	<u>1,491,971,739.19</u>

47. Operating revenue and operating cost

Item	Amount incurred in this year		Amount incurred in last year	
	Revenue	Cost	Revenue	Cost
Main business	8,902,031,078.63	7,278,878,224.74	8,549,093,440.70	7,061,589,409.66
Other business	397,809,660.74	338,542,586.15	380,222,609.98	396,155,445.71
Total	<u>9,299,840,739.37</u>	<u>7,617,420,810.89</u>	<u>8,929,316,050.68</u>	<u>7,457,744,855.37</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

48. Net interest income

Item	Cumulative amount in this year	Cumulative amount in last year
Interest income	355,264,578.40	97,253,173.58
– From deposits in other banks	12,961,443.27	8,132,838.37
– From deposits in central bank	5,238,325.65	5,030,953.83
– Loans to others	11,433,902.79	3,108,008.34
– Loans and advances granting	313,891,868.70	70,440,594.68
Including: individual loans and advances	204,650.20	14,052.27
Corporate loans and advances	17,694,125.92	22,756,353.41
Notes discounting	295,993,092.58	47,670,189.00
– Financial assets purchased for re-sale	11,699,646.88	10,540,778.36
– Others	39,391.11	0.00
Including: interest income of impaired financial assets	0.00	0.00
Interest expense	243,810,083.69	29,170,550.21
– From loans from other banks	0.00	0.00
– From loans from central bank	0.00	0.00
– Loans from banks and other financial institutes	3,006,886.04	1,044,585.32
– Deposits adsorption	10,188,198.70	8,726,970.89
– Sale of repurchase financial assets	249,115.07	47,524.93
– Others	230,365,883.88	19,351,469.07
Net interest income	111,454,494.71	68,082,623.37

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

49. Fees and net commission income

Item	Amount in this year	Amount in last year
Fees and commission income	385,743.31	409,596.88
– Clearing and settlement fees	48,805.60	59,769.97
– Agent fees	72,500.00	72,500.00
– Credit commitment fees and commissions	165,300.17	76,387.28
– Others	99,137.54	200,939.63
Fees and commission expense	452,274.93	455,137.26
– Service fee expense	452,274.93	455,137.26
– Commission expense	0.00	0.00
Fees and net commission income	-66,531.62	-45,540.38

50. Business taxes and surcharges

Item	Amount in this year	Amount in last year
Business tax	11,152,874.37	8,617,734.65
Urban maintenance and construction tax	11,100,369.26	9,119,256.61
Education surcharge	4,978,078.22	6,501,120.85
Others	6,391,978.09	3,464,843.66
Total	33,623,299.94	27,702,955.77

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

51. Selling expenses

Item	Amount in this year	Amount in last year
Packing expenses	7,820,334.52	7,865,847.90
Transportation expenses	152,459,355.82	156,880,995.12
Insurance expenses	5,741,647.59	1,392,855.18
Exhibition expenses	3,597,226.58	3,917,045.05
Advertising expenses	14,087,585.70	13,266,611.00
Sales service fees	114,673,987.17	80,641,086.18
Employee compensation	92,841,487.65	92,197,733.16
Depreciation expenses	1,221,641.51	1,324,121.49
Repair expense	868,303.33	1,719,082.19
Others	53,022,994.49	34,095,289.24
Total	446,334,564.36	393,300,666.51

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

52. Administrative expenses

<u>Item</u>	<u>Amount in this year</u>	<u>Amount in last year</u>
Employee compensation	198,059,399.30	196,605,487.40
Insurance expenses	1,243,766.42	2,069,748.12
Depreciation expenses	44,107,632.93	40,549,098.19
Repair expense	43,502,723.15	52,089,323.21
Amortization of intangible assets	29,234,922.74	27,830,505.47
Business entertainment expense	5,711,271.28	7,369,407.71
Travelling expenses	4,595,045.07	6,586,598.23
Office expenses	8,305,358.84	5,924,408.74
Conference expenses	4,465,170.56	4,632,820.41
Legal expenses	3,722,410.25	403,923.14
Hiring agency fee	2,846,218.50	3,520,471.65
Including: the annual final accounts audit fees	1,820,000.00	1,820,000.00
Consulting fees	3,059,096.28	1,293,028.29
Research and development expenses	389,241,683.88	405,569,602.90
Taxes	35,510,207.77	30,552,448.17
Rent expense	17,337,477.29	13,701,355.57
Termination welfare	15,750,437.78	42,148,139.23
Others	126,776,171.92	133,091,767.43
Total	933,468,993.96	973,938,133.86

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

53. Finance expenses

(1) Details of finance expenses

Item	Amount in this year	Amount in last year
Interest expense	125,797,947.11	119,367,644.02
Less: interest income	22,665,622.07	22,294,040.80
Add: exchange loss	51,671,869.01	-10,769,238.14
Add: Other expense	-7,499,270.12	3,427,977.13
Total	<u>147,304,923.93</u>	<u>89,732,342.21</u>

(2) Detail of interest expense

Item	Amount in this year	Amount in last year
Bank loans, overdraft interests	48,760,190.35	45,097,196.63
Interest on bonds and discount notes	77,037,756.76	74,270,447.39
Subtotal	125,797,947.11	119,367,644.02
Less: capitalized interests	0.00	0.00
Total	<u>125,797,947.11</u>	<u>119,367,644.02</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

53. Finance expenses (Continued)

(3) Detail of interest income

Item	Amount in this year	Amount in last year
Interest income of bank deposits	22,665,622.07	22,294,040.80

54. Loss on impairment of assets

Item	Amount in this year	Amount in last year
Loss on bad debt	141,577,701.40	142,489,949.23
Impairment loss on inventories	9,327,159.75	14,189,179.74
Impairment loss on financial assets available-for-sale	0.00	2,200,000.00
Impairment loss on fixed assets	0.00	549,992.00
Impairment loss on construction in progress	5,981,106.34	0.00
Impairment loss on loans	1,420,490.35	7,069,890.41
Total	158,306,457.84	166,499,011.38

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

55. Gain/Loss from changes in fair value

Item	Amount in this year	Amount in last year
Financial assets measured at fair value and its movement recorded through profit and loss	3,009,536.29	8,113,671.48

56. Investment income

Item	Amount incurred in this year	Amount incurred in last year
Investment income from long-term equity investments by equity method	2,498,121.25	238,416.56
Investment income from disposal of long term equity investments	0.00	51,600,103.86
Investment income on financial assets measured at fair value and its movement recorded through profit and loss in the holding period	16,306,263.58	15,332,814.72
Investment income on disposal of financial assets measured at fair value and its movement recorded through profit and loss in the current period	42,521,508.28	8,212,337.51
Investment returns on held-to-maturity investment during the holding period	878,585.08	7,517,087.09
Investment returns on disposal of held-to-maturity investment during the holding period	1,073,159.30	1,023,380.62
Investment income on financial assets available-for-sale during the holding period	17,258,080.00	25,122,160.00
Investment returns on disposal of financial assets available-for-sale	14,733,057.79	-117,028.44
After the loss of control, gains from remeasuring the remaining equity at fair value	0.00	0.00
Others	96,000.00	0.00
Total	95,364,775.28	108,929,271.92

Note: The investment income of this year is from the listed and unlisted investments with the amount of RMB29,985,159.63 and RMB65,379,615.65 respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

57. Non-operating income

(1) Details of non-operating income

Item	Amount in this year	Amount in last year	Extraordinary gains and losses recognized in this year
Gain on disposal of non-current assets	908,287.65	162,319,571.87	908,287.65
Including: gain on disposal of fixed assets	908,287.65	6,545,371.87	908,287.65
Gain on debt restructuring	214,240.00	1,801,446.13	214,240.00
Donations accepted	0.00	12,600.00	0.00
Government grants	32,513,241.88	27,077,645.98	32,513,241.88
Others	26,172,541.82	20,625,470.99	26,172,541.82
Total	59,808,311.35	211,836,734.97	59,808,311.35

Note: RMB59,808,311.35 is recorded in the extraordinary gain and loss in the current year (last year: RMB211,836,734.97).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

57. Non-operating income (Continued)

(2) Details of government grants

Item	Amount in this year	Amount in last year	Note
Diesel engine crankshaft forging line	3,390,000.00	3,390,000.00	Office of Industrial Development and Reform Commission [2005] No. 1392
Technical innovation of wheeled tractors	2,768,000.00	2,768,000.00	Office of Industrial Development and Reform Commission [2005] No. 279
Small and medium-sized enterprise international market development funds	21,000.00	436,937.00	Beijing CaiQi [2010] No. 2200, Yu CaiQi [2010] No. 90
Eighty thousand technological upgrading projects domestically made equipment subsidies	1,018,000.00	1,018,000.00	Fa gai tou zi [2005] No.1858
C series of government project aid	716,000.00	716,000.00	Luo Fa Industrial Development and Reform Commission [2009] No. 53
Promote independent research and development ability	1,295,168.40	1,888,463.50	Investment Development and Reform Commission [2012] No. 2719
Enterprises to export credit insurance support funds	327,900.00	263,200.00	Luo Cai Yu [2014] No. 398
Encourage and support the technological transformation of enterprises	10,000.00	989,400.00	Jiang Zheng Fa [2011] No. 116, Jiang Zheng Fa [2012] No. 178
Subsidies for enterprises in difficulty stabilizing post	8,069,184.11	2,746,690.36	Luo Ren social employment [2013] no. 2, no. 135, Yu Ren social employment [2015] no. 3, no. 30
VAT paid local retained full reward	156,300.00	89,300.00	Yangdong reforming the investment agreement, Jiang Zheng Fa [2012] No. 178
CVT tractor heavy machine key technology research and development project	0.00	4,633,693.25	NSC fortune [2012] No. 48
Revitalization of industry and technology transformation	2,200,000.00	2,200,000.00	Industry Development and Reform Office [2013] No. 543
Heavy tractor examination system research	0.00	1,000,000.00	National Machinery Division [2012] No. 542
Cupola demolition of reforming government subsidies	0.00	920,000.00	Henan Province, Yu Cai Jian Department of Finance [2012] No. 258
The friction drive rubber crawler walking system technology research	0.00	800,000.00	NSC fortune [2013] No. 460

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

57. Non-operating income (Continued)

(2) Details of government grants (Continued)

Item	Amount in this year	Amount in last year	Note
Efficient energy-saving intelligent tractor technology research and industrialization development	0.00	500,000.00	Energy efficient, intelligent tractor technology research and industrial development contract
Small and medium-sized enterprise development special funds	0.00	500,000.00	Luoyang Municipal Bureau of Finance [2014] No. 376
Risk analysis and early warning of medium-sized tractor industry intellectual property	0.00	200,000.00	Ministry of Industry and Information Technology Intellectual Property Strategic Program mission statement
Large wheeled tractor gearbox flexible production line technology integration and demonstration – special funds	668,773.87	980,000.00	National science support plan project commitments
863 program (for complex high efficiency low consumption of green manufacturing technology and equipment)	0.00	200,000.00	863 sub-topics task contract
Difficult enterprise land use tax, property tax refund	0.00	562,048.27	"Implementation of Henan province Urban Land Use Tax Measures" Article 9, Article 5 tax incentives
Coal-fired boiler demolition subsidies	0.00	40,000.00	Henan Yu Letter [2012] No. 587
KW line dust pollution control	800,000.00	0.00	Safety and environmental protection department of the Group Tuo Anhuan [2015] No. 1
Non-road high-power diesel engines	8,000,000.00	0.00	Luo Caiyu [2012] No. 260/Luo Caiyu [2015] No. 24
Comprehensive technical service platform for small and medium sized agricultural machinery enterprises	2,000,000.00	0.00	Henan Provincial Finance Bureau issued a notice of special funds allocated for enterprises Yuchai (2014) No. 145
Science and technology type small and medium-sized enterprise technology innovation award fund	830,000.00	0.00	Luoyang Municipal Bureau of finance, science and Technology Bureau on the issue of Notice of budget in 2014 science and technology type small and medium-sized enterprise technology innovation award fund Luo Caiyu (2015) No. 23
Others	242,915.50	235,913.60	Documents of other government subsidies
Total	32,513,241.88	27,077,645.98	—

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

58. Non-operating expenses

Item	Amount in this year	Amount in last year	Extraordinary gains and losses recognized in this year
Loss from disposal of non-current assets	4,412,254.29	1,742,962.60	4,412,254.29
Include: Loss from disposal of fixed assets	4,272,087.83	1,742,962.60	4,272,087.83
Loss from disposal of intangible assets	140,166.46	0.00	140,166.46
Losses from debt restructuring	5,271,672.79	60,377.42	5,271,672.79
Donations to outside party	10,000.00	141,830.22	10,000.00
Others	1,580,734.36	3,475,545.04	1,580,734.36
Total	<u>11,274,661.44</u>	<u>5,420,715.28</u>	<u>11,274,661.44</u>

Note: RMB11,274,661.44 is recorded in the extraordinary gain and loss in the current year (last year: RMB5,420,715.28).

59. Income tax expenses

Item	Amount in this year	Amount in last year
Current income tax expenses	105,989,030.34	66,264,123.43
Deferred income tax expense	-23,365,678.22	-18,595,937.20
Total	<u>82,623,352.12</u>	<u>47,668,186.23</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

60. Audit fees

The audit fee is RMB1,820,000.00 for the current year, including financial audit fee of RMB1,420,000.00 and internal control audit fee of RMB400,000.00 (last year: RMB1,820,000.00).

61. Depreciation and amortization

Depreciation and amortization recognized in the Income statement for the current year is RMB281,111,036.92 and RMB33,292,606.41 respectively (last year: RMB263,982,811.91 and RMB34,029,757.55 respectively).

62. Operating rental expenses

Operating rental expenses is RMB11,581,431.65 for the current year (last year: RMB23,726,037.80), including rental expenses on machinery equipment of RMB5,028,539.60 (Last year: RMB1,490,727.11).

63. Rental income

The rental income on land and buildings is RMB12,141,337.15 for this year (last year: RMB4,958,742.68).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

64. Earnings per share

(1) Basic earnings per share

Item	This year	Last year
Consolidated net profit attributable to the ordinary shareholders of the parent company	135,322,811.53	167,698,247.35
Consolidated net profit attributable to the ordinary shareholders of the parent company (after deducting extraordinary gains or losses)	59,060,936.02	-21,999,386.97
The weighted average outstanding ordinary shares of the parent company	995,900,000.00	995,900,000.00
Basic earnings per share (RMB/share)	0.1359	0.1684
Basic earnings per share (RMB/share) (after deducting extraordinary gains or losses)	0.0593	-0.0221

The calculation process of ordinary share weighted average:

Item	This year	Last year
Beginning balance of outstanding ordinary shares issued	995,900,000.00	995,900,000.00
Reserve funds or share dividend distribution to increase the number of shares	0.00	0.00
The number of shares increased from issuing new shares or bonds convertible	0.00	0.00
The cumulative number of months from the next month of increasing the number of shares (II) until the end of the year	0.00	0.00
Reduce the number of shares due to repurchase	0.00	0.00
The cumulative number of months from the next month of decreasing the shares until the end of the year	0.00	0.00
Number of reduced shares	0.00	0.00
Number of months of the reporting period	0.00	0.00
Ending balance of outstanding ordinary shares issued	995,900,000.00	995,900,000.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

64. Earnings per share (Continued)

(2) Diluted earnings per share

Item	This year	Last year
Adjusted consolidated net profit attributable to the ordinary shareholders of the parent	135,322,811.53	167,698,247.35
Adjusted consolidated net profit attributable to the ordinary shareholders of the parent (after deducting extraordinary gains or losses)	59,060,936.02	-21,999,386.97
The adjusted weighted average outstanding basic shares	995,900,000.00	995,900,000.00
Diluted earnings per share (RMB/share)	<u>0.1359</u>	<u>0.1684</u>
Diluted earnings per share (RMB/share) (after deducting extraordinary gains or losses)	<u><u>0.0593</u></u>	<u><u>-0.0221</u></u>

65. Other comprehensive income

Item	Amount in this year	Amount in last year
1. Gain (or loss) generated from financial assets available for sale	-9,173,200.00	43,319,600.00
Less: impact on income tax generated from financial assets available for sale	-3,711,372.73	8,225,100.00
Net income previously recognized in other comprehensive income transferred to current profit and loss	<u>12,249,818.18</u>	0.00
Subtotal	<u><u>-17,711,645.45</u></u>	<u><u>35,094,500.00</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

65. Other comprehensive income (Continued)

Item	Amount in this year	Amount in last year
2. The share entitled to in accordance with the equity method of accounting for investments in other comprehensive income	0.00	0.00
Less: Impact on income tax generated from the share entitled to in accordance with the equity method of accounting for investments in other comprehensive income	0.00	0.00
Net income previously recognized in other comprehensive income transferred to current profit and loss	0.00	0.00
Subtotal	<u>0.00</u>	<u>0.00</u>
3. Gain and loss from cash flow hedging	0.00	0.00
Less: Income tax effect on cash flow hedging	0.00	0.00
Net income previously recognized in other comprehensive income transferred to current profit and loss	0.00	0.00
Adjusted amount on the initial recognized amount when changed into hedged item	0.00	0.00
Subtotal	<u>0.00</u>	<u>0.00</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

65. Other comprehensive income (Continued)

Item	Amount in this year	Amount in last year
4. Translation difference of foreign currency financial statements	10,538,824.59	-16,292,626.85
Less: Net gain and loss for the current year from disposal of foreign operation	<u>0.00</u>	<u>0.00</u>
Subtotal	<u>10,538,824.59</u>	<u>-16,292,626.85</u>
5. Others	0.00	0.00
Less: Income tax effect from other items in other comprehensive income	0.00	0.00
Net income previously recognized in other comprehensive income transferred to current profit and loss	<u>0.00</u>	<u>0.00</u>
Subtotal	<u>0.00</u>	<u>0.00</u>
Total	<u>-7,172,820.86</u>	<u>18,801,873.15</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

66. Notes to items of cash flow statement

(1) Cash receipts from other operating activities

Item	Amount in this year	Amount in last year
Cash receipts from interest income of bank deposits	22,665,622.07	22,294,040.80
Cash receipts from other receivables	67,295,215.75	152,255,145.65
Total	89,960,837.82	174,549,186.45

(2) Cash payments to other operating activities

Item	Amount in this year	Amount in last year
Payment of selling and administrative expenses	614,507,693.35	616,774,527.59
Payment of other payables	127,837,149.44	88,035,688.10
Total	742,344,842.79	704,810,215.69

(3) Cash receipts from other investing activities

Item	Amount in this year	Amount in last year
Cash received from assets-related government grants	24,480,000.00	22,900,000.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

67. Supplementary information for consolidated cash flow statement

(1) Supplementary information for consolidated cash flow statement

Item	Amount in this year	Amount in last year
1. Reconciliation of net profit to cash flows from operating activities:	—	—
Net profit	139,054,260.90	164,225,945.43
Add: provision for asset impairment	158,306,457.84	166,499,011.38
Depreciation of fixed asset	281,111,036.92	263,982,811.91
Amortization of intangible assets	33,292,606.41	34,029,757.55
Amortization of long term deferred expenses	12,088,628.85	8,396,942.71
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain listed as "-")	3,503,966.64	-160,576,609.27
Loss on disposal of fixed assets (Gain listed as "-")	0.00	0.00
Gain or loss from changes in fair value (Gain listed as "-")	-3,009,536.29	-8,113,671.48
Financial expenses (Gain listed as "-")	153,320,472.52	119,367,644.02
Loss on investments (Gain listed as "-")	-95,364,775.28	-108,929,271.92
Decrease in deferred tax assets (Increase listed as "-")	-21,247,307.12	-16,646,836.42
Increase in deferred tax liabilities (Decrease listed as "-")	-2,118,371.10	-1,949,110.81
Decrease in inventories (Increase listed as "-")	269,784,944.82	313,517,062.75
Decrease in operating receivables (Increase listed as "-")	-957,984,312.08	266,106,414.12
Increase in operating payables (Decrease listed as "-")	667,057,647.15	-965,043,692.45
Others	0.00	0.00
Net cash flow generated from operating activities	637,795,720.18	74,866,397.52
2. Significant non-cash investing and financing activities:	—	—
Conversion of debts into capital	0.00	0.00
Convertible bonds repayable within 1 year	0.00	0.00
Fixed assets acquired under finance lease arrangement	0.00	0.00
3. Changes in cash and cash equivalents:	—	—
Ending balance of cash	1,690,285,427.32	1,749,902,168.21
Less: beginning balance of cash	1,749,902,168.21	1,617,836,958.07
Add: ending balance of cash equivalents	0.00	0.00
Less: beginning balance of cash equivalents	0.00	0.00
Net increase in cash and cash equivalents	-59,616,740.89	132,065,210.14

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

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

(2) Relevant information for acquisition of subsidiaries and other business entities in the current year

Item	Amount in this year	Amount in last year
Relevant information for acquisition of subsidiaries and other business entities		
1. Cost for acquisition of subsidiaries and other business entities	0.00	39,929,011.36
2. Cash and cash equivalents paid for acquisition of subsidiaries and other business entities	0.00	39,929,011.36
Less: cash and cash equivalents held by subsidiaries and other business entities	0.00	2,673,426.60
3. Net cash paid for acquisition of subsidiaries and other business entities	0.00	37,255,584.76
4. Acquisition of net assets of subsidiaries	0.00	29,217,308.85
Current assets	0.00	22,837,985.62
Non-current assets	0.00	12,587,341.35
Current liabilities	0.00	4,678,058.12
Non-current liabilities	0.00	1,529,960.00
	0.00	1,529,960.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

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

(3) Relevant information for disposal of subsidiaries and other business entities in the current year

Item	Amount in this year	Amount in last year
Relevant information for disposal of subsidiaries and other business entities		
1. Price on disposal of subsidiaries and other business entities	0.00	101,555,369.62
2. Cash and cash equivalents received for disposal of subsidiaries and other business entities	0.00	101,555,369.62
Less: cash and cash equivalents held by subsidiaries and other business entities	0.00	33,501,430.21
3. Net cash received on disposal of subsidiaries and other business entities	0.00	68,053,939.41
4. Disposal of net assets of subsidiaries	0.00	44,225,488.14
Current assets	0.00	91,384,522.39
Non-current assets	0.00	59,718,957.93
Current liabilities	0.00	96,877,712.93
Non-current liabilities	0.00	10,000,279.25

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

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

(4) Cash and cash equivalents

Item	Ending balance	Beginning balance
Cash	1,690,285,427.32	1,749,902,168.21
Including: Cash on hand	983,395.10	1,225,011.51
Bank deposits available for use on demand	1,678,047,698.53	1,740,815,151.89
Other monetary funds for use on demand	11,254,333.69	7,862,004.81
Central bank deposits for payment on demand	0.00	0.00
Deposits in other banks	0.00	0.00
Loans to other banks	0.00	0.00
Cash equivalents	0.00	0.00
Including: Bonds investment matured within three months	0.00	0.00
Ending balance of cash and cash equivalents	1,690,285,427.32	1,749,902,168.21
Including: Cash and cash equivalents of the parent or subsidiaries of the group with restricted right of use	0.00	0.00

(5) Significant investing and financing activities not involving cash expenditures in the current period

None

68. Items in the statement of changes in shareholder's equity

In this year, there is no change in the item "Others" of the statement of changes in shareholder's equity.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

69. Assets with restricted ownership or right to use

Item	Book value of ending balance	Reasons for the restriction
Monetary funds	207,508,650.29	Security for bank acceptance notes, central bank statutory reserve and other securities
Notes receivable	485,390,596.47	Pledged
Fixed assets	76,392,498.50	Mortgaged
Intangible assets	18,015,084.90	Mortgaged
Total	787,306,830.16	–

Note: Money funds which are subject to restricted ownership are guarantee deposits of RMB733,949.31. The deposit for bank acceptances is RMB153,702,064.13. Trade finance security is RMB8,352,500.00. Letter of credit deposit is RMB2,610,000.00. Project risk reserve is RMB2,169,109.42. Forward foreign exchange deposit is RMB400,000.00. The central bank statutory deposit is RMB39,541,027.43.

The amount of notes receivables with restricted ownership is the amount of note receivables pledged in the bank in the current period.

The land and properties with restricted ownership of which the total original value of RMB100,098,120.94 and the net value of RMB94,407,583.40 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

70. Foreign currency monetary items

(1) Foreign currency monetary items

Item	Ending balance of foreign currency	Exchange rate	Ending balance converted into RMB
Monetary funds	–	–	118,860,889.73
Including: USD	11,087,048.31	6.49360	71,994,856.87
EUR	199,553.22	7.09520	1,415,869.98
HKD	39,697,639.09	0.83778	33,257,888.08
XOF	279,539,251.41	0.01080	3,019,023.91
ZAR	8,711,718.81	0.41730	3,635,400.26
YEN	9,535,848.00	0.05390	513,982.20
AUD	1,030,259.30	4.72760	4,870,653.87
GBP	15,933.46	9.61590	153,214.56
Accounts receivable	–	–	418,515,634.85
Including: USD	59,170,131.29	6.49360	384,227,164.55
EUR	2,983,979.92	7.09520	21,171,934.33
ZAR	23,672,404.37	0.41730	9,878,494.34
XOF	150,096,144.45	0.01080	1,621,038.36
YEN	16,757,062.00	0.05390	903,205.64
AUD	150,985.20	4.72760	713,797.63
Other receivables	–	–	15,636,482.77
Including: XOF	9,167,625.00	0.01080	99,010.35
ZAR	152,545.00	0.41730	63,657.03
EUR	2,180,885.02	7.09520	15,473,815.39

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

70. Foreign currency monetary items (Continued)

(1) Foreign currency monetary items (Continued)

Item	Ending balance of foreign currency	Exchange rate	Ending balance converted into RMB
Accounts payable	–	–	31,505,683.85
Including: EUR	3,240,843.64	7.09520	22,994,433.79
XOF	139,085,055.56	0.01080	1,502,118.60
ZAR	165,864.98	0.41730	69,215.46
USD	1,068,731.67	6.49360	6,939,916.00
Short-term borrowings	–	–	792,064,725.16
Including: USD	96,800,000.00	6.49360	628,580,480.00
EUR	21,700,000.00	7.09520	153,965,840.00
XOF	881,333,811.11	0.01080	9,518,405.16
Non-current liabilities due within one year	–	–	17,738,000.00
Including: EUR	2,500,000.00	7.09520	17,738,000.00
Long-term loans	–	–	26,607,000.00
Including: EUR	3,750,000.00	7.09520	26,607,000.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

70. Foreign currency monetary items (Continued)

(2) Overseas business entities

Company name	Overseas main business premises	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 CAD FUND MACHINERY (SA)(PTY)LTD	Côte d'Ivoire South Africa	XOF ZAR	Business environment and the main settlement currency
YTO FRANCE SAS	France	EUR	Business environment and the main settlement currency

VII. CHANGES IN SCOPE OF CONSOLIDATION

1. Business consolidation not under common control

None

2. Business consolidation under common control

None

3. Changes of scope of consolidation due to other reasons

According to Guojizi [2014] No. 316 "Approval on Implementation of Improving Assets Quality of YTO Group Corporation" issued by China National Machinery Industry Corporation, Chang Tuo Agricultural Machinery Equipment Group Co., Ltd signed the Merger Agreement with Jilin Province Chillida Gear Co., Ltd in June 2014. According to the merger plan, Chang Tuo Agricultural Machinery Equipment Group Co., Ltd merged Jilin Province Chillida Gear Co., Ltd and kept existed. Jilin Province Chillida Gear Co., Ltd was dissolved and cancelled when the merger process completed. The formality for industry and commerce change registration has completed in this reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

VIII. INTEREST IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Composition of the Group

Name of the subsidiary	Main operating premises	Registration place	Nature of business	Percentage of shareholding (%)		Acquisition method
				Direct	Indirect	
YTO France SAS	France	France	Tractor manufacturing	100.00	0.00	1
Luoyang Changhong Trading Co., Ltd	China	China	Sale of agricultural machinery	100.00	0.00	1
YTO (Luoyang) Shentong Construction Machinery Co., Ltd	China	China	Other machinery manufacturing	100.00	0.00	1
YTO (Xinjiang) Machinery Co., Ltd	China	China	Tractor manufacturing	100.00	0.00	1
YTO Heilongjiang Agricultural Machinery Co., Ltd	China	China	Tractor manufacturing	100.00	0.00	1
Luoyang Changxing Agricultural Machinery Co., Ltd	China	China	Sale of agricultural machinery	70.00	30.00	1
YTO (Luoyang) Transportation Machinery Co., Ltd	China	China	Other machinery manufacturing	93.39	0.00	1
Brilliance China Machinery Holdings Co., Ltd	China	Bermuda	Investment shareholding	90.10	0.00	1
China-Africa Heavy Industry Investment Co., Ltd	China	China	Sale of agricultural machinery	55.00	0.00	1
Luoyang Tractor Research Institute Co., Ltd	China	China	Others	51.00	0.00	2
YTO (Luoyang) Forklift Truck Company Limited	China	China	Other machinery manufacturing	100.00	0.00	2
YTO (Luoyang) Diesel Engine Co., Ltd	China	China	Power machinery manufacturing	67.94	19.45	2
YTO (Luoyang) Drive Axle Company Limited	China	China	Tractor manufacturing	100.00	0.00	2
YTO Group Finance Co., Ltd	China	China	Finance	88.60	4.80	1
YTO (Luoyang) Flag Auto-Body Company Limited	China	China	Tractor manufacturing	100.00	0.00	2
YTO (Luoyang) Fuel Injection Co., Ltd	China	China	Power machinery manufacturing	66.60	22.83	2
YTO (Luoyang) Foundry Company Limited	China	China	Tractor manufacturing	100.00	0.00	2
YTO International Economic and Trade Co., Ltd	China	China	Sale of agricultural machinery	100.00	0.00	2
Chang Tuo Agricultural Machinery Equipment Group Co., Ltd	China	China	Tractor manufacturing	33.33	0.00	3
YTO Shunxing (Luoyang) Spare Parts Co., Ltd	China	China	Tractor manufacturing	100.00	0.00	3
YTO (Shenyang) Co., Ltd	China	China	Tractor manufacturing	60.00	0.00	1

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

VIII. INTEREST IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) Composition of the Group (Continued)

Note: 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.

Acquisition method: 1. Establishment or investment; 2. Business combination under common control; 3. Subsidiaries acquired through business combination not under common control.

(2) Significant partially-owned subsidiaries

Name of the subsidiary	Minority holding	Profit and loss attributable to minorities	Dividends declared to minorities in this year	Ending balance of minority interests
Brilliance China Machinery Holdings Co., Ltd	9.90%	1,070,784.27	0.00	14,873,085.93
YTO (Luoyang) Transportation Machinery Co., Ltd	6.61%	-621,881.58	0.00	265,147.39
YTO Group Finance Co., Ltd	7.21%	5,834,540.89	1,650,000.00	55,076,476.66
China-Africa Heavy Industry Investment Co., Ltd	45.00%	150,307.81	0.00	41,992,081.02
Luoyang Tractor Research Institute Co., Ltd	49.00%	13,232,221.92	0.00	314,862,253.25
YTO (Luoyang) Diesel Engine Co., Ltd	14.53%	15,790,025.32	4,252,789.00	184,960,156.25
YTO (Luoyang) Fuel Injection Co., Ltd	13.89%	1,238,000.78	172,800.00	32,947,280.68
Chang Tuo Agricultural Machinery Equipment Group Co., Ltd	66.67%	-31,453,842.03	0.00	83,578,263.21

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

VIII. INTEREST IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

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

Item	Amount in this year							
	YTO (Luoyang) Transportation Machinery Co., Ltd	Brilliance China Machinery Holdings Co., Ltd	YTO Group Finance Co., Ltd	China-Africa Heavy Industry Investment Co., Ltd	Luoyang Tractor Research Institute Co., Ltd	YTO (Luoyang) Diesel Engine Co., Ltd	YTO (Luoyang) Fuel Injection Co., Ltd	Chang Tuo Agricultural Machinery Equipment Group Co., Ltd
Current assets	25,879,400.80	143,808,195.44	2,781,474,990.27	121,793,766.04	235,098,802.34	1,091,385,579.93	188,629,319.91	40,472,425.51
Non-current assets	27,063,080.36	9,740,400.00	2,689,978,184.85	3,013,198.24	501,125,740.94	786,821,486.20	138,168,469.92	210,396,878.74
Total assets	<u>52,942,481.16</u>	<u>153,548,595.44</u>	<u>5,471,453,175.12</u>	<u>124,806,964.28</u>	<u>736,224,543.28</u>	<u>1,878,207,066.13</u>	<u>326,797,789.83</u>	<u>250,869,304.25</u>
Current liabilities	48,586,767.69	3,315,404.30	4,708,921,092.84	32,662,443.89	49,726,093.24	808,566,050.12	90,365,553.89	116,939,543.95
Non-current liabilities	0.00	0.00	2,576,901.14	0.00	43,922,422.99	24,210,559.48	0.00	8,562,351.43
Total liabilities	<u>48,586,767.69</u>	<u>3,315,404.30</u>	<u>4,711,497,993.98</u>	<u>32,662,443.89</u>	<u>93,648,516.23</u>	<u>832,776,609.60</u>	<u>90,365,553.89</u>	<u>125,501,895.38</u>
Operating income	37,213,849.73	0.00	379,762,308.57	72,615,890.68	192,796,381.21	2,323,467,488.74	231,777,548.13	35,434,202.85
Net profit	<u>-9,408,193.32</u>	<u>10,816,002.68</u>	<u>80,919,530.29</u>	<u>186,517.56</u>	<u>27,004,534.54</u>	<u>117,327,980.74</u>	<u>8,914,818.03</u>	<u>-47,180,763.04</u>
Total comprehensive income	<u>-9,408,193.32</u>	<u>15,794,904.87</u>	<u>77,185,130.29</u>	<u>-1,590,863.08</u>	<u>27,004,534.54</u>	<u>117,327,980.74</u>	<u>8,914,818.03</u>	<u>-47,180,763.04</u>
Cash flow from operating activities	<u>1,815,598.41</u>	<u>192,180.24</u>	<u>118,397,015.89</u>	<u>9,786,153.11</u>	<u>45,178,520.09</u>	<u>241,680,313.81</u>	<u>26,675,292.71</u>	<u>7,205,112.05</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

VIII. INTEREST IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

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

Item	Amount in last year							
	YTO (Luoyang) Transportation Machinery Co., Ltd	Brilliance China Machinery Holdings Co., Ltd	YTO Group Finance Co., Ltd	China-Africa Heavy Industry Investment Co., Ltd	Luoyang Tractor Research Institute Co., Ltd	YTO (Luoyang) Diesel Engine Co., Ltd	YTO (Luoyang) Fuel Injection Co., Ltd	Chang Tuo Agricultural Machinery Equipment Group Co., Ltd
Current assets	41,763,593.97	128,383,932.95	1,780,819,452.23	125,893,693.52	210,563,428.17	1,060,474,739.51	216,421,092.89	75,478,043.12
Non-current assets	28,710,237.03	9,178,500.00	2,008,726,018.62	3,585,122.45	463,225,326.19	837,199,724.88	106,758,341.60	221,393,368.02
Total assets	<u>70,473,831.00</u>	<u>137,562,432.95</u>	<u>3,789,545,470.85</u>	<u>129,478,815.97</u>	<u>673,788,754.36</u>	<u>1,897,674,464.39</u>	<u>323,179,434.49</u>	<u>296,871,411.14</u>
Current liabilities	57,189,602.48	3,124,146.68	3,077,850,895.00	35,743,432.50	34,979,632.10	909,021,754.48	94,027,216.58	115,733,317.15
Non-current liabilities	0.00	0.00	3,924,525.00	0.00	23,237,629.75	26,812,130.12	0.00	8,994,328.03
Total liabilities	<u>57,189,602.48</u>	<u>3,124,146.68</u>	<u>3,081,775,420.00</u>	<u>35,743,432.50</u>	<u>58,217,261.85</u>	<u>935,833,884.60</u>	<u>94,027,216.58</u>	<u>124,727,645.18</u>
Operating income	70,714,918.15	0.00	132,520,793.76	83,171,016.78	171,161,634.22	2,034,264,976.56	197,083,244.28	66,393,229.77
Net profit	<u>-5,858,483.43</u>	<u>14,591,092.82</u>	<u>63,179,761.43</u>	<u>4,418,688.50</u>	<u>11,979,763.09</u>	<u>59,855,832.01</u>	<u>3,269,497.62</u>	<u>-35,891,186.58</u>
Total comprehensive income	<u>-5,858,483.43</u>	<u>11,772,962.21</u>	<u>76,133,461.43</u>	<u>1,961,877.27</u>	<u>11,979,763.09</u>	<u>59,855,832.01</u>	<u>3,269,497.62</u>	<u>-35,891,186.58</u>
Cash flow from operating activities	<u>-7,581,291.23</u>	<u>34,564.91</u>	<u>190,034,147.82</u>	<u>-6,066,743.98</u>	<u>29,247,705.86</u>	<u>-9,430,592.94</u>	<u>15,988,644.76</u>	<u>-22,487,469.27</u>

2. Subsidiaries still under controlled with changes in entitled owner's equity of the subsidiaries

None

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

VIII. INTEREST IN OTHER ENTITIES (CONTINUED)

3. Interests in joint ventures or associates

(1) Significant joint ventures or associates

Name of joint ventures or associates	Main operating premises	Registration place	Nature of business	Percentage of shareholding (%)		Accounting method of investments in joint ventures or associates
				Direct	Indirect	
ZF YTO (Luoyang) Drive Axle Co., Ltd	China	China	Tractor manufacturing	49.00	0.00	Equity method
YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	China	China	Tractor manufacturing Other special equipment	20.00	0.00	Equity method
Luoyang Yongwei Machinery Co., Ltd	China	China	manufacturing	48.60	0.00	Equity method

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

VIII. INTEREST IN OTHER ENTITIES (CONTINUED)

3. Interests in joint ventures or associates (Continued)

(2) Main financial information of important joint ventures

Item	Ending balance/Amount incurred in this year			Beginning balance/Amount incurred in last year		
	Luoyang Yongwei Machinery Co., Ltd	YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	ZF YTO (Luoyang) Drive Axle Co., Ltd	Luoyang Yongwei Machinery Co., Ltd	YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	ZF YTO (Luoyang) Drive Axle Co., Ltd
Current assets:	19,362,291.97	3,850,569.52	174,470,563.84	12,823,734.66	5,404,815.50	17,651,041.08
Including: Cash and cash equivalents	1,411,761.96	573,538.14	53,676,401.47	4,252,591.54	4,754,660.19	0.00
Non-current assets	7,142,462.37	1,171,788.52	197,413,511.15	6,796,931.27	248,720.04	204,624,724.00
Total assets	<u>26,504,754.34</u>	<u>5,022,358.04</u>	<u>371,884,074.99</u>	<u>19,620,665.93</u>	<u>5,653,535.54</u>	<u>222,275,765.08</u>
Current liabilities:	12,214,419.41	-85,340.49	80,860,031.55	4,387,407.64	201,249.13	165,120,652.00
Non-current liabilities	0.00	0.00	0.00	0.00	0.00	0.00
Total liabilities	<u>12,214,419.41</u>	<u>-85,340.49</u>	<u>80,860,031.55</u>	<u>4,387,407.64</u>	<u>201,249.13</u>	<u>165,120,652.00</u>
Minority interests	0.00	0.00	0.00	0.00	0.00	0.00
Equity attributable to the parent company shareholders	14,290,334.93	5,107,698.53	291,024,043.44	15,233,258.29	5,452,286.41	57,155,113.08
Share of net assets calculated by shareholding ratio	6,945,102.78	1,021,539.70	142,601,781.29	7,403,363.53	1,090,457.28	57,155,113.08
Adjusting matters	148,602.23	0.00	-156,870.70	0.00	0.00	0.00
- Goodwill	0.00	0.00	0.00	0.00	0.00	0.00
- Unrealized profits from internal trading	0.00	0.00	-156,870.70	0.00	0.00	0.00
- Others	148,602.23	0.00	0.00	0.00	0.00	0.00
Book value of equity investments in joint ventures	7,093,705.01	1,021,539.70	142,444,910.59	7,426,196.13	1,090,457.28	57,155,113.08
Fair value of equity investments in joint ventures with public offer	0.00	0.00	0.00	0.00	0.00	0.00
Operating income	93,627,113.15	11,914,751.16	279,471,022.67	77,551,534.25	14,604,858.38	0.00
Finance expenses	97,572.96	-7,576.76	-605,650.29	208,936.58	-11,499.95	0.00
Income tax expenses	53,718.51	0.00	2,188,370.68	242,594.18	0.00	0.00
Net profit	-668,609.05	-344,587.88	8,024,043.44	727,782.53	-510,179.58	0.00
Net profits of discontinuing operation	0.00	0.00	0.00	0.00	0.00	0.00
Other comprehensive income	0.00	0.00	0.00	0.00	0.00	0.00
Total comprehensive income	-668,609.05	-344,587.88	8,024,043.44	727,782.53	-510,179.58	0.00
Dividends from joint ventures for current period	0.00	96,000.00	0.00	729,000.00	0.00	0.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

VIII. INTEREST IN OTHER ENTITIES (CONTINUED)

3. Interests in joint ventures or associates (Continued)

(3) Summary financial information of insignificant associates

Item	Ending balance/ Amount incurred in this year	Beginning balance/ Amount incurred in last year
Associates:		
Total book value of investments	80,039.21	177,404.35
Total amount of the following items calculated by shareholding ratio		
– Net profit	-97,365.14	-31,500.51
– Other comprehensive income	0.00	0.00
– Total comprehensive income	-97,365.14	-31,500.51

(4) Significant restrictions of the ability to transfer funds from associates to the Company

None

(5) Excess loss incurred in associates

None

(6) Unconfirmed commitments related to investments in associates

None

(7) Contingent liabilities related to investments in associates

None

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

VIII. INTEREST IN OTHER ENTITIES (CONTINUED)

4. Significant joint operation
None
5. Structured entity not included in the scope of consolidated financial statements.
None

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.

1. Risk management objectives and policies

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

(1) Market risk

1) *Exchange rate risk*

Most of the business of the Group is in China. As a result, most transactions are settled in RMB, which means the Group does not need to face a high exchange rate risk. The foreign exchange exposure of the Group is mainly related to U.S. Dollar, H.K. Dollar, Euro, Yen, Australian Dollar, West African francs and rand. On December 31, 2015, the ending balances of assets and liabilities held by the Group are all in RMB, except for the ending balances in foreign currencies stated in the following schedule. The exchange rate risk rose from ending balances in foreign currencies of assets and liabilities may have effects on the operation performance of the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Risk management objectives and policies (Continued)

(1) Market risk (Continued)

1) Exchange rate risk (Continued)

Item	Ending balance		Beginning balance	
	Original currency	Converted into RMB	Original currency	Converted into RMB
Monetary funds	–	118,860,889.73	–	117,703,764.62
USD	11,087,048.31	71,994,856.87	6,183,230.17	37,835,185.36
EUR	199,553.22	1,415,869.98	3,887,470.62	28,983,425.95
HKD	39,697,639.09	33,257,888.08	35,279,020.98	27,831,619.65
YEN	9,535,848.00	513,982.20	85,788,300.97	4,409,518.67
AUD	1,030,259.30	4,870,653.87	545,072.91	2,734,848.80
XOF	279,539,251.41	3,019,023.91	433,401,620.00	4,927,776.42
ZAR	8,711,718.81	3,635,400.26	20,739,168.59	10,981,389.77
GBP	15,933.46	153,214.56	0.00	0.00
Accounts receivable	–	418,515,634.85	–	69,246,598.08
USD	59,170,131.29	384,227,164.55	6,197,748.78	37,924,024.79
EUR	2,983,979.92	21,171,934.33	1,396,701.23	10,413,245.75
YEN	16,757,062.00	903,205.64	14,028,271.00	721,053.13
AUD	150,985.20	713,797.63	381,696.80	1,915,125.52
XOF	150,096,144.45	1,621,038.36	586,311,908.47	6,666,366.40
ZAR	23,672,404.37	9,878,494.34	21,920,269.11	11,606,782.49
Other receivables	–	15,636,482.77	–	163,460.24
XOF	9,167,625.00	99,010.35	12,181,679.50	138,505.70
ZAR	152,545.00	63,657.03	47,128.50	24,954.54
EUR	2,180,885.02	15,473,815.39	0.00	0.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Risk management objectives and policies (Continued)

(1) Market risk (Continued)

1) Exchange rate risk (Continued)

Item	Ending balance		Beginning balance	
	Original currency	Converted into RMB	Original currency	Converted into RMB
Advances to suppliers	–	264,674,115.70	–	80,897.62
USD	240,964.56	1,564,727.47	7,013,308.00	79,741.31
EUR	35,684,791.63	253,190,733.57	2,183.78	1,156.31
YEN	184,019,567.00	9,918,654.66	0.00	0.00
XOF	0.00	0.00	0.00	0.00
ZAR	0.00	0.00	0.00	0.00
Accounts payable	–	31,505,683.85	–	41,311,784.52
USD	1,068,731.67	6,939,916.00	0.00	0.00
EUR	3,240,843.64	22,994,433.79	599,973,813.54	6,821,702.26
XOF	139,085,055.56	1,502,118.60	65,137,076.98	34,490,082.26
ZAR	165,864.98	69,215.46	0.00	0.00
Other payables	–	10,245,241.13	–	19,430,234.98
EUR	1,318,126.21	9,352,369.09	0.00	0.00
XOF	82,358,633.18	891,120.41	72,349,390.50	822,612.57
ZAR	4,197.53	1,751.63	35,141,874.24	18,607,622.41

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Risk management objectives and policies (Continued)

(1) Market risk (Continued)

1) Exchange rate risk (Continued)

Item	Ending balance		Beginning balance	
	Original currency	Converted into RMB	Original currency	Converted into RMB
Advances from customers	–	58,471,931.15	–	5,720,132.65
USD	2,586,671.25	16,796,808.42	764,802.15	4,679,824.36
EUR	5,401,845.14	38,327,171.64	14,783.40	110,219.12
GBP	300,000.00	2,884,770.00	6,000.00	30,104.40
XOF	41,727,971.30	450,662.09	77,757,235.71	884,099.77
ZAR	30,000.00	12,519.00	30,000.00	15,885.00
Short-term borrowings	–	792,064,725.16	–	1,274,029,853.67
USD	96,800,000.00	628,580,480.00	196,800,000.00	1,204,219,200.00
EUR	21,700,000.00	153,965,840.00	8,021,944.70	59,808,410.91
XOF	881,333,811.11	9,518,405.16	879,704,728.23	10,002,242.76
Non-current liabilities due within one year	–	17,738,000.00	–	18,639,000.00
EUR	2,500,000.00	17,738,000.00	2,500,000.00	18,639,000.00
Long-term loans	–	26,607,000.00	–	46,597,500.00
EUR	3,750,000.00	26,607,000.00	6,250,000.00	46,597,500.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Risk management objectives and policies (Continued)

(1) Market risk (Continued)

1) Exchange rate risk (Continued)

The Group pays close attention to the impact of fluctuations in exchange rate. During the reporting period, the Group totally signed three agreements of forward foreign currency purchasing transactions to offset the fluctuation risk of foreign currency. The content is as following:

Counter party of the transaction	Unit of currency	Exchange rate of the deal	Amount agreed to purchase	Date of delivery
Luoyang Xigong Branch of Industrial and Commercial Bank of China	USD	6.5015	38,600,000.00	July 25, 2016
Luoyang Xigong Branch of Industrial and Commercial Bank of China	EUR	7.0033	10,000,000.00	June 28, 2016
Luoyang Henan Branch of China Construction Bank	USD	6.5841	50,000,000.00	August 1, 2016

2) Interest rate risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Risk management objectives and policies (Continued)

(1) Market risk (Continued)

2) Interest rate risk (Continued)

On December 31, 2015, interest-bearing debts of the Group are mainly borrowing contracts in EUR with floating interest rates and contracts denominated in RMB, EUR and XOF with fixed interest rates. The total amount of borrowing contracts with floating interest rates is RMB127,358,840.00 (RMB667,188,310.91 on December 31, 2014). The total amount of contracts with fixed interest rates is RMB1,855,941,105.26 (RMB2,542,580,835.24 on December 31, 2014).

3) Price risk

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

(2) Credit risk

On December 31, 2015, the potential maximum exposure to credit risk of the Group is mainly because of the counterparties' failure to perform their obligations leading to losses of financial assets related to the Group, including accounts receivable of the Group and loan transactions in YTO Group Finance Co., Ltd, a subsidiary of the Group.

The policy of the Group is to make all customers with credit term transactions to go through credit audit procedures. 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.

The total amount of the top five accounts receivable is RMB582,104,709.51 (RMB271,528,106.00 on December 31, 2014). The risk exposure of the Group is distributed across multiple clients. At the end of the year, 42.63% of the accounts receivable of the Group (21.37% for last year) comes from the top five customers respectively. Therefore, the Group has no significant credit concentration risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Risk management objectives and policies (Continued)

(2) **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 commitment 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.

Bank deposits and pledged bank deposits are all in state-owned banks or other reputable financial institution. Therefore, the credit risk of bank deposits is limited.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Risk management objectives and policies (Continued)

(3) Liquidity risk

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

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. 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.

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.

At the end of year, cash and cash equivalents held by the Group is RMB1,690,285,427.32 (RMB1,749,902,168.21 on December 31, 2014) (Note VI. 66), accounts receivable and notes receivable of approximate RMB1,995,030,356.75 (RMB2,211,631,632.05 on December 31, 2014) (Note VI 3, 4). Cash flow is expected to real-timely generated to manage the liquidity risk. Besides, listed transactional equity securities held by the Group is RMB14,432,348.51 (RMB14,360,150.44 on December 31, 2014) (Note VI. 2). These securities can be real-timely realized to cash when there is a need to provide the source of cash further.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Risk management objectives and policies (Continued)

(3) Liquidity risk (Continued)

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 December 31, 2015:

Item	Within 1 year or on demand	1-2 years	2-5 years	Over 5 years	Total
Financial assets					
Monetary funds	1,897,794,077.61	0.00	0.00	0.00	1,897,794,077.61
Trading financial assets	351,303,674.23	63,562,307.41	0.00	0.00	414,865,981.64
Notes receivable	629,595,676.71	0.00	0.00	0.00	629,595,676.71
Accounts receivable	718,873,964.01	89,726,305.78	37,991,788.53	0.00	846,592,058.32
Prepayments	47,065,479.16	2,700,201.60	11,167,618.09	0.00	60,933,298.85
Interests receivable	1,878,611.11	0.00	0.00	0.00	1,878,611.11
Other receivables	55,672,162.70	6,097,207.27	5,874,822.93	0.00	67,644,192.90
Financial assets available for sale-stock	0.00	71,305,200.00	0.00	0.00	71,305,200.00
Loans and advances granting	1,857,173,506.54	0.00	2,444,130.91	0.00	1,859,617,637.45
Financial liabilities					
Short-term borrowings	1,938,954,945.26	0.00	0.00	0.00	1,938,954,945.26
Absorption of deposits and interbank deposits	527,213,699.13	0.00	0.00	0.00	527,213,699.13
Deposits from banks and other financial institutes	350,000,000.00	0.00	0.00	0.00	350,000,000.00
Notes payable	1,299,804,364.19	0.00	0.00	0.00	1,299,804,364.19
Accounts payable	1,381,275,324.73	73,232,449.45	72,239,218.80	0.00	1,526,746,992.98
Other payables	242,762,492.73	0.00	0.00	0.00	242,762,492.73
Interests payable	53,716,956.57	0.00	0.00	0.00	53,716,956.57
Employee benefits payable	78,352,255.65	6,639,292.67	12,247,570.80	5,673,875.69	102,912,994.81
Non-current liabilities due within one year-loan	17,738,000.00	0.00	0.00	0.00	17,738,000.00
Long-term loans	0.00	17,738,000.00	8,869,000.00	0.00	26,607,000.00
Bonds payable	0.00	0.00	1,494,277,758.19	0.00	1,494,277,758.19

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

2. Sensitivity analysis

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

(1) Sensitivity analysis of foreign currency risk

Hypothesis of sensitivity analysis of foreign currency risk: all net investment hedging in overseas operations and cash flow hedging are highly effective.

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

Item	Fluctuations in exchange rate	Year of 2015 Effect on profits before income tax	Year of 2014 Effect on profits before income tax
All foreign currency	The appreciation of exchange rate of foreign currency against RMB is 5%	-14,951,660.04	-730,632.86
All foreign currency	The depreciation of exchange rate of foreign currency against RMB is 5%	14,951,660.04	730,632.86

(2) Sensitivity analysis of interest rate risk

Hypothesis of sensitivity analysis of interest rate risk:

The change of market interest rate will affect interest income or expenses of financial instruments with variable interest rates:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

2. Sensitivity analysis (Continued)

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

For financial instruments with fixed interest rates and measured at fair value, the change of market interest rate will only affect interest income or expenses:

The change of fair value of derivative financial instruments and other financial assets and liabilities is calculated by the discounted cash flow method with the market interest rate on the balance sheet date.

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

Item	Change in interest rate	Year of 2015		Year of 2014	
		Effect on net profits	Effect on shareholder's equity	Effect on net profits	Effect on shareholder's equity
Floating rate borrowings	Increase by 1%	-518,783.04	-610,332.99	-2,366,795.88	-3,300,152.93
Floating rate borrowings	Decrease by 1%	518,783.04	610,332.99	2,366,795.88	3,300,152.93

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

X. DISCLOSURE OF FAIR VALUE

1. Ending balance of assets and liabilities measured at fair value and hierarchy of fair value measurement

Item	Ending fair value			Total
	The first level of fair value measurement	The second level of fair value measurement	The third level of fair value measurement	
I. Continuous fair value measurement				
(I) Financial assets measured at fair value and its movement recorded through profit and loss	414,865,981.64	0.00	0.00	414,865,981.64
1. Trading financial assets	44,865,981.64	0.00	0.00	44,865,981.64
(1) Investments on debt instrument	10,424,360.53	0.00	0.00	10,424,360.53
(2) Investments on equity instrument	14,432,348.51	0.00	0.00	14,432,348.51
(3) Derivative financial assets	0.00	0.00	0.00	0.00
(4) Others	20,009,272.60	0.00	0.00	20,009,272.60
2. Designated as financial assets measured at fair value and its movement recorded through profit and loss	370,000,000.00	0.00	0.00	370,000,000.00
(1) Investments on debt instrument	0.00	0.00	0.00	0.00
(2) Investments on equity instrument	0.00	0.00	0.00	0.00
(3) Others (Trust products)	370,000,000.00	0.00	0.00	370,000,000.00
(II) Financial assets available for sale	71,305,200.00	0.00	188,129,341.41	259,434,541.41
(1) Investments on debt instrument	0.00	0.00	0.00	0.00
(2) Investments on equity instrument	71,305,200.00	0.00	0.00	71,305,200.00
(3) Others	0.00	0.00	188,129,341.41	188,129,341.41
(III) Investment properties	0.00	0.00	0.00	0.00
(IV) Biological assets	0.00	0.00	0.00	0.00
Total assets continuously measured at fair value	486,171,181.64	0.00	188,129,341.41	674,300,523.05

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

X. DISCLOSURE OF FAIR VALUE (CONTINUED)

2. Determination basis of the market price of the item measured using the first level of fair value measurement continuously and non-continuously

The fair value of financial instruments traded in the active market is accounted for the market price on the financial statement date. The market is regarded active when the offer can be real-time and regularly acquired from the stock exchange, traders, brokers, insiders, pricing services, or regulatory agencies and the offer represents actual and regular market transactions with an even bargain reference. The market price of financial assets held by the Group is the bid price at that time. These financial instruments are in the first level. Instruments in the first level include equity investments of the Hengsheng index, the composite index of Shanghai stock exchange and component index of Shenzhen stock exchange (classified as financial assets measured at fair value and its movement recorded through profit and loss or available-for-sale financial assets).

3. Valuation techniques and qualitative and quantitative information on important parameters adopted for the second level of continuous and non-continuous fair value measurement

Valuation techniques can be used to determine the fair value of financial instruments not traded in the active market (such as over-the-counter (OTC) derivatives). Valuation techniques should use observable market data as much as possible and use specific estimations as less as possible. If all significant inputs are observable data when calculating the fair value of a financial instrument, the financial instrument is listed in the second level.

4. Valuation techniques and qualitative and quantitative information on important parameters adopted for the third level of continuous and non-continuous fair value measurement

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

Specific methods of valuating financial instruments include:

- (1) Market price or industry price of similar financial instruments.
 - (2) The fair value of interest rate swap is calculated based on discounted value of estimated future cash flows by observable yield curve.
 - (3) Present value discounted from fair value of foreign exchange forward contracts calculated by the exchange rate on the settlement date.
 - (4) Other methods such as discounted value of cash flow analysis which is used to calculate the fair value of the rest other financial instruments.
5. No conversion of financial assets between the first level and the second level happened in current year.
 6. No changes in valuation techniques happened in current year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTIES TRANSACTION

1. Information of the parent company of the enterprise

(1) Controlling shareholders and ultimate controlling parties

1) Controlling shareholders and ultimate controlling parties

Name of controlling shareholder	Registration place	Nature of business	Registered capital	Percentage of shareholding in the Company (%)	Percentage of voting right in the Company (%)
YTO Group Corporation	Henan	Production and sales of large and small tractors, construction machinery, diesel engines, etc	3,174,949,000.00	44.57	44.57

The ultimate controlling party of the Group is China National Machinery Corporation, with the registered address and the operation location in Beijing, whose business scope includes: domestic and foreign contracting of large equipment and projects, organization of the major technology and equipment research in the industry, development and research production and sales of motor vehicles, cars and auto parts; contracted overseas projects and domestic international bidding; import and export businesses; held economic and trade exhibitions overseas and organization of domestic enterprises to participate or hold exhibitions overseas. The registered capital is RMB16,800,000,000.00.

2) Registered capital of the controlling shareholders and the movements (RMB'0,000)

Controlling shareholder	Beginning balance	Increase in this year	Decrease in this year	Ending balance
YTO Group Corporation	317,494.90	0.00	0.00	317,494.90

3) Shares or equity of the controlling shareholder and the changes (RMB'0,000)

Controlling shareholder	Amount of shareholding		Percentage of shareholding (%)	
	Ending balance	Beginning balance	Percentage in ending balance	Percentage in beginning balance
YTO Group Corporation	44,391.00	44,391.00	44.57	44.57

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTIES TRANSACTION (CONTINUED)

2. Subsidiaries

Please refer to the related content in the Note “VIII1. (1) Composition of the Group” for details of the subsidiaries.

3. Joint ventures and associates

Please refer to Note VIII3(1) for detailed information of significant joint ventures and associates. There are no 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.

4. Other related parties

Name of other related parties	Relationship to the Company
Dongfanghong (Luoyang) Culture Communication Centre	Under common control
Luoyang Duoen Advertising Co., Ltd	Under common control
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	Under common control
Luoyang Tianhui Energy Engineering Co., Ltd	Under common control
YTO Group Corporation (Luoyang) Vehicles Co., Ltd	Under common control
YTO (Luoyang) Special Purpose Vehicle Co., Ltd	Under common control
YTO Luoyang Motor Vehicle Driver Training Schools Co., Ltd	Under common control
YTO (Luoyang) Logistics Co., Ltd	Under common control
YTO (Luoyang) Lubricants Co., Ltd	Under common control
YTO (Luoyang) Tianze Gas Co., Ltd	Under common control
YTO (Luoyang) Huide Tooling Co., Ltd	Under common control
YTO (Luoyang) Dongchen Mold Technology Co., Ltd	Under common control
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd	Under common control
YTO (Luoyang) Xinnuo Materials Trading Co., Ltd	Under common control
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	Under common control

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTIES TRANSACTION (CONTINUED)

4. Other related parties (Continued)

Name of other related parties	Relationship to the Company
YTO Group Corporation Linhai Vehicle Co., Ltd	Same ultimate control
YTO (Luoyang) New Oriental Motor Co., Ltd	Same ultimate control
YTO (Luoyang) Standard Parts Co., Ltd	Same ultimate control
YTO (Luoyang) Like Vehicle Co., Ltd	Same ultimate control
YTO Luoyang Light Vehicle Co., Ltd	Same ultimate control
Luoyang Business Daily Co., Ltd.	Same ultimate control
China SINOMACH Heavy Industry Corporation	Same ultimate control
Changlin Company Ltd	Same ultimate control
China Erzhong Group (Deyang) Heavy Industry Co., Ltd	Same ultimate control
SINOMACH-HI (Luoyang) Building Machinery Co., Ltd	Same ultimate control
SINOMACH-HI (Luoyang) Co., Ltd	Same ultimate control
The Fourth Design Institute of the Ministry of Machinery Industry	Same ultimate control
The Sixth Design Institute of the Ministry of Machinery Industry Co., Ltd	Same ultimate control
The Fifth Design Institute of the Ministry of Machinery Industry	Same ultimate control
Luoyang East Printing Co., Ltd	Same ultimate control
Luoyang Zhongshou Machinery & Equipment Co., Ltd	Same ultimate control
Luoyang Bearing Science & Technology Co., Ltd	Same ultimate control
Luoyang Bearing Science & Industry Co., Ltd	Same ultimate control
Tianjin Daye Logistics Co., Ltd	Same ultimate control
YTO (Luoyang) Engineering Machinery Co., Ltd	Same ultimate control
YTO (Luoyang) Construction Machinery Co., Ltd	Same ultimate control
YTO (Luoyang) Building Machinery Co., Ltd	Same ultimate control
YTO (Shenyang) Co., Ltd	Same ultimate control
Changsha Gas-electric Auto Parts Co., Ltd	Same ultimate control
China CAMC Engineering Co., Ltd	Same ultimate control

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTIES TRANSACTION (CONTINUED)

4. Other related parties (Continued)

Name of other related parties	Relationship to the Company
China Engineering and Agriculture Machinery Import and Export Co., Ltd	Same ultimate control
China Machine Tool Sales and Technical Services Company	Same ultimate control
The Fourth Construction of China Machinery Industry Co., Ltd.	Same ultimate control
China Machinery Industry Construction Group Inc.	Same ultimate control
China Academy of Agricultural Mechanization Services	Same ultimate control
China National Automotive Industry International Corporation	Same ultimate control
SINOMAC Machine Components Completed Sets Co., Ltd	Same ultimate control
CAAMS Menoble Technology Co., Ltd	Same ultimate control
China Machinery TDI International Engineering Co., Ltd Luo Yang Branch	Same ultimate control
China Automotive Industry International Corporation	Same ultimate control
AIE Zhida (Luoyang) Construction Supervision Company	Same ultimate control

5. Related party transactions

(1) Significant transactions with SINOMACH and its subsidiaries

Item	Amount in this year	Amount in last year
Sales of raw materials and components	35,132,186.97	27,608,245.00
Purchase of raw materials and components	32,199,955.19	80,015,429.81
Interest income	6,175,917.71	8,646,106.99
Pay clients' deposit interest	45,399.54	525,679.52

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTIES TRANSACTION (CONTINUED)

5. Related party transactions (Continued)

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

Item	Amount in this year	Amount in last year
Sales of raw materials and components	146,944,841.75	113,445,937.55
Purchase of raw materials and components	270,646,820.31	376,163,100.69
Payment and payable of power	167,080,608.03	173,216,555.78
Payment and payable of service and transportation	224,294,495.55	228,881,454.93
Payment and payable of land rental expenses	13,069,660.00	11,582,078.10
Payment and payable of buildings rental expenses	8,043,009.16	8,603,365.65
Payment and payable of equipment rental expenses	136,508.45	1,224,629.32
Rental income of leasing buildings and equipment	1,946,077.88	1,599,224.53
Purchase of plant and equipment	17,477,909.11	59,662,135.24
Interest income	20,120,044.37	20,786,970.84
Pay clients' deposit interest	6,628,821.98	6,052,979.81
Payment received of research and development expense	739,101.86	1,990,791.77
	739,101.86	1,990,791.77

(3) 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 year	Amount in last year
Sales of raw materials and components	230,129,298.52	90,986,800.45
Purchase of raw materials and components	529,680,180.93	99,964,797.08
Interest income	112,502.48	0.00
Pay clients' deposit interest	1,113.00	314.48
	1,113.00	314.48

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTIES TRANSACTION (CONTINUED)

6. Borrowing and lending between related parties

Item	Amount in this year	Amount in last year
Loans granting(including Notes discounted)	875,606,907.89	493,688,662.65
Absorption of deposits and interbank deposits	519,530,039.21	518,541,980.94

7. Remuneration of key management personnel (Unit: RMB0'000)

Item	Amount incurred in this year	Amount incurred in last year
Remuneration of key management personnel		
Fees	31.54	36.20
Salaries and other benefits	RMB529.28 EUR 14.26	RMB499.39 EUR 14.38
Retirement benefits scheme contribution	30.72	21.24
Total remuneration	RMB591.54 EUR 14.26	RMB556.83 EUR 14.38

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTIES TRANSACTION (CONTINUED)

7. Remuneration of key management personnel (Unit: RMB0'000) (Continued)

(1) Analysis of key management personnel remuneration (Unit: RMB0'000):

Personnel and duties	Fees	Amount in this year		Total
		Salaries and other benefits	Retirement benefits scheme contributions	
Executive directors				
Yanshui Zhao				
Erlong Wang				
Yong Wu		71.88	2.55	74.43
Non-executive directors				
Hepeng Li	0.20			0.20
Donggang Xie				
Kai Li	0.20			0.20
Dongfang Yin	0.20			0.20
Independent non-executive directors				
Min Xing	5.40			5.40
Dehong Wu	5.20			5.20
Zengbiao Yu	5.40			5.40
Minli Yang	0.20			0.20
Xianguo Hong (Former Independent non-executive directors)	5.40			5.40

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTIES TRANSACTION (CONTINUED)

7. Remuneration of key management personnel (Unit: RMB0'000) (Continued)

(1) Analysis of key management personnel remuneration (Unit: RMB0'000): (Continued)

Personnel and duties	Amount in this year			Total
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	
Supervisors				
Pingan Li		7.51	0.45	7.96
Weilin Xu				
Jianjun Wang		25.93	2.55	28.48
Guozhong Zhao		24.23	2.55	26.78
Yong Wang	4.57			4.57
Ping Huang	4.77			4.77
Key management personnel				
Kejun Wang (Vice General Manager)		15.00	1.11	16.11
Jiguo Liu (Vice General Manager)		15.00	1.11	16.11
Weijiang Zhu (Vice General Manager)		46.53	2.55	49.08
Wensheng Su (Vice General Manager)		46.53	2.55	49.08
Yuping Song (Vice General Manager)		46.53	2.55	49.08
Guoqing Lian (Former Vice General Manager)		55.14	2.55	57.69
Yao Liu (Former Vice General Manager)		RMB29.14	2.55	RMB31.69
		EUR 14.26		EUR 14.26
Zhiping Hou (Former Vice General Manager)		46.60	2.55	49.15
Other key management personnel				
Weidong Yao (Chief Financial Officer)		49.43	2.55	51.98
Lina Yu (Vice General Manager and Secretary of the Board of Directors)		49.83	2.55	52.38
Total		RMB529.28		RMB591.54
	31.54	EUR 14.26	30.72	EUR 14.26

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTIES TRANSACTION (CONTINUED)

7. Remuneration of key management personnel (Unit: RMB0'000) (Continued)

(1) Analysis of key management personnel remuneration (Unit: RMB0'000): (Continued)

Personnel and duties	Fees	Amount in last year		Total
		Salaries and other benefits	Retirement benefits scheme contributions	
Executive directors				
Yanshui Zhao				
Yong Wu		58.02	2.36	60.38
Non-executive directors				
Erlong Wang				
Linjiao Yan				
Zongyan Wu				
Kejun Wang				
Zhiqiang Guo				
Jiguo Liu				
Weike Su (Former Director)				
Dawei Qu (Former Director)				
Independent non-executive directors				
Xianguo Hong	6.30			6.30
Min Xing	6.40			6.40
Dehong Wu	6.20			6.20
Zengbiao Yu	3.70			3.70
Qiusheng Zhang (Former Director)	2.80			2.80

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTIES TRANSACTION (CONTINUED)

7. Remuneration of key management personnel (Unit: RMB0'000) (Continued)

(1) Analysis of key management personnel remuneration (Unit: RMB0'000): (Continued)

Personnel and duties	Fees	Amount in last year		Total
		Salaries and other benefits	Retirement benefits scheme contributions	
Supervisors				
Pingan Li				
Weilin Xu		11.82		11.82
Jianjun Wang		27.60		27.60
Guozhong Zhao		29.43		29.43
Yong Wang	5.40			5.40
Ping Huang	5.40			5.40
Shidong Xu (Former Supervisor)				
Key management personnel				
Guoqing Lian (Vice General Manager)		59.52	2.36	61.88
Yao Liu (Vice General Manager)		RMB27.28	2.36	RMB29.64
		EUR14.38		EUR14.38
Yuping Song (Vice General Manager)		46.63	2.36	48.99
Weijiang Zhu (Vice General Manager)		49.60	2.36	51.96
Wensheng Su (Vice General Manager)		46.63	2.36	48.99
Zhiping Hou (Vice General Manager)		46.63	2.36	48.99
Other key management personnel				
Weidong Yao (Chief Accountant)		49.60	2.36	51.96
Lina Yu (Secretary of the Board of Directors)		46.63	2.36	48.99
Total		RMB499.39		RMB556.83
	36.20	EUR14.38	21.24	EUR14.38

The Group paid neither bonus nor 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTIES TRANSACTION (CONTINUED)

7. Remuneration of key management personnel (Unit: RMB0'000) (Continued)

(2) Employees' rewards

This year, the eight individuals with the highest rewards in the Group are all included in the members of key management personnel whose rewards are disclosed in Note XI.7(1).

8. Balance due to/from related parties

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

Item	Amount in this year	Amount in last year
Accounts receivable	5,821,425.26	1,604,414.12
Other receivables	180,207.00	780,207.00
Prepayments	610,102.20	80,000.00
Accounts payable	21,616,962.28	12,623,074.26
Other payables	0.00	0.00
Advances from customers	5,223,252.49	6,849,103.03

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

Item	Amount in this year	Amount in last year
Accounts receivable	47,574,664.48	23,375,375.44
Other receivables	1,307,054.74	3,406,760.59
Prepayments	2,310,122.25	2,366,990.76
Accounts payable	69,874,402.82	30,220,169.96
Other payables	51,952,612.33	52,129,712.33
Advances from customers	405,645.40	81,600.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTIES TRANSACTION (CONTINUED)

8. Balance due to/from related parties (Continued)

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

Item	Amount in this year	Amount in last year
Accounts receivable	15,375,471.58	1,647,965.02
Other receivables	2,659,325.93	165,120,652.00
Prepayments	0.00	0.00
Accounts payable	14,984,006.59	5,319.00
Other payables	0.00	0.00
Advances from customers	0.00	0.00
	_____	_____

9. Related party commitment

None

10. Others

None

XII. COMMITMENT AND CONTINGENCIES

1. Commitment

(1) Consolidation of significant matters on commitment

1) *Capital expenditure commitments of the Group at the end of the year*

None

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

XII. COMMITMENT AND CONTINGENCIES (CONTINUED)

1. Commitment (Continued)

(1) Consolidation of significant matters on commitment (Continued)

2) *Outsourcing contract with significant amount that was signed and performing or commencing to perform*

None

3) *Leased agreement that was signed and performing or commencing to perform and its financial impact*

On December 31, 2015, the minimum future payments of irrevocable operating lease on rental items, assumed by the Group as the lessee, for buildings, machineries, and equipments are as the following:

Period	Amount in this year	Amount in last year
Within 1 year	7,238,138.39	1,031,187.29
1-2 years	647,360.83	701,820.00
2-3 years	1,749,000.00	647,360.83
Over 3 years	0.00	1,749,000.00
Total	9,634,499.22	4,129,368.12

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

XII. COMMITMENT AND CONTINGENCIES (CONTINUED)

1. Commitment (Continued)

(1) Consolidation of significant matters on commitment (Continued)

3) Leased agreement that was signed and performing or commencing to perform and its financial impact (Continued)

By the end of this year, the minimized future receipts of irrevocable operating lease on rental items, assumed by the Group as the lessor, for buildings, machineries, and equipments are as the following:

Period	Amount in this year	Amount in last year
Within 1 year	11,237,348.83	10,569,921.69
1-2 years	7,978,758.33	8,270,776.71
2-3 years	234,147.29	7,818,110.04
Over 3 years	0.00	0.00
Total	19,450,254.45	26,658,808.44

Note: In 2013, the Company signed a lease agreement with Luoyang Jiangyang Hardware Co., Ltd to lease out the land use right (including houses and affiliated equipment) of location No. 1 Anfa Rd. Luoxin Industrial Center Luoyang, for industrial operation and offices. The leased area is 20,000 square meters, with annual rental fee of RMB530,000.00 and lease term of 3 years. The agreement was effective on August 10, 2013 to August 9, 2016. Leasing charges is paid annually.

Note: On July 21, 2014, the Company signed a lease agreement with ZF YTO (Luoyang) Drive Axle Co., Ltd to lease out the location of No. 16 Hangong West Road West Industrial District Luoyang, for offices use. The leased area is 68,649 square meters, with annual rental fee of RMB7,744,610.04 and lease term of 3 years. The agreement was effective on January 1, 2015 to December 31, 2017. Leasing charges is paid annually on each March 31 by notes on demand.

(2) Except for the above, the Group has no other significant commitments as at December 31, 2015.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

XII. COMMITMENT AND CONTINGENCIES (CONTINUED)

2. Contingencies

(1) Important contingencies existed on the balance sheet date

1) Contingencies resulted from external guarantees provided

As at December 31, 2015, details of the guarantees provided by the Group to other parties are as followings:

In 2015, the Group, Bank of Communication, China Everbright Bank, and YTO Finance Company Limited entered into a Trade Finance Agreement. According to the agreement, the three banking facilities consent to provide a limit on trade financing of RMB275.59 million. The above limit is specifically used for the application to open the bank acceptance notes through the three banking facilities, of the Group or the distributors recommended by the enterprises under the authorization of the Group. The bank acceptances are used for the purchasing of agricultural machineries and mine trucks from the Group or the entities under the authorization of the Group. The Group and its authorized entities provided guarantee through the form of confirmation on commitment or agreement.

As at December 31, 2015, the total amount of trade financing guarantee actually assumed by the Group was RMB12,680,000.00 and the guarantee of bank loans provided to other affiliates was RMB177,013,840.00. The details are as following:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

XII. COMMITMENT AND CONTINGENCIES (CONTINUED)

2. Contingencies (Continued)

(1) Important contingencies existed on the balance sheet date (Continued)

1) Contingencies resulted from external guarantees provided (Continued)

Entity guaranteed	Type of guarantee	Amount of guarantee
I. Within the Group		
YTO (Luoyang) Transportation Machinery Co.,Ltd	Joint liability assurance	5,000,000.00
YTO (Luoyang) Transportation Machinery Co.,Ltd	Joint liability assurance	4,000,000.00
YTO (Luoyang) Transportation Machinery Co.,Ltd	Joint liability assurance	5,000,000.00
YTO (Lupoyang) Power Machinery Co., Ltd	Joint liability assurance	10,000,000.00
YTO (Lupoyang) Power Machinery Co., Ltd	Joint liability assurance	10,000,000.00
YTO (Lupoyang) Power Machinery Co., Ltd	Joint liability assurance	10,000,000.00
YTO (Luoyang) Forklift Truck Company Limited	Joint liability assurance	1,500,000.00
YTO (Luoyang) Forklift Truck Company Limited	Joint liability assurance	1,500,000.00
YTO (Luoyang) Forklift Truck Company Limited	Joint liability assurance	2,000,000.00
YTO (Luoyang) Shentong Construction Machinery Co., Ltd	Joint liability assurance	9,000,000.00
YTO (Luoyang) Shentong Construction Machinery Co., Ltd	Joint liability assurance	9,000,000.00
YTO (Luoyang) Shentong Construction Machinery Co., Ltd	Joint liability assurance	9,000,000.00
YTO (Luoyang) Shentong Construction Machinery Co., Ltd	Joint liability assurance	9,000,000.00
YTO (Luoyang) Shentong Construction Machinery Co., Ltd	Joint liability assurance	9,000,000.00
YTO France SAS	General assurance	14,190,400.00
YTO France SAS	General assurance	21,285,600.00
YTO France SAS	General assurance	14,190,400.00
YTO France SAS	General assurance	26,252,240.00
YTO France SAS	General assurance	7,095,200.00
Subtotal of guarantee within the Group	-	177,013,840.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

XII. COMMITMENT AND CONTINGENCIES (CONTINUED)

2. Contingencies (Continued)

(1) Important contingencies existed on the balance sheet date (Continued)

1) Contingencies resulted from external guarantees provided (Continued)

Entity guaranteed	Type of guarantee	Amount of guarantee
II. Outside the Group		
Distributors of Quanchengtong Business	Joint liability assurance	5,660,000.00
Distributors of Dianpiaotong Business	Joint liability assurance	7,020,000.00
Subtotal of guarantee outside the Group	-	12,680,000.00
Total	-	189,693,840.00

Note: During the reporting period, the Group has assumed responsibility for the security of RMB12 million for the distributors of the Dianpiaotong Business, which has been converted to the accounts receivables due from the distributors. Part of the customers of YTO (Luoyang) Shentong Construction Machinery Co., Ltd (hereafter referred to as Shentong Company), the subsidiary of the Group, purchased mine trucks through applying buyers' credit and financing lease from banking facilities. Instalments were paid by the customers to banking facilities after receipts of trucks. Shentong Company paid the amount due on behalf of the customers when they were incapable to reimburse the instalments to the banking facilities. As at December 31, 2015, the actual amount of payments by Shentong Company on behalf of customers was RMB142.91 million. After the actual payments advanced by Shentong Company, the Group has no longer assumed the guarantee liability.

2) Except for the above, the Group has no other significant contingencies as at December 31, 2015.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

XIII. SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

1. Dividend distribution

The 2015 Proposal of Profit Distribution of the Company was reviewed and approved by the third session of the seventh meeting of the board of directors convened on March 29, 2016. Annual dividend for the year of 2015 shall be paid to all shareholders on the basis of 995,900,000 shares of the total share capital registered as at December 31, 2015 at the amount of 0.041 Yuan per share (including tax), for the total amount of dividend distribution 40,831,900.00 Yuan (including tax). The proposal has not yet implemented until it is approved by the general meeting of shareholders of the Company.

2. Matter of capital reduction by the subsidiaries of the Company

The Company implemented asset business integrations to two affiliated subsidiaries of YTO (Luoyang) Drive Axle Company Limited and YTO (Luoyang) Flag Auto-Body Company Limited. The related business and assets are transferred to the Company. To make the asset utilization situation after the integration adapt to the business scale, and to reflect the utilization effectiveness and efficiency of the assets owned more objectively, on June 12, 2015, the General manager's Office of the Company considered and passed the matters about the capital reduction on the two subsidiaries. On August 26, 2015, by the approval of the documents 'Guo ji zi han [2015] No. 112 and No.113' of China National Machinery Industry Co., Ltd, such decisions were considered and passed to implement by the twenty-third session of the sixth board of directors of the Company. YTO (Luoyang) Flag Auto-Body Company Limited obtained the business license after the capital reduction on January 12, 2016. YTO (Luoyang) Drive Axle Company Limited obtained the business license after the capital reduction on February 2, 2016.

3. Except for the matters disclosed above, the Group has no other significant subsequent events after the balance sheet date.

XIV. OTHER SIGNIFICANT MATTERS

1. Correction of prior period accounting errors

None

2. Debt restructuring

None

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

XIV. OTHER SIGNIFICANT MATTERS (CONTINUED)

3. Lease

(1) Operating lease (lessor of the operating lease)

By the end of the year, the classification of the assets leased out by the Group under operating lease is as the following:

Classification of assets leased out under operating lease	Ending balance	Beginning balance
Machinery	42,918.97	6,197,647.45
Buildings	63,196,124.62	27,500,882.30
Land	1,192,032.41	4,318,454.63
Total	64,431,076.00	38,016,984.38

(2) Minimum lease payments for major operating leases (lessee of the operating lease)

Remaining lease period	Ending balance	Beginning balance
Within 1 year	7,238,138.39	1,031,187.29
1-2 years	647,360.83	701,820.00
2-3 years	1,749,000.00	647,360.83
Over 3 years	0.00	1,749,000.00
Total	9,634,499.22	4,129,368.12

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

XIV. OTHER SIGNIFICANT MATTERS (CONTINUED)

4. Assets swap

None

5. 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.

6. Discontinued operation

None

7. Segment information

Reporting segment for the year of 2015

Item	Agricultural machinery	Power machinery	Other machinery	Finance	Elimination	Total
Operating revenue	8,298,791,820.56	2,342,069,937.06	59,316,996.60	379,762,308.57	-1,424,450,001.71	9,655,491,061.08
Including: External transaction revenue	7,755,218,122.67	1,504,001,337.89	40,579,148.81	355,692,451.71	0.00	9,655,491,061.08
Revenue between segments	543,573,697.89	838,068,599.17	18,737,847.79	24,069,856.86	-1,424,450,001.71	0.00
Total profit (or loss) for segment	99,550,078.62	140,976,464.88	-110,049,116.58	105,866,928.68	-14,666,742.58	221,677,613.02
Total assets	9,842,261,398.46	2,065,214,077.31	181,159,732.55	1,264,379,352.33	-80,565,000.67	13,272,449,559.98
Including: significant impairment loss on individual assets	0.00	0.00	0.00	0.00	0.00	0.00
Total liabilities	6,288,589,380.81	871,618,765.36	328,112,909.71	479,491,106.84	-93,947,150.08	7,873,865,012.64
Supplementary information	-	-	-	-	-	-
Capitalized expenditure	380,705,773.71	54,410,420.49	211,738.09	1,541,260.00	0.00	436,869,192.29
Recognized loss of impairment	113,917,079.00	8,956,680.27	34,012,208.22	1,420,490.35	0.00	158,306,457.84
Including: allocation of goodwill impairment	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation and amortization expense	308,796,217.89	13,014,892.47	3,808,859.52	765,183.55	0.00	326,385,153.43
Non-cash expenses other than impairment loss, depreciation and amortization	74,927,483.24	13,795,959.41	3,545,514.47	0.00	0.00	92,268,957.12

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

XIV. OTHER SIGNIFICANT MATTERS (CONTINUED)

7. Segment information (Continued)

Reporting segment for the year of 2014

Item	Agricultural machinery	Power machinery	Other machinery	Finance	Elimination	Total
Operating revenue	7,893,743,200.00	2,067,238,820.84	173,143,999.53	132,520,793.76	-1,239,667,992.99	9,026,978,821.14
Including: External transaction revenue	7,376,960,313.57	1,443,714,408.55	108,397,622.06	97,906,476.96	0.00	9,026,978,821.14
Revenue between segments	516,782,886.43	623,524,412.29	64,746,377.47	34,614,316.80	-1,239,667,992.99	0.00
Total profit (or loss) for segment	190,894,808.32	66,711,819.80	-126,198,850.27	87,554,749.01	-7,068,395.20	211,894,131.66
Total assets	9,245,340,398.30	2,211,316,192.56	303,138,400.87	943,348,204.44	-347,448,550.50	12,355,694,645.67
Including: Significant impairment loss on individual assets	0.00	0.00	0.00	0.00	0.00	0.00
Total liabilities	5,611,735,424.89	1,020,227,054.39	491,844,639.97	228,115,793.56	-317,055,167.32	7,034,867,745.49
Supplementary information	-	-	-	-	-	-
Capitalized expenditure	979,404,948.62	37,382,731.06	505,956.51	1,197,100.00	0.00	1,018,490,736.19
Recognized loss of impairment	116,986,128.75	4,268,213.87	42,062,288.51	3,182,380.25	0.00	166,499,011.38
Including: allocation of goodwill impairment	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation and amortization expense	290,783,610.17	10,972,602.90	3,969,747.35	683,551.75	0.00	306,409,512.17
Non-cash expenses other than impairment loss, depreciation and amortization	60,139,940.13	13,929,836.72	655,181.77	0.00	0.00	74,724,958.62

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

XIV. OTHER SIGNIFICANT MATTERS (CONTINUED)

7. Segment information (Continued)

Domestic and overseas revenue of the Group from outside parties and the total non-current assets except for financial assets and deferred tax assets located in other countries and regions are as the followings:

Revenue from external transaction	Amount incurred in this year	Amount incurred in last year
China (excluding Hong Kong)	9,108,378,062.63	8,754,649,576.65
Hong Kong	0.00	244,254.25
Other overseas regions	547,112,998.45	272,084,990.24
Total	9,655,491,061.08	9,026,978,821.14

Total non-current assets	Ending balance	Beginning balance
China (excluding Hong Kong)	4,394,355,606.44	4,364,115,496.66
Hong Kong	0.00	0.00
Other overseas regions	42,193,238.59	53,995,396.37
Total	4,436,548,845.03	4,418,110,893.03

Note: Total non-current assets do not include the total amount of financial assets and deferred tax asset.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

1. Monetary funds

Item	Ending balance	Beginning balance
Cash on hand	307,585.29	166,073.30
Bank deposits	2,246,274,600.64	1,398,675,037.00
Other monetary funds	394,795,619.77	147,157,265.80
Total	2,641,377,805.70	1,545,998,376.10
Including: total amount deposited abroad	0.00	0.00

Note: The restricted cash of the Company is the security deposit on the acceptance notes of RMB394,791,654.28 as of December 31, 2015 (last year: RMB147,157,221.06).

2. Notes receivable

(1) Classification of notes receivable

Item	Ending balance	Beginning balance
Bank acceptance notes	157,841,287.69	308,251,230.37
Commercial acceptance notes	2,489,378.52	12,613,000.00
Total	160,330,666.21	320,864,230.37

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

2. Notes receivable (Continued)

(2) Notes receivables which have been pledged at the end of the year

Item	Amount pledged at the end of the year
Bank acceptance notes	55,354,000.00

(3) Notes receivables which have been endorsed or discounted but not yet due at the end of the year

Item	Amount derecognized at the end of the year	Amount not derecognized at the end of the year
Bank acceptance notes	320,037,003.96	0.00
Commercial acceptance notes	7,140,000.00	0.00
Total	<u>327,177,003.96</u>	<u>0.00</u>

(4) There are no notes transferred to accounts receivables due to drawer's default by the end of the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

3. Accounts receivable

Name of the item	Ending balance	Beginning balance
Accounts receivable	969,682,440.59	983,294,307.07
Less: provision for bad debts	182,862,190.53	118,385,801.89
Net amount	786,820,250.06	864,908,505.18

(1) Aging analysis of accounts receivable

Aging	Ending balance	Beginning balance
Within 1 year	750,397,730.66	828,050,566.57
1-2 years	27,922,268.80	7,078,808.08
2-3 years	0.00	278,400.00
Over 3 years	8,500,250.60	29,500,730.53
Net amount	786,820,250.06	864,908,505.18

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

3. Accounts receivable (Continued)

(2) Classification of accounts receivable

Category	Book balance		Ending balance		Book value
	Amount	Percentage (%)	Bad debt allowance Amount	Percentage of accrual (%)	
Individually significant and provided for bad debts on individual basis	8,500,250.60	0.88	0.00	0.00	8,500,250.60
Provided for bad debts on portfolio basis of credit risk characteristics	961,182,189.99	99.12	182,862,190.53	19.02	778,319,999.46
Individually insignificant but provided for bad debts on individual basis	0.00	0.00	0.00	0.00	0.00
Total	969,682,440.59	100.00	182,862,190.53	-	786,820,250.06

Category	Book balance		Beginning balance		Book value
	Amount	Percentage (%)	Bad debt allowance Amount	Percentage of accrual (%)	
Individually significant and provided for bad debts on individual basis	0.00	0.00	0.00	0.00	0.00
Provided for bad debts on portfolio basis of credit risk characteristics	983,294,307.07	100.00	118,385,801.89	12.04	864,908,505.18
Individually insignificant but provided for bad debts on individual basis	0.00	0.00	0.00	0.00	0.00
Total	983,294,307.07	100.00	118,385,801.89	-	864,908,505.18

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

3. Accounts receivable (Continued)

(2) Classification of accounts receivable (Continued)

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

Company name	Book balance	Amount of bad debts	Percentage of accrual (%)	Reason for provision
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	8,500,250.60	0.00	0.00	Note

Note: According to the nature of business, the Group takes tests the customer accounts receivables with the individual amount more than 5 million Yuan separately, and uses the loss rate after evaluation as the basis to accrue the amount of bad debt provision.

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

Aging	Accounts receivable	Ending balance Bad debt allowance	Percentage of accrual (%)
Within 1 year	777,206,728.49	26,808,997.83	3.45
1-2 years	55,844,537.60	27,922,268.80	50.00
2-3 years	13,631,311.30	13,631,311.30	100.00
Over 3 years	114,499,612.60	114,499,612.60	100.00
Total	961,182,189.99	182,862,190.53	19.02

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

3. Accounts receivable (Continued)

(2) Classification of accounts receivable (Continued)

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

Aging	Accounts receivable	Beginning balance	
		Bad debt allowance	Percentage of accrual (%)
Within 1 year	849,403,408.56	21,352,841.99	2.51
1-2 years	14,157,616.18	7,078,808.10	50.00
2-3 years	8,089,288.14	7,810,888.14	96.56
Over 3 years	111,643,994.19	82,143,263.66	73.58
Total	<u>983,294,307.07</u>	<u>118,385,801.89</u>	<u>12.04</u>

(3) Details of accrual, collection or reversal of bad debt allowance

In this period, the amount of bad debt allowance accrued is RMB81,809,542.97, with the reversed bad debt allowance at the amount of RMB16,600,689.43.

(4) Accounts receivable actually written off during the year

Item	Amount written off
Accounts receivable actually written off	<u>732,464.90</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

3. Accounts receivable (Continued)

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

Company name	Ending balance	Aging	Percentage in the total ending balance of accounts receivable (%)	Ending balance of bad debt allowance
Luoyang Changxing Agricultural Machinery Co., Ltd	343,051,120.50	Within 1 year: RMB343,045,077.36, Over 3 years RMB6,043.14	35.38	6,866,944.69
YTO International Economic and Trade Co., Ltd	240,304,768.63	Within 1 year: RMB239,578,695.93, Over 3 years RMB726,072.70	24.78	14,311,583.87
YTO (Luoyang) Harvesting Machinery Co., Ltd	88,830,256.48	Over 3 years	9.16	88,830,256.48
Luoyang Changhong Trading Co., Ltd	70,965,611.36	Within 1 year RMB61,952,906.59, 1-2 years RMB9,012,704.77	7.32	5,745,410.52
YTO (Luoyang) Diesel Engine Co., Ltd	47,654,584.35	Within 1 year	4.91	512,831.28
Total	<u>790,806,341.32</u>	-	<u>81.55</u>	<u>116,267,026.84</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

4. Advances to suppliers

(1) Aging analysis of advances to suppliers

Item	Ending balance		Beginning balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	104,601,912.77	83.05	284,419,063.23	98.78
1-2 years	20,148,515.47	16.00	1,008,216.48	0.35
2-3 years	257,798.53	0.20	1,213,159.79	0.42
Over 3 years	944,119.40	0.75	1,293,493.14	0.45
Total	125,952,346.17	100.00	287,933,932.64	100.00

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

Company name	Ending balance	Aging	Percentage to the total ending balance of advances to suppliers (%)
YTO International Economic and Trade Co., Ltd	80,772,255.87	Within 1 year RMB78,022,778.75; 1-2 years RMB2,749,477.12	64.13
YTO (Luoyang) Forklift Truck Company Limited	22,800,000.00	Within 1 year RMB5,800,000.00; 1-2 years RMB17,000,000.00	18.10
ANGANG Steel Co., Ltd	4,556,490.53	Within 1 year	3.62
Shandong Kangda Precision Machinery Manufacturing Co., Ltd	2,000,415.00	Within 1 year	1.59
YTO (Luoyang) Dongchen Mold Technology Co., Ltd	1,961,040.00	Within 1 year	1.56
Total	112,090,201.40	–	89.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

5. Interests receivable

Item	Ending balance	Beginning balance
Interest on fixed term deposits	5,026,297.48	5,279,014.53

6. Dividend receivables

Item (Or invested company)	Ending balance	Beginning balance
YTO (Luoyang) Flag Auto-Body Company Limited	4,910,000.00	20,694,898.90

7. Other receivables

Name of the item	Ending balance	Beginning balance
Other receivables	46,767,035.01	211,258,467.36
Less: provision for bad debts	25,609,701.35	10,211,195.93
Net amount	21,157,333.66	201,047,271.43

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

7. Other receivables (Continued)

(1) Aging analysis of other receivables

Aging	Ending balance	Beginning balance
Within 1 year	8,276,513.45	171,003,315.53
1-2 years	12,237,526.41	25,106,741.13
2-3 years	234,290.87	439,057.61
3-4 years	409,002.93	4,498,157.16
Net amount	<u>21,157,333.66</u>	<u>201,047,271.43</u>

(2) Classification of other receivables

Category	Book balance		Ending balance Bad debt allowance		Book value
	Amount	Percentage (%)	Amount	Percentage of accrual (%)	
Other receivables that are individually significant and are provided for bad debts on individual basis	0.00	0.00	0.00	0.00	0.00
Other receivables that are provided for bad debts on portfolio basis of credit risk characteristics	46,767,035.01	100.00	25,609,701.35	54.76	21,157,333.66
Other receivables that are individually insignificant but are individually provided for bad debts	0.00	0.00	0.00	0.00	0.00
Total	<u>46,767,035.01</u>	<u>100.00</u>	<u>25,609,701.35</u>	<u>-</u>	<u>21,157,333.66</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

7. Other receivables (Continued)

(2) Classification of other receivables (Continued)

Category	Book balance		Beginning balance Bad debt allowance		Book value
	Amount	Percentage (%)	Amount	Percentage of accrual (%)	
Other receivables that are individually significant and are provided for bad debts on individual basis	0.00	0.00	0.00	0.00	0.00
Other receivables that are provided for bad debts on portfolio basis of credit risk characteristics	211,258,467.36	100.00	10,211,195.93	4.83	201,047,271.43
Other receivables that are individually insignificant but are individually provided for bad debts	0.00	0.00	0.00	0.00	0.00
Total	211,258,467.36	-	10,211,195.93	-	201,047,271.43

Within the portfolios, other receivables on which bad debt allowances are accrued by aging analysis

Aging	Ending balance		Percentage of accrual (%)
	Other receivables	Bad debt allowance	
Within 1 year	8,343,914.46	67,401.01	0.81
1-2 years	24,320,337.92	12,082,811.51	49.68
2-3 years	2,268,253.87	2,033,963.00	89.67
Over 3 years	11,834,528.76	11,425,525.83	96.54
Total	46,767,035.01	25,609,701.35	54.76

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

7. Other receivables (Continued)

(2) Classification of other receivables (Continued)

Aging	Beginning balance		Percentage of accrual (%)
	Other receivables	Bad debt allowance	
Within 1 year	171,005,885.93	2,570.40	0.002
1-2 years	25,356,222.63	249,481.50	0.98
2-3 years	439,057.61	0.00	0.00
Over 3 years	14,457,301.19	9,959,144.03	68.89
Total	<u>211,258,467.36</u>	<u>10,211,195.93</u>	<u>4.83</u>

(3) Details of accrual, collection or reversal of bad debt allowance

In this period, the amount of bad debt allowance accrued is RMB15,424,437.76; with the reversed bad debt allowance at the amount of RMB25,932.34.

(4) Classification of other receivables by the nature of payment

Nature of payment	Ending book balance	Beginning book balance
Receivables and payments between companies	17,029,838.25	197,110,342.67
Deposits and petty cash	1,804,360.31	1,804,988.41
Item of salaries and wages	1,579,313.32	1,336,084.11
Others	743,821.78	795,856.24
Total	<u>21,157,333.66</u>	<u>201,047,271.43</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

7. Other receivables (Continued)

(5) Details of top five other receivables with the ending balance classified by the borrowers:

Company name	Nature of payment	Ending balance	Aging	Percentage to the total ending balance of other receivables (%)	Ending balance of bad debt allowance
YTO (Luoyang) Shentong Construction Machinery Co., Ltd	Related party	24,594,801.73	Within 1 year RMB168,184.10; 2-3 years RMB24,426,617.63	52.59	12,964,990.66
ZF YTO (Luoyang) Drive Axle Co., Ltd	Related party	2,659,325.93	Within 1 year	5.69	26,593.26
Luoyang Jiangyang Hardware Co., Ltd	Non-related party	1,060,000.00	Within 1 year RMB530,000.00; 1-2 years RMB530,000.00	2.27	275,600.00
YTO Group Corporation	Related party	1,244,974.74	Within 1 year RMB178,500.00; 1-2 years RMB1,066,474.74	2.66	1,059,874.74
YTO (Luoyang) Diesel Engine Co., Ltd	Related party	875,965.97	Within 1 year	1.87	0.00
Total	-	<u>30,435,068.37</u>	-	<u>65.08</u>	<u>14,327,058.66</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

8. Inventories

(1) Classification of inventories

Item	Ending balance		Book value
	Book balance	Provision for impairment	
Raw materials	263,337,991.89	13,297,551.52	250,040,440.37
Self-made semi finished goods and work in progress	197,169,050.99	4,956,745.98	192,212,305.01
Finished goods (manufactured products)	188,933,872.96	5,488,077.51	183,445,795.45
Reusable materials (packing material, low value consumables, etc.)	10,242,741.10	679,230.72	9,563,510.38
Others	0.00	0.00	0.00
Total	<u>659,683,656.94</u>	<u>24,421,605.73</u>	<u>635,262,051.21</u>

Item	Beginning balance		Book value
	Book balance	Provision for impairment	
Raw materials	231,532,457.91	10,025,915.46	221,506,542.45
Self-made semi finished goods and work in progress	187,629,503.68	3,661,225.30	183,968,278.38
Finished goods (manufactured products)	169,507,175.81	4,086,948.86	165,420,226.95
Reusable materials (packing material, low value consumables, etc.)	11,557,425.11	732,843.18	10,824,581.93
Others	30,940.20	0.00	30,940.20
Total	<u>600,257,502.71</u>	<u>18,506,932.80</u>	<u>581,750,569.91</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

8. Inventories (Continued)

(2) Impairment provision for inventories

Item	Beginning balance	Increase in this year		Decrease in this year		Ending balance
		Provision	Others	Reversed or written-off	Other transfer out	
Raw materials	10,025,915.46	4,413,730.67	0.00	1,142,094.62	0.00	13,297,551.51
Work in progress	3,661,225.30	1,768,744.04	0.00	473,223.35	0.00	4,956,745.99
Finished goods	4,086,948.86	3,078,587.42	0.00	1,677,458.77	0.00	5,488,077.51
Turnover materials	732,843.18	0.00	0.00	53,612.46	0.00	679,230.72
Others	0.00	0.00	0.00	0.00	0.00	0.00
Total	18,506,932.80	9,261,062.13	0.00	3,346,389.20	0.00	24,421,605.73

(3) Provision for the impairment of inventories

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

(4) The ending balance of inventories does not include any capitalization of borrowing expenses.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

9. Other current assets

Item	Ending balance	Beginning balance	Nature
Deferred expenses	188,872.91	37,351.92	Deferred expenses
Entrusted loans	140,500,000.00	132,000,000.00	Entrusted loans
Structured deposit	23,000,000.00	50,000,000.00	Structured deposit
Financial products	382,000,000.00	0.00	Financial products
Total	545,688,872.91	182,037,351.92	—

10. Financial assets available for sale

(1) Details of financial assets available for sale

Item	Book balance	Ending balance Impairment provision	Book value
Debt instruments available for sale	0.00	0.00	0.00
Equity instruments available for sale	38,318,000.00	0.00	38,318,000.00
Measured at fair value	38,318,000.00	0.00	38,318,000.00
Measured at cost	0.00	0.00	0.00
Others	114,322,800.00	4,322,800.00	110,000,000.00
Total	152,640,800.00	4,322,800.00	148,318,000.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

10. Financial assets available for sale (Continued)

(1) Details of financial assets available for sale (Continued)

Item	Book balance	Beginning balance Impairment provision	Book value
Debt instruments available for sale	0.00	0.00	0.00
Equity instruments available for sale	59,840,000.00	0.00	59,840,000.00
Measured at fair value	59,840,000.00	0.00	59,840,000.00
Measured at cost	0.00	0.00	0.00
Others	114,322,800.00	4,322,800.00	110,000,000.00
Total	<u>174,162,800.00</u>	<u>4,322,800.00</u>	<u>169,840,000.00</u>

(2) Analysis of financial assets available for sale is as following

Item	Ending balance	Beginning balance
Listed	38,318,000.00	59,840,000.00
China (except for Hong Kong)	38,318,000.00	59,840,000.00
Hong Kong	0.00	0.00
Other regions	0.00	0.00
Unlisted	<u>110,000,000.00</u>	110,000,000.00
Total	<u>148,318,000.00</u>	<u>169,840,000.00</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

10. Financial assets available for sale (Continued)

(3) Ending balance of financial assets available for sale measured at fair value

Item	Equity instrument available for sale	Debt instrument available for sale	Others	Total
Cost of equity instrument	10,601,818.18	0.00	0.00	10,601,818.18
Fair value	38,318,000.00	0.00	0.00	38,318,000.00
Accumulated other comprehensive income				
from changes on fair value	27,716,181.82	0.00	0.00	27,716,181.82
Impairment provision accrued	0.00	0.00	0.00	0.00

(4) Ending balance of financial assets available for sale measured at cost

Invested company	Book balance				Impairment provision			Shareholding percentage in the invested company (%)	Cash dividend in the year	
	Beginning balance	Increase in this year	Decrease in this year	Ending balance	Beginning balance	Increase in this year	Decrease in this year			
Beijing Zhongnongwang Technology Co., Ltd (Note 1)	2,122,800.00	0.00	0.00	2,122,800.00	2,122,800.00	0.00	0.00	2,122,800.00	15.00	0.00
Nanyang Xiangrui Agricultural Equipment Co., Ltd (Note 1)	1,400,000.00	0.00	0.00	1,400,000.00	1,400,000.00	0.00	0.00	1,400,000.00	7.00	0.00
YTO (Luoyang) Dongfanghong Tire Company (Note 1)	800,000.00	0.00	0.00	800,000.00	800,000.00	0.00	0.00	800,000.00	3.11	0.00
Luoyin Financial Leasing Co., Ltd	110,000,000.00	0.00	0.00	110,000,000.00	0.00	0.00	0.00	0.00	18.34	0.00
Total	114,322,800.00	0.00	0.00	114,322,800.00	4,322,800.00	0.00	0.00	4,322,800.00	-	-

Note 1: For detail explanation on Beijing Zhongnongwang Technology Co., Ltd, Nanyang Xiangrui Agricultural Equipment Co., Ltd and YTO (Luoyang) Dongfanghong Tire Company, please refer to the Note "VI.12. Financial assets available for sale".

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

10. Financial assets available for sale (Continued)

(5) Impairment provision on financial assets available for sale

Classification of financial assets available for sale	Equity instruments available for sale	Debt instruments available for sale	Others	Total
Beginning balance of impairment provision accrued	0.00	0.00	4,322,800.00	4,322,800.00
Current year provision	0.00	0.00	0.00	0.00
Including: transferred in from other comprehensive income	0.00	0.00	0.00	0.00
Decrease in this year	0.00	0.00	0.00	0.00
Including: reversal due to fair value increase afterwards	0.00	0.00	0.00	0.00
Ending balance of impairment provision accrued	<u>0.00</u>	<u>0.00</u>	<u>4,322,800.00</u>	<u>4,322,800.00</u>

11. Long term equity investments

(1) Classification of long term equity investments

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investments to subsidiaries	2,986,819,799.86	18,950,000.00	2,967,869,799.86	2,931,819,799.86	18,950,000.00	2,912,869,799.86
Investments to joint ventures and associates	<u>149,536,079.74</u>	<u>7,004,515.65</u>	<u>142,531,564.09</u>	<u>65,250,086.01</u>	<u>7,004,515.65</u>	<u>58,245,570.36</u>
Total	<u>3,136,355,879.60</u>	<u>25,954,515.65</u>	<u>3,110,401,363.95</u>	<u>2,997,069,885.87</u>	<u>25,954,515.65</u>	<u>2,971,115,370.22</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

11. Long term equity investments (Continued)

(2) Investments to subsidiaries

Invested company	Beginning balance	Increase in this year	Decrease in this year	Ending balance	Impairment provision accrued in current year	Ending balance of impairment provision
YTO France SAS	300,737,040.00	0.00	0.00	300,737,040.00	0.00	0.00
Luoyang Changhong Trading Co., Ltd	2,750,001.00	0.00	0.00	2,750,001.00	0.00	2,750,000.00
YTO (Luoyang) Shentong Construction Machinery Co., Ltd	46,500,046.00	0.00	0.00	46,500,046.00	0.00	0.00
YTO (Xinjiang) Machinery Co., Ltd (Note 1)	145,000,000.00	15,000,000.00	0.00	160,000,000.00	0.00	0.00
YTO Heilongjiang Agricultural Machinery Co., Ltd	100,000,000.00	0.00	0.00	100,000,000.00	0.00	0.00
Luoyang Changxing Agricultural Machinery Co., Ltd	2,100,000.00	0.00	0.00	2,100,000.00	0.00	0.00
YTO (Lupoyang) Power Machinery Co., Ltd	76,000,000.00	0.00	0.00	76,000,000.00	0.00	0.00
YTO (Luoyang) Transportation Machinery Co., Ltd	52,018,586.00	0.00	0.00	52,018,586.00	0.00	0.00
Brilliance China Machinery Holdings Co., Ltd	27,869,301.63	0.00	0.00	27,869,301.63	0.00	0.00
YTO Group Finance Co., Ltd	443,802,290.00	0.00	0.00	443,802,290.00	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) Forklift Truck Company Limited	14,022,957.36	0.00	0.00	14,022,957.36	0.00	0.00
YTO (Luoyang) Diesel Engine Co., Ltd	392,257,881.14	0.00	0.00	392,257,881.14	0.00	0.00
YTO (Luoyang) Drive Axle Company Limited	224,961,387.38	0.00	0.00	224,961,387.38	0.00	0.00
YTO (Luoyang) Flag Auto-Body Company Limited	234,192,767.62	0.00	0.00	234,192,767.62	0.00	0.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

11. Long term equity investments (Continued)

(2) Investments to subsidiaries (Continued)

Invested company	Beginning balance	Increase in this year	Decrease in this year	Ending balance	Impairment provision accrued in current year	Ending balance of impairment provision
YTO (Luoyang) Fuel Injection Co., Ltd	152,989,481.32	0.00	0.00	152,989,481.32	0.00	0.00
YTO (Luoyang) Foundry Company Limited (Note 2)	160,391,996.60	40,000,000.00	0.00	200,391,996.60	0.00	0.00
YTO International Economic and Trade Co., Ltd	75,668,335.13	0.00	0.00	75,668,335.13	0.00	0.00
Chang Tuo Agricultural Machinery Equipment Group Co., Ltd	94,250,000.00	0.00	0.00	94,250,000.00	0.00	0.00
YTO Shunxing (Luoyang) Spare Parts Co., Ltd	33,670,762.32	0.00	0.00	33,670,762.32	0.00	0.00
YTO (Shenyang) Co., Ltd	16,200,000.00	0.00	0.00	16,200,000.00	0.00	16,200,000.00
Total	2,931,819,799.86	55,000,000.00	0.00	2,986,819,799.86	0.00	18,950,000.00

Note: 1. According to the resolutions made by the meeting of the twenty-first session of the sixth board of directors of the Company on August 14, 2015, 'Bill about to increase the capital investment in YTO (Xinjiang) Machinery Co., Ltd at the amount of RMB15 million' was considered and passed, to agree that the Company to increase the capital to the wholly-owned subsidiary, YTO (Xinjiang) Machinery Co., Ltd with the owned fund. After the completion of the increase of capital on December 17, 2015, the registered capital of YTO (Xinjiang) Machinery Co., Ltd increased to RMB160 million.

2. According to the resolutions of the fourth session of the sixth board of directors of the Company, 'Bill about to increase the capital investment in YTO (Luoyang) Foundry Company Limited' was considered and passed, to agree that to increase the capital investment of RMB150 million to the wholly-owned subsidiary, YTO (Luoyang) Foundry Company Limited by way of cash. The capital increase will be paid by instalments according to the needs of funds. The first phase of the capital increase is at the amount of RMB70 million. The fund of the rest increase will be in place within 2 years. After the completion of the capital increase, such company will still be the wholly-owned subsidiary of the Company. In 2013, the Company increased capital to this company at the amount of RMB70 million. In 2014, the Company increased capital to this company at the amount of RMB40 million. In April 2015, the rest investment payment of RMB40 million was paid. After the completion of the capital increase, the paid-up capital of YTO (Luoyang) Foundry Company Limited was RMB248.83 million.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

11. Long term equity investments (Continued)

(3) Investments to joint ventures and associates

Invested company	Beginning balance	Additional investment	Investment reduction	Changes of increase/decrease in the year					Ending balance	Ending balance of impairment provision	
				Investment profit/loss recognized under equity method	Adjustment of other comprehensive income	Other equity changes	Declared cash dividends/profit to be distributed	Provision for impairment			Others
I. Associates											
ZF YTO (Luoyang) Drive Axle Co., Ltd (Note 1)	57,155,113.08	81,514,886.92	0.00	2,840,024.39	0.00	0.00	0.00	0.00	0.00	141,510,024.39	0.00
YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	1,090,457.28	0.00	0.00	-68,917.58	0.00	0.00	0.00	0.00	0.00	1,021,539.70	0.00
Luoyang Fusaite Auto Co., Ltd	7,004,515.65	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7,004,515.65	7,004,515.65
Total	65,250,086.01	81,514,886.92	0.00	2,771,106.81	0.00	0.00	0.00	0.00	0.00	149,536,079.74	7,004,515.65

Note 1: On July 21, 2014, the Company signed 'Joint venture contract' with ZF (China) Investment Co., Ltd in Luoyang, Henan Province. According to the provision of the contract, on January 15, 2015, the Company contributed the capital investment at the amount of RMB81,514,886.92 by way of currency. By far, the Company has completed all the investment to ZF YTO (Luoyang) Drive Axle Co., Ltd of RMB138,670,000.00. The shareholding percentage is 49%.

(4) Analysis of long term equity investments is as following:

Item	Ending balance	Beginning balance
Listed	0.00	0.00
Unlisted	3,110,401,363.95	2,971,115,370.22
Total	3,110,401,363.95	2,971,115,370.22

Note: As at December 31, 2015, the fair value of long-term equity investment in listed companies is RMB0.00.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

12. Fixed assets

Detail spreadsheet of fixed assets

Item	Buildings	Machinery	Transportation equipment	Electronic and office equipment	Other equipment	Total
I. Original book balance						
1. Beginning balance	988,696,668.70	2,061,219,604.61	29,377,853.39	67,179,754.38	6,046,626.03	3,152,520,507.11
2. Amount of increase in this year	33,195,702.39	128,058,702.88	1,145,116.07	4,176,387.41	11,429.41	166,587,338.16
(1) Purchase	978,653.37	3,186,826.06	39,791.70	392,299.31	11,429.41	4,608,999.85
(2) Transferred from construction in progress	32,217,049.02	124,871,876.82	1,105,324.37	3,784,088.10	0.00	161,978,338.31
(3) Increase from business combination	0.00	0.00	0.00	0.00	0.00	0.00
(4) Others	0.00	0.00	0.00	0.00	0.00	0.00
3. Amount of decrease in this year	2,253,598.81	24,940,012.27	1,318,152.54	398,866.72	100,943.85	29,011,574.19
(1) Disposal or scrapped	2,253,598.81	24,940,012.27	1,318,152.54	398,866.72	100,943.85	29,011,574.19
(2) Others	0.00	0.00	0.00	0.00	0.00	0.00
4. Ending balance	1,019,638,772.28	2,164,338,295.22	29,204,816.92	70,957,275.07	5,957,111.59	3,290,096,271.08
II. Accumulated depreciation						
1. Beginning balance	474,431,585.92	1,173,078,764.15	14,905,675.46	36,252,022.14	3,324,068.76	1,701,992,116.43
2. Amount of increase in this year	27,040,924.18	120,712,741.94	2,576,847.91	3,513,119.27	351,410.74	154,195,044.04
(1) Accruals	27,040,924.18	120,712,741.94	2,576,847.91	3,513,119.27	351,410.74	154,195,044.04
(2) Increase from business combination	0.00	0.00	0.00	0.00	0.00	0.00
3. Amount of decrease in this year	1,448,766.73	20,920,343.19	796,811.33	338,431.90	94,859.48	23,599,212.63
(1) Disposal or scrapped	1,448,766.73	20,920,343.19	796,811.33	338,431.90	94,859.48	23,599,212.63
(2) Others	0.00	0.00	0.00	0.00	0.00	0.00
4. Ending balance	500,023,743.37	1,272,871,162.90	16,685,712.04	39,426,709.51	3,580,620.02	1,832,587,947.84
III. Impairment provision						
1. Beginning balance	1,500.00	4,850,063.54	11,663.13	14,618.31	207,849.68	5,085,694.66
2. Amount of increase in this year	0.00	0.00	0.00	0.00	0.00	0.00
(1) Accruals	0.00	0.00	0.00	0.00	0.00	0.00
3. Amount of decrease in this year	0.00	50,526.46	0.00	14,618.31	0.00	65,144.77
(1) Disposal or scrapped	0.00	50,526.46	0.00	14,618.31	0.00	65,144.77
(2) Others	0.00	0.00	0.00	0.00	0.00	0.00
4. Ending balance	1,500.00	4,799,537.08	11,663.13	0.00	207,849.68	5,020,549.89
IV. Book value						
1. Book value of ending balance	519,613,528.91	886,667,595.24	12,507,441.75	31,530,565.56	2,168,641.89	1,452,487,773.35
2. Book value of beginning balance	514,263,582.78	883,290,776.92	14,460,514.80	30,913,113.93	2,514,707.59	1,445,442,696.02

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

12. Fixed assets (Continued)

Analysis of buildings by regions of location and investment period:

Item	Ending balance	Beginning balance
Located within the territory of China	1,019,638,772.28	988,696,668.70
Long-term (Over 50 years)	0.00	0.00
Mid-term (10-50 years)	1,019,638,772.28	988,696,668.70
Short-term (Within 10 years)	0.00	0.00
Located abroad	0.00	0.00
Long-term (Over 50 years)	0.00	0.00
Mid-term (10-50 years)	0.00	0.00
Short-term (Within 10 years)	0.00	0.00
Total	1,019,638,772.28	988,696,668.70

In this year, the depreciation of fixed assets recognized into profit and loss is RMB154,195,044.04 (amount in last year: RMB135,367,667.33).

The increase of the fixed assets transferred from construction in progress is RMB161,978,338.31.

The loss of fixed asset disposal through sales is RMB1,112,584.43.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

12. Fixed assets (Continued)

(1) Fixed assets leased out by operating lease

The book value of fixed assets leased out by operating lease is RMB61,074,676.59 at the end of the year (beginning of the year: book value of RMB33,698,529.75). Detail analysis is as following:

Item	Book value
Buildings	61,031,757.62
Machinery	42,918.97
Total	<u>61,074,676.59</u>

(2) Fixed assets with the property right certificate unprocessed yet

The book value of purchased fixed assets whose certificates of ownership are not yet applied or still in progress is RMB5,815,524.96 (beginning balance: RMB6,653,046.07). Since these above purchased assets are processed in accordance with related legal agreements, the directors of the Company ascertain that there is no substantial legal obstacle over transferring the ownership or to impact on the normal use of these buildings, and no significant influence over the normal operation of the Company. So there is no need for provision of impairment and no significant additional cost will be generated.

Item	Book value	Reason for property right certificate not yet processed
YTO Industrial Park staff dining hall three-layer frame	5,815,524.96	In progress and expected to finalise in December 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

13. Construction in progress

(1) Detail spreadsheet of construction in progress

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Core capacity upgrading project on new wheeled tractor	181,656,589.97	0.00	181,656,589.97	147,522,531.79	0.00	147,522,531.79
Agricultural high-power diesel engine project	160,110,988.49	0.00	160,110,988.49	119,741,781.66	0.00	119,741,781.66
New giant parts workshop of No. 3 Assembling Factory	68,002,643.08	0.00	68,002,643.08	52,511,937.03	0.00	52,511,937.03
EPC project	2,261,500.04	0.00	2,261,500.04	15,041,213.76	0.00	15,041,213.76
Forged crankshaft machining line project	3,070,320.43	0.00	3,070,320.43	13,540,080.94	0.00	13,540,080.94
IF furnace reconstruction project	1,938,372.76	0.00	1,938,372.76	6,914,101.32	0.00	6,914,101.32
KW model line transformation system project	3,167,507.70	0.00	3,167,507.70	6,910,533.35	0.00	6,910,533.35
Enhancement of the heat treatment Project of command and exhibition center	6,597,049.23	0.00	6,597,049.23	6,207,418.13	0.00	6,207,418.13
Cooling road expansion project	2,168,589.30	0.00	2,168,589.30	3,896,957.02	0.00	3,896,957.02
Others	109,500.00	0.00	109,500.00	3,011,038.45	0.00	3,011,038.45
	74,187,288.52	8,533,977.20	65,653,311.32	80,234,934.36	8,533,977.20	71,700,957.16
Total	503,270,349.52	8,533,977.20	494,736,372.32	455,532,527.81	8,533,977.20	446,998,550.61

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

13. Construction in progress (Continued)

(2) Details of significant changes of construction in progress

Project name	Beginning balance	Increase in this year	Decrease in this year		Ending balance
			Transferred to fixed assets	Other decrease	
Core capacity upgrading project on new wheeled tractor	147,522,531.79	98,257,570.51	64,123,512.33	0.00	181,656,589.97
Agricultural high-power diesel engine project	119,741,781.66	40,369,206.83	0.00	0.00	160,110,988.49
New giant parts workshop of No. 3 Assembling Factory	52,511,937.03	15,490,706.05	0.00	0.00	68,002,643.08
EPC project	15,041,213.76	0.00	8,329,876.00	4,449,837.72	2,261,500.04
Forged crankshaft machining line project	13,540,080.94	5,440,800.81	15,910,561.32	0.00	3,070,320.43
IF furnace reconstruction project	6,914,101.32	0.00	2,295,386.69	2,680,341.87	1,938,372.76
KW model line transformation system project	6,910,533.35	501,538.46	0.00	4,244,564.11	3,167,507.70
Enhancement of the heat treatment	6,207,418.13	389,631.10	0.00	0.00	6,597,049.23
Project of command and exhibition center	3,896,957.02	548,172.45	2,276,540.17	0.00	2,168,589.30
Cooling road expansion project	3,011,038.45	0.00	0.00	2,901,538.45	109,500.00
Others	80,234,934.36	69,157,840.79	69,042,461.80	6,163,024.83	74,187,288.52
Total	455,532,527.81	230,155,467.00	161,978,338.31	20,439,306.98	503,270,349.52

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

13. 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 (%)	Project progress	Accumulated capitalization of interest	Including: capitalization of interest in this year	Rate of interest capitalization in this year	Source of fund
Core capacity upgrading project							
on new wheeled tractor	596,300,000.00	80.00	90.00	0.00	0.00	-	Fund-raising
Agricultural high-power							
diesel engine project	199,000,000.00	84.45	80.00	12,829,031.02	0.00	4.404-6.9	Fund-raising
New giant parts workshop							
of No. 3 Assembling Factory	93,000,000.00	87.28	80.00	0.00	0.00	-	Self-raised
EPC project	29,773,300.00	51.00	51.00	0.00	0.00	-	Self-raised
Forged crankshaft machining							
line project	58,000,000.00	80.86	90.00	819,901.92	0.00	4.404-6.9	Self-raised
IF furnace reconstruction project	52,200,000.00	13.25	13.25	0.00	0.00	-	Self-raised
KW model line transformation							
system project	7,982,000.00	87.00	87.00	0.00	0.00	-	Self-raised
Enhancement of the heat							
treatment	14,800,000.00	80.00	80.00	0.00	0.00	-	Self-raised
Project of command and							
exhibition center	3,980,000.00	80.00	80.00	0.00	0.00	-	Self-raised
Cooling road expansion project	3,100,000.00	97.13	97.13	0.00	0.00	-	Self-raised
Total	1,058,135,300.00	-	-	13,648,932.94	0.00	-	-

(3) There is no change on the impairment provision for construction in progress.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

14. Intangible assets

Item	Land use right	Patents	Trademarks	Software	Total
I. Original book balance					
1. Beginning balance	554,719,439.40	1,477,553.68	59,501,000.00	27,804,865.87	643,502,858.95
2. Amount of increase in this year	0.00	0.00	0.00	5,128,601.50	5,128,601.50
(1) Purchase	0.00	0.00	0.00	274,035.91	274,035.91
(2) Internal R&D	0.00	0.00	0.00	4,854,565.59	4,854,565.59
(3) Subsidiary internal transfer	0.00	0.00	0.00	0.00	0.00
3. Amount of decrease in this year	0.00	0.00	0.00	0.00	0.00
(1) Disposal	0.00	0.00	0.00	0.00	0.00
(2) Others	0.00	0.00	0.00	0.00	0.00
4. Ending balance	554,719,439.40	1,477,553.68	59,501,000.00	32,933,467.37	648,631,460.45
II. Accumulated depreciation					
1. Beginning balance	43,024,379.48	133,423.02	0.00	15,909,922.01	59,067,724.51
2. Amount of increase in this year	13,941,118.61	178,803.01	0.00	4,795,826.97	18,915,748.59
(1) Accruals	13,941,118.61	178,803.01	0.00	4,795,826.97	18,915,748.59
(2) Subsidiary internal transfer	0.00	0.00	0.00	0.00	0.00
3. Amount of decrease in this year	0.00	0.00	0.00	0.00	0.00
(1) Disposal	0.00	0.00	0.00	0.00	0.00
(2) Others	0.00	0.00	0.00	0.00	0.00
4. Ending balance	56,965,498.09	312,226.03	0.00	20,705,748.98	77,983,473.10
III. Impairment provision					
1. Beginning balance	0.00	0.00	0.00	0.00	0.00
2. Amount of increase in this year	0.00	0.00	0.00	0.00	0.00
(1) Accruals	0.00	0.00	0.00	0.00	0.00
3. Amount of decrease in this year	0.00	0.00	0.00	0.00	0.00
(1) Disposal	0.00	0.00	0.00	0.00	0.00
(2) Increase from business combination	0.00	0.00	0.00	0.00	0.00
(3) Others	0.00	0.00	0.00	0.00	0.00
4. Ending balance	0.00	0.00	0.00	0.00	0.00
IV. Book value					
1. Book value of ending balance	497,753,941.31	1,165,327.65	59,501,000.00	12,227,718.39	570,647,987.35
2. Book value of beginning balance	511,695,059.92	1,344,130.66	59,501,000.00	11,894,943.86	584,435,134.44

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

14. Intangible assets (Continued)

Analysis of land use right by regions of location and terms:

Item	Ending balance	Beginning balance
Located within the territory of China	554,719,439.40	554,719,439.40
Long-term (Over 50 years)	479,301,098.33	479,301,098.33
Mid-term (10-50 years)	75,418,341.07	75,418,341.07
Short-term (Within 10 years)	0.00	0.00
Located abroad	0.00	0.00
Long-term (Over 50 years)	0.00	0.00
Mid-term (10-50 years)	0.00	0.00
Short-term (Within 10 years)	0.00	0.00
Total	554,719,439.40	554,719,439.40

The amount of depreciation and amortization of intangible assets recognized in profit or loss is RMB18,915,748.59 in this year (last year amount: RMB17,776,781.84).

Note: Please refer to the statement in the Note 'VI.16' for the details of the intangible assets with indefinite useful life at the end of the year.

At the end of the year, regarding the intangible assets of the Company, there is no situation of the land use right on which the certificate of the right to use has not yet obtained.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

15. Development expenditure

Item	Beginning balance	Increase in this year		Decrease in this year			Ending balance
		Internal development expenditure	Others	Recognized as intangible assets	Transfer to current period profit and loss	Others	
Research and development of tractor products	0.00	197,079,877.59	0.00	0.00	197,079,877.59	0.00	0.00
Research and development for dynamical machinery products	0.00	14,210,000.00	0.00	0.00	14,210,000.00	0.00	0.00
Updates on accessories and R&D on other machinery products	0.00	23,966,517.00	0.00	0.00	23,966,517.00	0.00	0.00
Fundamental research	0.00	31,324,623.83	0.00	0.00	31,324,623.83	0.00	0.00
Technological process research and development	0.00	25,854,620.00	0.00	0.00	25,854,620.00	0.00	0.00
Total	0.00	292,435,638.42	0.00	0.00	292,435,638.42	0.00	0.00

16. Long-term deferred expenses

Item	Beginning balance	Increase in this year	Amortization in this year	This year Other decrease	Ending balance
Amortization on moulding machine	13,986,186.10	17,153,451.05	6,865,344.50	0.00	24,274,292.65
Maintenance and repair fee	3,929,531.42	4,798,679.16	1,674,261.06	0.00	7,053,949.52
Equipment relocation fee	445,666.11	0.00	445,666.11	0.00	0.00
Working table	283,262.13	0.00	283,262.13	0.00	0.00
Others	270,940.17	431,096.70	230,707.37	0.00	471,329.50
Total	18,915,585.93	22,383,226.91	9,499,241.17	0.00	31,799,571.67

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

17. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets recognized

Item	Ending balance		Beginning balance	
	Deferred tax asset	Deductible temporary difference	Deferred tax asset	Deductible temporary difference
Impairment provision for inventories	3,663,240.86	24,421,605.73	2,776,039.92	18,506,932.80
Termination welfare	2,539,979.82	16,933,198.85	3,055,894.96	20,372,633.09
Wages payable and accrued expense	2,874,510.78	19,163,405.20	1,269,040.80	8,460,272.00
Deferred revenue	7,387,007.46	49,269,216.39	0.00	0.00
Total	<u>16,464,738.92</u>	<u>109,787,426.17</u>	<u>7,100,975.68</u>	<u>47,339,837.89</u>

(2) Deferred tax liabilities recognized

Item	Ending balance		Beginning balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Fair value change of financial assets available-for-sale	<u>27,716,181.82</u>	<u>4,157,427.27</u>	<u>44,160,000.00</u>	<u>6,624,000.00</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

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

(3) Deductible temporary difference of unrecognized deferred tax assets

Item	Ending balance	Beginning balance
Bad debt allowance	210,141,207.75	131,238,211.34
Impairment provision for long term equity investments	25,954,515.65	25,954,515.65
Financial assets available for sale impairment provision	4,322,800.00	4,322,800.00
Impairment provision for fixed assets	5,020,549.89	5,085,694.66
Impairment provision for construction in progress	8,533,977.20	8,533,977.20
Total	<u>253,973,050.49</u>	<u>175,135,198.85</u>

18. Short-term borrowings

(1) Classification of short-term borrowings

Classification of borrowings	Ending balance	Beginning balance
Pledged loans	0.00	0.00
Credit loans	1,953,532,480.00	1,528,219,200.00
Total	<u>1,953,532,480.00</u>	<u>1,528,219,200.00</u>

(2) There are no overdue short-term loans at the end of the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

19. Notes payable

Types of notes	Ending balance	Beginning balance
Bank acceptance notes	1,180,076,296.92	483,664,811.06
Commercial acceptance notes	91,583,957.43	340,670,979.21
Total	1,271,660,254.35	824,335,790.27

20. Accounts payable

(1) Details of accounts payable

Nature of payment	Ending balance	Beginning balance
Purchase payable	983,356,328.59	793,568,366.17
Purchase of construction equipment payable	70,264,294.75	64,101,792.59
Service fee payable	0.00	2,251,949.76
Others	56,174.65	47,506,070.00
Total	1,053,676,797.99	907,428,178.52

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

20. Accounts payable (Continued)

(2) Aging analysis of accounts payable

Item	Ending balance	Beginning balance
Within 1 year	930,406,891.14	851,704,511.14
1-2 years	86,602,642.27	16,011,848.27
2-3 years	12,235,505.91	5,687,925.31
Over 3 years	24,431,758.67	34,023,893.80
Total	<u>1,053,676,797.99</u>	<u>907,428,178.52</u>

(3) Significant accounts payable aging over one year

Company name	Ending balance	Reason for not paid or reversed
Luoyang Tractor Research Institute Co., Ltd	47,506,070.00	Unsettled
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	6,760,819.23	Unsettled
Zhangjiagang Free Trade Zone Yetai International Trade Co., Ltd	5,915,437.00	Unsettled
Bengang Steel Plates Co., Ltd	1,789,968.08	Unsettled
Luoyang Sheng Wei Shen Yi Sales of Machine Co., Ltd	1,364,334.20	Unsettled
YTO International Economic and Trade Co., Ltd	1,720,806.50	Unsettled
Hebei Huilong Hydraulic Machinery Co., Ltd	1,300,000.00	Unsettled
Total	<u>66,357,435.01</u>	–

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

21. Employee benefits payable

(1) Classification of employee benefits payable

Item	Beginning balance	Increase in this year	Decrease in this year	Ending balance
Short-term remuneration	10,404,803.92	544,061,218.95	535,416,586.31	19,049,436.56
Defined contribution plan	44,804.97	85,599,232.27	85,308,201.27	335,835.97
Termination welfare	20,372,633.09	5,592,947.53	9,032,381.77	16,933,198.85
Total	30,822,241.98	635,253,398.75	629,757,169.35	36,318,471.38

(2) Short-term remuneration

Item	Beginning balance	Increase in this year	Decrease in this year	Ending balance
Wages or salaries, bonuses, allowances and subsidies	8,460,272.00	424,943,775.54	422,162,981.54	11,241,066.00
Staff welfare expense	0.00	31,702,056.99	31,702,056.99	0.00
Social insurance expense	0.00	33,148,222.06	33,106,995.37	41,226.69
Including: medical insurance expense	0.00	28,211,871.94	28,211,871.94	0.00
Work-related injury insurance	0.00	2,622,725.55	2,622,725.55	0.00
Maternity insurance	0.00	2,313,624.57	2,272,397.88	41,226.69
Housing funds	0.00	33,750,248.00	32,341,963.94	1,408,284.06
Union & education funds	1,708,157.24	12,176,752.69	7,762,424.80	6,122,485.13
Others	236,374.68	8,340,163.67	8,340,163.67	236,374.68
Total	10,404,803.92	544,061,218.95	535,416,586.31	19,049,436.56

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

21. Employee benefits payable (Continued)

(3) Defined contribution plan

Item	Beginning balance	Increase in this year	Decrease in this year	Ending balance
Basic pension	0.00	66,447,041.51	66,373,772.15	73,269.36
Unemployment insurance premium	0.00	5,123,984.65	5,123,984.65	0.00
Enterprise annuity payment	44,804.97	14,028,206.11	13,810,444.47	262,566.61
Total	<u>44,804.97</u>	<u>85,599,232.27</u>	<u>85,308,201.27</u>	<u>335,835.97</u>

22. Taxes payable

Item	Ending balance	Beginning balance
Value-added tax (VAT)	-317,938,682.26	-306,472,721.67
Business tax	111,918.80	98,225.20
Enterprise income tax	6,426,484.55	11,566,520.54
Urban maintenance and construction tax	7,844.37	6,902.95
Property tax	3,092,636.44	3,606,960.54
Land use tax	901,313.19	970,986.47
Individual income tax	754,689.10	547,368.23
Education surcharge	5,603.12	4,930.68
Other taxes	148,375.80	207,658.20
Total	<u>-306,489,816.89</u>	<u>-289,463,168.86</u>

23. Interests payable

Item	Ending balance	Beginning balance
Interest payable on corporate bonds	50,382,301.08	50,334,301.01
Interest payable on short-term loans	2,608,376.94	6,390,000.00
Total	<u>52,990,678.02</u>	<u>56,724,301.01</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

24. Other payables

(1) Classification of other payables by nature of payment

Item	Ending balance	Beginning balance
Receivables and payments between companies	93,478,121.68	95,753,140.19
Deposits and securities	51,389,168.16	60,142,212.34
Expenses payable	876,274.06	4,030,435.04
Collection and payment on behalf of others	8,367,279.90	4,824,683.75
Others	6,515,803.35	10,363,414.09
Total	160,626,647.15	175,113,885.41

(2) Details of other payables aged over one year

Company name	Ending balance	Reason for not paid or reversed
YTO (Luoyang) Harvesting Machinery Co., Ltd	4,031,683.97	Unsettled
YTO Group Corporation	49,540,612.33	Unsettled
Total	53,572,296.30	–

25. Non-current liabilities due within one year

Item	Ending balance	Beginning balance
Long-term loans due within 1 year	17,738,000.00	18,639,000.00
Others non-current liabilities due within 1 year	7,144,000.00	6,874,000.00
Total	24,882,000.00	25,513,000.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

26. Other current liabilities

Item	Ending balance	Beginning balance
Discount and allowance	0.00	175,947.00
Warranty fee for 3 after sale services included	6,047,526.20	6,130,000.00
Agent fees	1,820,000.00	1,920,000.00
Others	54,813.00	54,813.00
Total	7,922,339.20	8,280,760.00

27. Long-term loans

(1) Classification of loans

Classification of borrowings	Ending balance	Beginning balance
Credit loans	26,607,000.00	46,597,500.00

(2) Due date analysis of long-term loans

Item	Ending balance	Beginning balance
1-2 years	17,738,000.00	0.00
2-5 years	8,869,000.00	46,597,500.00
Total	26,607,000.00	46,597,500.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

28. Bonds payable

(1) Classification of bonds payable

Item	Ending balance	Beginning balance
12 YTO 01 Coporate bond	797,472,004.37	796,393,416.63
12 YTO 02 Coporate bond	696,805,753.82	695,578,322.56
Total	1,494,277,758.19	1,491,971,739.19

(2) Change of increase or decrease of bonds payable

Bond name	Total face value	Issue date	Term of bond	Amount issued	Beginning balance	Amount issued in this year	Interest accrued on face value	Amortisation on premiums or discounts	Repayment in this year	Ending balance
12 YTO 01 Coporate bond	800,000,000.00	2013/3/4	5 years	794,550,000.00	796,393,416.63	0.00	108,572,054.79	2,922,004.37	38,400,000.00	797,472,004.37
12 YTO 02 Coporate bond	700,000,000.00	2013/5/30	5 years	693,734,150.95	695,578,322.56	0.00	61,554,794.52	3,071,602.87	31,500,000.00	696,805,753.82
Total	1,500,000,000.00	-	-	1,488,284,150.95	1,491,971,739.19	0.00	190,126,849.31	5,993,607.24	69,900,000.00	1,494,277,758.19

Note: Please refer to the Note 'VI.34' for details on bonds payable.

(3) Other financial instruments classified as financial liabilities

None

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

29. Deferred revenue

(1) Classification of deferred revenue

Item	Beginning balance	Increase in this year	Decrease in this year	Ending balance	Reason of formation
Government grants	126,198,362.41	0.00	7,166,500.00	119,031,862.41	-

(2) Item of government grants

Item of government grants	Beginning balance	Increase of subsidy in this year	Amount recognized as non-operating income in this year	Other changes	Ending balance	Related to assets/Related to income
The upgrade of core ability in new type of wheeled tractors	53,200,000.00	0.00	0.00	0.00	53,200,000.00	Related to assets
High-power non-road diesel engines	49,000,000.00	0.00	0.00	0.00	49,000,000.00	Related to assets
Diesel engine crankshaft forging line	6,780,000.00	0.00	0.00	3,390,000.00	3,390,000.00	Related to assets
Technical innovation of wheeled tractors	6,920,000.00	0.00	0.00	2,768,000.00	4,152,000.00	Related to assets
C series of government project aid	4,296,000.00	0.00	0.00	716,000.00	3,580,000.00	Related to assets
Annual output of 1000 big horsepower shift heavy wheeled tractors	2,750,000.00	0.00	0.00	0.00	2,750,000.00	Related to assets
Energy-saving diesel engine crankshaft machining production line project	2,700,000.00	0.00	22,500.00	270,000.00	2,407,500.00	Related to assets
Special funds for tractors, diesel engine castings and rapid development of new product demonstration and application	419,960.00	0.00	0.00	0.00	419,960.00	Related to assets
Other items	132,402.41	0.00	0.00	0.00	132,402.41	Related to assets
Total	126,198,362.41	0.00	22,500.00	7,144,000.00	119,031,862.41	-

Note: The 'other changes' are the deferred income which has been reclassified into 'non-current liabilities due within one year'.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

30. Share capital

The schedule of changes on legally issued paid-up share capital is listed below. All shares of the Company are common stocks with a nominal value of RMB1.00 per share.

Amount in this year

Item	Beginning balance	Issue new stock	Changes in current year (+, -)			Subtotal	Ending balance
			Bonus share	Equity fund transferred into shares	Others		
Total amount of shares	<u>995,900,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>995,900,000.00</u>

Amount in last year

Item	Beginning balance	Issue new stock	Changes in current year (+, -)			Subtotal	Ending balance
			Bonus share	Equity fund transferred into shares	Others		
Total amount of shares	<u>995,900,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>995,900,000.00</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

31. Capital reserves

Amount in this year

Item	Beginning balance	Increase in this year	Decrease in this year	Ending balance
Capital stock premium	1,953,153,395.43	0.00	0.00	1,953,153,395.43
Others capital reserves	64,872,267.48	0.00	0.00	64,872,267.48
Total	<u>2,018,025,662.91</u>	<u>0.00</u>	<u>0.00</u>	<u>2,018,025,662.91</u>

Amount in last year

Item	Beginning balance	Increase in this year	Decrease in this year	Ending balance
Capital stock premium	1,990,029,134.53	0.00	36,875,739.10	1,953,153,395.43
Others capital reserves	64,872,267.48	0.00	0.00	64,872,267.48
Total	<u>2,054,901,402.01</u>	<u>0.00</u>	<u>36,875,739.10</u>	<u>2,018,025,662.91</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

32. Other comprehensive income

Item	Beginning balance	Amount before income tax incurred in this year	Amount incurred in this year		Less: income tax expenses	Amount after tax attributable to the parent company	Amount after tax attributable to minority shareholders	Ending balance
			Less: amount included in other comprehensive income in prior period and transferred to profit and loss in the current period					
I. Other comprehensive income not to be classified into profit or loss	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II. Other comprehensive income to be classified into profit or loss	37,536,000.00	-4,194,000.00	12,249,818.18	-2,466,572.73	-13,977,245.45	0.00	23,558,754.55	
Including: Gain or loss from fair value changes in available for sale financial assets	37,536,000.00	-4,194,000.00	12,249,818.18	-2,466,572.73	-13,977,245.45	0.00	23,558,754.55	
Total other comprehensive income	<u>37,536,000.00</u>	<u>-4,194,000.00</u>	<u>12,249,818.18</u>	<u>-2,466,572.73</u>	<u>-13,977,245.45</u>	<u>0.00</u>	<u>23,558,754.55</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

33. Special reserves

Amount in this year

Item	Beginning balance	Increase in this year	Decrease in this year	Ending balance
Safety production expense	0.00	7,690,187.75	7,690,187.75	0.00

Amount in last year

Item	Beginning balance	Increase in this year	Decrease in this year	Ending balance
Safety production expense	0.00	12,418,075.36	12,418,075.36	0.00

34. Surplus reserves

Amount in this year

Item	Beginning balance	Increase in this year	Decrease in this year	Ending balance
Statutory surplus reserves	294,479,564.73	20,771,377.49	0.00	315,250,942.22

Amount in last year

Item	Beginning balance	Increase in this year	Decrease in this year	Ending balance
Statutory surplus reserves	252,254,055.64	42,225,509.09	0.00	294,479,564.73

The changes in surplus reserve for this year and last year are the statutory surplus reserved on 10% of the net profit.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

35. Retained earnings

Amount in this year

Item	Amount	Percentage of accrual or distribution (%)
Ending balance of last year	1,231,464,769.67	
Add: adjustment on beginning balance of retained earnings	0.00	
Beginning balance of this year	1,231,464,769.67	
Add: net profit for the year	207,713,774.94	
Less: statutory surplus reserve	20,771,377.49	Accrued on 10% of net profit or loss
Discretionary surplus reserves	0.00	
General risk reserves	0.00	
Common stock dividends payable	50,790,900.00	
Dividends on ordinary shares transferred to share capitals	0.00	
Ending balance of this year	<u>1,367,616,267.12</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

35. Retained earnings (Continued)

Amount in last year

Item	Amount	Percentage of accrual or distribution (%)
Ending balance of last year	911,189,187.88	
Add: adjustment on beginning balance of retained earnings	0.00	
Beginning balance of this year	911,189,187.88	
Add: net profit for the year	422,255,090.88	
Less: statutory surplus reserve	42,225,509.09	Accrued on 10% of net profit or loss
Discretionary surplus reserves	0.00	
General risk reserves	0.00	
Common stock dividends payable	59,754,000.00	
Dividends on ordinary shares transferred to share capitals	0.00	
Ending balance of this year	<u>1,231,464,769.67</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

36. Net current assets

Item	Ending balance	Beginning balance
Current assets	4,926,525,623.40	4,010,514,150.98
Less: current liabilities	4,386,955,756.29	3,405,564,864.97
Net current assets	539,569,867.11	604,949,286.01

37. Total assets minus current liabilities

Item	Ending balance	Beginning balance
Total assets	10,751,381,430.96	9,654,362,463.88
Less: current liabilities	4,386,955,756.29	3,405,564,864.97
Total assets minus current liabilities	6,364,425,674.67	6,248,797,598.91

38. Borrowings and payables

Summary of borrowings and payables of the Company is as following:

Item	Ending balance	Beginning balance
Short-term bank loans	929,532,480.00	1,204,219,200.00
Short-term entrusted loan	1,024,000,000.00	324,000,000.00
Non-current liabilities due within one year	17,738,000.00	25,513,000.00
Long-term loans	26,607,000.00	46,597,500.00
Bonds payable	1,494,277,758.19	1,491,971,739.19
Total	3,492,155,238.19	3,092,301,439.19

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

38. Borrowings and payables (Continued)

(1) Analysis of borrowings and payables:

<u>Item</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Bank loans		
– Must be repaid within one year	947,270,480.00	1,229,732,200.00
– Must be repaid after one year	26,607,000.00	46,597,500.00
Subtotal	973,877,480.00	1,276,329,700.00
Others borrowings and payables		
– Must be repaid within one year	1,024,000,000.00	324,000,000.00
– Must be repaid after one year	1,494,277,758.19	1,491,971,739.19
Subtotal	2,518,277,758.19	1,815,971,739.19
Total	3,492,155,238.19	3,092,301,439.19

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

38. Borrowings and payables (Continued)

(2) Due date analysis of borrowings and payables

Bank loans:

Item	Ending balance	Beginning balance
Pay upon request or due within 1 year	947,270,480.00	1,229,732,200.00
1-2 years	17,738,000.00	0.00
2-5 years	8,869,000.00	46,597,500.00
Over 5 years	0.00	0.00
Total	973,877,480.00	1,276,329,700.00

Others borrowings:

Item	Ending balance	Beginning balance
Pay upon request or due within 1 year	1,024,000,000.00	324,000,000.00
1-2 years	0.00	0.00
2-5 years	1,494,277,758.19	1,491,971,739.19
Over 5 years	0.00	0.00
Total	2,518,277,758.19	1,815,971,739.19

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

39. Operating revenue and operating cost

Item	Amount incurred in this year		Amount incurred in last year	
	Revenue	Cost	Revenue	Cost
Main business	6,676,755,913.05	5,822,474,956.78	6,177,081,251.46	5,477,204,170.60
Other business	86,371,134.33	4,906,341.40	403,294,252.07	333,725,878.56
Total	<u>6,763,127,047.38</u>	<u>5,827,381,298.18</u>	<u>6,580,375,503.53</u>	<u>5,810,930,049.16</u>

Gross profit

Item	Amount in this year	Amount in last year
Main business revenue	6,676,755,913.05	6,177,081,251.46
Main business cost	5,822,474,956.78	5,477,204,170.60
Gross profit	<u>854,280,956.27</u>	<u>699,877,080.86</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

40. Business taxes and surcharges

Item	Amount in this year	Amount in last year	Standard of calculation and payment
Business tax	1,907,765.01	867,975.35	5%
Urban maintenance and construction tax	140,975.02	69,359.63	7%
Education surcharge	100,696.47	49,542.62	5%
Total	2,149,436.50	986,877.60	—

41. Selling expenses

Item	Amount in this year	Amount in last year
Packing expenses	1,305,597.72	1,926,191.56
Transportation expenses	7,263,270.60	8,094,769.04
Storage expenses	118,392.70	77,364.82
Exhibition expenses	560,091.21	720,143.78
Advertising expenses	3,243,043.65	4,482,287.50
Sales service fees	34,212,401.96	13,408,178.09
Employee compensation	1,276,525.25	1,753,274.96
Repair expense	66,415.68	72,837.29
Others	1,823,749.71	2,016,566.84
Total	49,869,488.48	32,551,613.88

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

42. Administrative expenses

<u>Item</u>	<u>Amount in this year</u>	<u>Amount in last year</u>
Employee compensation	74,270,813.00	79,750,222.33
Insurance expenses	561,260.96	1,385,179.09
Depreciation expenses	23,058,351.60	25,505,934.79
Repair expense	25,662,388.86	30,319,268.62
Amortization of intangible assets	18,645,311.63	16,678,141.35
Loss from inventory count	0.00	83,244.24
Business entertainment expense	1,578,382.24	2,042,959.55
Travelling expenses	1,302,419.07	2,161,542.44
Office expenses	1,397,958.11	1,959,550.64
Conference expenses	965,872.06	981,212.84
Legal expenses	110,080.00	5,000.00
Hiring agency fee	2,163,764.14	2,804,067.32
Consulting fees	837,699.61	2,849,106.54
Research and development expenses	292,435,638.42	305,592,202.06
Sewage charge	1,272,502.88	1,739,510.99
Others	130,912,923.38	113,146,318.36
Total	575,175,365.96	587,003,461.16

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

43. Finance expenses

(1) Details of finance expenses

Item	Amount in this year	Amount in last year
Interest expense	135,820,943.92	113,279,911.57
Less: interest income	83,605,980.68	30,419,275.61
Add: exchange loss	60,703,363.71	-13,443,254.71
Add: other expense	-4,586,161.28	937,901.20
Total	108,332,165.67	70,355,282.45

(2) Detail of interest expense

Item	Amount in this year	Amount in last year
Bank loans, overdraft interests	63,004,175.10	36,863,631.74
Interests on other borrowings due within 5 years	0.00	3,814,533.60
Interest on bonds and discount notes	72,816,768.82	72,601,746.23
Subtotal	135,820,943.92	113,279,911.57
Less: capitalized interests	0.00	0.00
Total	135,820,943.92	113,279,911.57

(3) Detail of interest income

Item	Amount in this year	Amount in last year
Interest income on bank deposits	83,605,980.68	30,419,275.61

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

44. Loss on impairment of assets

Item	Amount in this year	Amount in last year
Loss on bad debt	80,485,628.09	4,081,589.46
Impairment loss on inventories	5,914,672.93	-5,029,623.97
Impairment loss on financial assets available-for-sale	0.00	2,200,000.00
Others loss on impairment of assets	0.00	0.00
Total	86,400,301.02	1,251,965.49

45. Investment income

Item	Amount incurred in this year	Amount incurred in last year
Investment income of long-term equity investments under cost method	76,984,943.00	127,431,600.90
Investment income from long-term equity investments by equity method	2,771,106.81	-102,035.92
Investment income from disposal of long term equity investments	0.00	62,129,264.85
Investment income on financial assets available-for-sale during the holding period	2,376,000.00	2,288,000.00
Investment returns on disposal of financial assets available-for- sale	14,733,057.79	0.00
Others	96,000.00	0.00
Total	96,961,107.60	191,746,829.83

Current-year investment income is generated from the investments on listed and unlisted companies are RMB2,376,000.00 and RMB94,585,107.60 respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

46. Non-operating income

(1) Details of non-operating income

Item	Amount in this year	Amount in last year	Extraordinary gains and losses recognized in this year
Gain on disposal of non-current assets	742,433.96	162,074,545.02	742,433.96
Including: gain on disposal of fixed assets	742,433.96	6,300,345.02	742,433.96
Gain on debt restructuring	0.00	72,457.97	0.00
Government grants	9,850,585.93	10,742,498.00	9,850,585.93
Fine income	101,685.34	0.00	101,685.34
Payable unable to pay	6,199,403.20	0.00	6,199,403.20
Others	1,417,335.49	2,978,396.61	1,417,335.49
Total	18,311,443.92	175,867,897.60	18,311,443.92

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

46. Non-operating income (Continued)

(2) Details of government grants

Item	Amount in this year	Amount in last year	Sources and basis	Related to assets/ Related to income
Diesel engine crankshaft forging line	3,390,000.00	3,390,000.00	Office of Industrial Development and Reform Commission [2005] No. 1392	Related to assets
Technical innovation of wheeled tractors	2,768,000.00	2,768,000.00	Office of Industrial Development and Reform Commission [2005] No. 279	Related to assets
C series of government project aid	716,000.00	716,000.00	Luo Fa Industrial Development and Reform Commission [2009] No. 53	Related to assets
Energy-saving diesel engine crankshaft machining production line project	22,500.00	0.00	Luo cai yu [20113] No. 414	Related to assets
Applied allowance of stable employment for companies in difficulty	2,280,312.06	1,768,498.00	Luo ren she [2013] No. 135	Related to income
Cupola demolition of reforming government subsidies	0.00	920,000.00	Yu cai jian [2012] No. 258	Related to assets
Special funds for large wheeled tractor gearbox flexible production line technology integration and demonstration	0.00	980,000.00	Topic mission note of national technology supporting plan	Related to assets
Manufacturing technology and Equipment for efficient-low consumption green production defined in 863 plan	0.00	200,000.00	Sub-topic mission note of 863 plan	Related to assets
2012BAF07B01 Integration and demonstration of flexible production line of large wheeled tractor transmission line (special fund)	668,773.87	0.00	Topic mission note of national technology supporting plan	Related to assets
Document of finance document of Luoyang Municipal Bureau, Luo cai yu [2015] No. 222	5,000.00	0.00	Sub-topic mission note of major special project on science and technology	Related to assets
Total	<u>9,850,585.93</u>	<u>10,742,498.00</u>	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

47. Non-operating expenses

Item	Amount in this year	Amount in last year	Extraordinary gains and losses recognized in this year
Loss from disposal of non-current assets	1,855,018.39	662,003.34	1,855,018.39
Include: loss from disposal of fixed assets	1,855,018.39	662,003.34	1,855,018.39
Loss from exchange of non-monetary assets	0.00	38,949.40	0.00
Donations to outside party	0.00	141,830.22	0.00
Fine expenditures	152,800.00	0.00	152,800.00
Others	291,048.07	569,563.46	291,048.07
Total	<u>2,298,866.46</u>	<u>1,412,346.42</u>	<u>2,298,866.46</u>

48. Income tax expenses

Item	Amount in this year	Amount in last year
Current income tax expenses	28,442,664.93	23,311,608.21
Deferred income tax expense	-9,363,763.24	-2,068,064.29
Total	<u>19,078,901.69</u>	<u>21,243,543.92</u>

49. Depreciation and amortization

The depreciation and amortization included in the income statement for this year is RMB154,195,044.04 and RMB18,915,748.59 respectively (last year: RMB135,367,667.33 and RMB17,776,781.84 respectively).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

50. Operating rental expenses

The operating rental expenses are RMB4,209,142.95 in this year (last year: RMB1,919,380.64).

51. Rental income

In this year, the rental income on land and buildings is RMB11,876,286.25 for the current year (last year: RMB2,129,224.53).

52. Other comprehensive income

Item	Amount in this year	Amount in last year
1. Gain (or loss) generated from financial assets available for sale	-4,194,000.00	26,048,000.00
Less: impact on income tax generated from financial assets available for sale	-2,466,572.73	3,907,200.00
Net income previously recognized in other comprehensive income transferred to current profit and loss	12,249,818.18	0.00
Subtotal	-13,977,245.45	22,140,800.00
Total	-13,977,245.45	22,140,800.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

53. Notes to items of cash flow statement

(1) Cash receipts and payments related to other operating/investing/financing activities

1) Cash receipts from other operating activities

Item	Amount in this year	Amount in last year
Cash receipts related to interest from deposits	57,589,303.24	8,332,991.88
Cash receipts from other parties	16,609,744.87	80,504,545.79
Total	74,199,048.11	88,837,537.67

2) Cash payments to other operating activities

Item	Amount in this year	Amount in last year
Payment of selling and administrative expenses	291,652,039.28	379,807,016.25
Payment of other payables	260,168,956.62	317,639,566.48
Total	551,820,995.90	697,446,582.73

3) Cash receipts from other investing activities

Item	Amount in this year	Amount in last year
Cash receipts related to assets-relevant government subsidies	0.00	0.00
Cash transferred in from assignment of business operation of subsidiaries	0.00	38,547,954.93
Total	0.00	38,547,954.93

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

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

(2) Supplementary information for the cash flow statement of the parent company

Item	Amount in this year	Amount in last year
1. Reconciliation of net profit to cash flows from operating activities:	—	—
Net profit	207,713,774.94	422,255,090.88
Add: Provision for asset impairment	86,400,301.02	1,251,965.49
Depreciation of fixed asset	154,195,044.04	135,367,667.33
Amortization of intangible assets	18,909,309.84	17,776,781.84
Amortization of long term deferred expenditures	9,499,241.17	6,376,147.40
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain listed as “-”)	1,112,584.43	-161,412,541.68
Loss on disposal of fixed assets (Gain listed as “-”)	0.00	0.00
Gain or loss from changes in fair value (Gain listed as “-”)	0.00	0.00
Financial expenses (Gain listed as “-”)	196,524,307.63	99,836,656.86
Loss on investments (Gain listed as “-”)	-96,961,107.60	-191,746,829.83
Decrease in deferred tax assets (Increase listed as “-”)	-9,363,763.24	-2,068,064.29
Increase in deferred tax liabilities (Decrease listed as “-”)	0.00	0.00
Decrease in inventories (Increase listed as “-”)	-59,426,154.23	44,503,385.38
Decrease in operating receivables (Increase listed as “-”)	336,559,399.68	721,576.91
Increase in operating payables (Decrease listed as “-”)	323,118,608.77	-41,525,371.23
Others	0.00	0.00
Net cash flow generated from operating activities	1,168,281,546.45	331,336,465.06
2. Significant non-cash investing and financing activities:	—	—
Conversion of debts into capital	0.00	0.00
Convertible bonds repayable within 1 year	0.00	0.00
Fixed assets acquired under finance lease arrangement	0.00	0.00
3. Changes in cash and cash equivalents:	—	—
Ending balance of cash	2,246,586,151.42	1,398,841,155.04
Less: beginning balance of cash	1,398,841,155.04	958,278,308.01
Add: ending balance of cash equivalents	0.00	0.00
Less: beginning balance of cash equivalents	0.00	0.00
Net increase in cash and cash equivalents	847,744,996.38	440,562,847.03

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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

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

(3) Cash and cash equivalents (Continued)

Item	Amount in this year	Amount in last year
Cash on hand	2,246,586,151.42	1,398,841,155.04
Including: cash on hand	307,585.29	166,073.30
Bank deposits available for use on demand	2,246,274,600.64	1,398,675,037.00
Other monetary funds for use on demand	3,965.49	44.74
Central bank deposits for payment on demand	0.00	0.00
Deposits in other banks	0.00	0.00
Loans to other banks	0.00	0.00
Cash equivalents	0.00	0.00
Including: bonds investment matured within three months	0.00	
Ending balance of cash and cash equivalents	2,246,586,151.42	1,398,841,155.04
Including: cash and cash equivalents of the parent or subsidiaries of the group with restricted right of use	0.00	0.00
	0.00	0.00

(4) Significant investing and financing activities not involving cash expenditures in the current period: None

54. Items in the statement of changes in shareholder's equity

No changes under the item of 'Others' in the statement of changes in shareholder's equity in this year.

XVI. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Broad of Directors of the Company for issuance on March 29, 2016.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

XVII. SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

1. Schedule of gain or loss from extraordinary items in this year

In accordance with the requirement on Notice for Public Offering Securities Company Explanatory Information Disclosure No. 1 Gains or Losses from Extraordinary Items (2008) by the China Securities Regulatory Commission, the gains or losses from extraordinary items of the Group are as following:

Item	Amount in this year	Note
Gain or loss on disposal of non-current assets	-3,503,966.64	Note 1
Unauthorized or informal approval documents or one-off tax returns and exemptions on tax	0.00	
Government subsidy recognized in current profit or loss	32,513,241.88	
Capital occupation fees charged to non financial enterprises in current profit or loss	0.00	
Income from the difference between the cost of investment on subsidiaries, associates and joint ventures and the fair value of identifiable net assets of invested entities	0.00	
Gain or loss from transferring of non-monetary assets	0.00	
Gain or loss from investments under entrust by others or assets under management by others	0.00	
Provisions of impairment of assets due to force majeure such as nature disasters	0.00	
Gain or loss on debt restructuring	-5,057,432.79	
Gain or loss on corporation restructuring	0.00	
Profit or loss in excess of the portion of the fair value generated from transactions of which the transactional price is obviously unfair	0.00	
Current net profit and loss of the subsidiary under the common control from the beginning date to the consolidated date	0.00	
Gain or loss from non-related business operations or contingencies	0.00	
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	60,360,102.36	
Reversal of impairment of receivables on individually impairment test	0.00	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

XVII. SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Schedule of gain or loss from extraordinary items in this year (Continued)

Item	Amount in this year	Note
Gain or loss from entrusted loans to outside parties	0.00	
Gain or loss from changes in the fair value of investment properties using the fair value model as a subsequent measurement	0.00	
Impact on gain or loss from one-time adjustments on current gain or loss in accordance with the requirement of tax, accounting and other laws and regulations	0.00	
Custody income earned from entrusted operation	0.00	
Profit or loss from assignment of long-term equity investment	0.00	
Other non-operating income and expenses except for mentioned above	24,581,807.46	
Gain or loss from other extraordinary items	0.00	
Subtotal	108,893,752.27	
Effects on income tax	-18,919,643.64	
Effects on non-controlling interests (after tax)	-13,712,233.12	
Total	76,261,875.51	

Note 1: Non current assets disposal gains and losses at the amount of RMB-3,503,966.64 refer to the net gain on disposal of non-current assets, including: net gain on disposal of fixed assets of RMB-3,363,800.18 and the income generated from disposal of intangible assets at the amount of RMB-140,166.46.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

January 1, 2015 to December 31, 2015 (Amounts in these notes are presented in Renminbi unless otherwise stated)

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	
	Year of 2015	Year of 2014	Year of 2015	Year of 2014	Year of 2015	Year of 2014
Net profit attributable to shareholders of the parent company	2.92	3.68	0.1359	0.1684	0.1359	0.1684
Net profit attributable to shareholders of the parent after non-operating profit or loss	1.27	-0.48	0.0593	-0.0221	0.0593	-0.0221

3. Reconciliation on shareholders' equity and profit from HKFRS to Chinese ASBEs

Item	Net profit attributable to the parent company		Net assets	
	Amount in this year	Amount in last year	Ending balance	Beginning balance
HKFRS	135,322,811.53	167,698,247.35	5,398,584,547.34	5,320,826,900.18
ASBEs	135,322,811.53	167,698,247.35	5,398,584,547.34	5,320,826,900.18

Except for certain items that are different in presentation and classification, there is no significant difference between the financial statements prepared by the Group under HKFRS and the Chinese ASBEs in terms of comprehensive financial position, comprehensive income or loss, other comprehensive income and comprehensive cash flows.

4. Supplementary information related to changes of accounting policies

None

DOCUMENTS AVAILABLE FOR INSPECTION

Document available for inspection	The 2015 Annual Report signed by the legal representative of the Company and affixed with the Company seal
Document available for inspection	The 2015 Audited Financial Statement of the Company issued by the accountants
Document available for inspection	The written confirmation and opinion on the 2015 Annual Report of the Company signed by the Directors and senior management of the Company

Chairman: **Zhao Yanshui**

The date of approval by the Board for submission: 29 March 2016