



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

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

Stock Code: 0038.HK 601038.SH

2021 INTERIM REPORT



* For identification purposes only



IMPORTANT NOTICE

I. The Board and Board of Supervisors of the Company, and its Directors, Supervisors and senior management confirm that there are no false information, misleading statements or material omissions contained in this Interim Report, and severally and jointly accept responsibility for the truthfulness, accuracy and completeness of the contents therein.

II. Directors absent from the meeting

Position of the absent director	Name of the absent director	Reason for absence	Name of the proxy
Chairman	Zhou Honghai	Business engagement	Liu Jiguo

III. The Interim Report was unaudited.

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

V. Proposal of profit distribution or proposal of capitalization from capital reserves for the Reporting Period as resolved and passed by the Board

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2021 (Interim period of 2020: Nil).

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

Forward-looking statements such as the development strategy and business plan of the Company contained in this 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 III "Management Discussion and Analysis" of this report for details.

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SECTION I DEFINITIONS

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

DEFINITION OF COMMONLY USED TERMS

A Share(s)	ordinary share(s) as approved by the CSRC which are issued to domestic investors and qualified foreign investors, traded on the PRC domestic stock exchange, denominated, subscribed for and traded in RMB
agricultural machinery	various machinery used in the crop farming and animal husbandry production, and the primary processing and treatment of agricultural and animal products
auditor, accountant	the financial statement auditor, Da Hua Certified Public Accountants (Special General Partnership), appointed by the Company as the Company's auditor for the year of 2021
CBIRC	China Banking and Insurance Regulatory Commission
Changtuo Company	Changtuo Agricultural Machinery Equipment Group Company Limited (長拖農業機械裝備集團有限公司), a controlled subsidiary of the Company
Company	First Tractor Company Limited (第一拖拉機股份有限公司)



SECTION I DEFINITIONS (CONTINUED)

controlled subsidiary	a company held as to more than 50% shares or equity interest by the Company, or a company actually controlled by the Company through agreement and arrangement
crawler tractor	tractor with crawler as walking device
CSRC	China Securities Regulatory Commission
diesel engine	internal combustion engine that uses diesel as fuel
Group	the Company and its controlled subsidiaries
H Share(s)	ordinary share(s) as approved by the CSRC which are issued to foreign investors, and listed with the approval of the Stock Exchange, denominated in RMB, subscribed for and traded in Hong Kong dollars
hi-powered wheeled tractor	wheeled tractor with horsepower of 100 (inclusive) or above
Listing Rules of the Shanghai Stock Exchange	Listing Rules of the Shanghai Stock Exchange (as amended from time to time)
Listing Rules of the Stock Exchange	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
mid-powered wheeled tractor	wheeled tractor with horsepower of 25 (inclusive) to 100



SECTION I DEFINITIONS (CONTINUED)

Non-public Issuance	the non-public issuance of A Shares by the Company in 2020
power machinery	products including diesel engine and fuel injection pump
SFO	Securities and Futures Ordinance, Cap.517 of the laws of Hong Kong
Shanghai Stock Exchange	the Shanghai Stock Exchange
Sinomach	China National Machinery Industry Corporation (中國機械工業集團有限公司), the de facto controller of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
subsidiary	a subsidiary as defined under the Listing Rules of the Stock Exchange
Tractors Research Company	Luoyang Tractors Research Institute Company Limited (洛陽拖拉機研究所有限公司), a controlled subsidiary of the Company
YTO	YTO Group Corporation (中國一拖集團有限公司), the controlling shareholder of the Company
YTO Diesel Engine	YTO (Luoyang) Diesel Engine Company Limited (一拖(洛陽)柴油機有限公司), a controlled subsidiary of the Company
YTO Finance	China YTO Group Finance Company Limited (中國一拖集團財務有限責任公司), a controlled subsidiary of the Company



SECTION I DEFINITIONS (CONTINUED)

YTO Foundry and Forging	YTO (Luoyang) Foundry and Forging Company Limited (一拖(洛陽)鑄鍛有限公司), a wholly-owned subsidiary of the Company
YTO France	YTO France SAS (一拖法國農業裝備有限公司), which has been put into judicial liquidation
YTO Hydraulic Transmission	YTO (Luoyang) Hydraulic Transmission Corporation Limited (一拖(洛陽)液壓傳動有限公司), a controlled subsidiary of the Company
YTO International Trade	YTO International Economy and Trade Company Limited (一拖國際經濟貿易有限公司), a wholly-owned subsidiary of the Company
YTO Shentong	YTO (Luoyang) Shentong Construction Machinery Company Limited (一拖(洛陽)神通工程機械有限公司), which has been put into bankruptcy and liquidation
ZF YTO Drive Axle	ZF YTO (Luoyang) Drive Axle Company Limited (採埃孚一拖(洛陽)車橋有限公司), an equity participating company of the Company

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

I. INFORMATION OF THE COMPANY

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

II. CONTACT PERSONS AND METHODS

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

III. INTRODUCTION OF CHANGES IN BASIC INFORMATION

Registered address of the Company	No. 154 Jianshe Road, Luoyang, Henan Province, the PRC
Historical Changes of registered address of the Company	Nil
Office address of the Company	No. 154 Jianshe Road, Luoyang, Henan Province, the PRC
Postal code of the office address of the Company	471000
Website of the Company	http://www.first-tractor.com.cn
E-mail	msc0038@ytogroup.com
Search index of changes during the Reporting Period	/



SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

IV. INFORMATION DISCLOSURE AND CHANGES IN PLACE FOR DOCUMENTS INSPECTION

Name of newspapers designated by the Company for dissemination of information	"China Securities Journal" and "Shanghai Securities News"
Website for publication of the Interim Report as designated by the CSRC	www.sse.com.cn
Website for publication of the Interim Report as designated by the Hong Kong Stock Exchange	www.hkex.com.hk
Place for inspection of the Interim Report of the Company (A Shares)	Office of the Board of the Company
Place for inspection of the Interim Report of the Company (H Shares)	Golden China Consultants Limited, 15/F, Chuang's Tower, 30-32 Connaught Road Central, Central, Hong Kong
Search index of changes during the Reporting Period	/

V. BASIC INFORMATION OF SHARES

Type	Stock exchange for listing	Stock Short Name	Stock code	Abbreviation of shares prior to the change
A Share(s)	Shanghai Stock Exchange	一拖股份	601038	/
H Share(s)	Stock Exchange	FIRST TRACTOR	0038	/

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

VI. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(I) Key Accounting Data

Unit: Yuan Currency: RMB

Key Accounting Data	For the Reporting Period (January to June)	For the corresponding period of last year	Increase/Decrease during the Reporting Period as compared with the corresponding period last year
			(%)
Total operating revenue	5,631,797,809.93	4,116,725,509.00	36.80
Operating revenue	5,575,101,589.75	4,074,490,101.51	36.83
Net profit attributable to shareholders of the listed company	511,381,288.30	323,361,690.16	58.15
Net profit attributable to shareholders of the listed company after deduction of non-recurring profit or loss	484,770,421.11	290,273,866.74	67.00
Net cash flows from operating activities	674,240,684.93	452,641,885.46	48.96



SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

	As at the end of the Reporting Period	As at the end of last year	Increase/decrease as at the end of the Reporting Period compared with the end of last year (%)
Net assets attributable to shareholders of the listed company	5,475,833,783.72	4,338,179,097.26	26.22
Total assets	12,387,174,665.07	12,342,608,882.99	0.36

(II) KEY FINANCIAL INDICATORS

Key Financial Indicators	For the Reporting Period (January to June)	For the corresponding period of last year	Increase/Decrease during the Reporting Period as compared with the corresponding period last year (%)
Basic earnings per share (RMB/share)	0.4646	0.3280	41.65
Diluted earnings per share (RMB/share)	0.4646	0.3280	41.65
Basic earnings per share after deduction of non-recurring profit or loss (RMB/share)	0.4404	0.2944	49.59
Weighted average return on net assets (%)	9.90	7.64	Increase of 2.26 percentage points
Weighted average return on net assets after deduction of non-recurring profit or loss (%)	9.38	6.86	Increase of 2.52 percentage points

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS (CONTINUED)

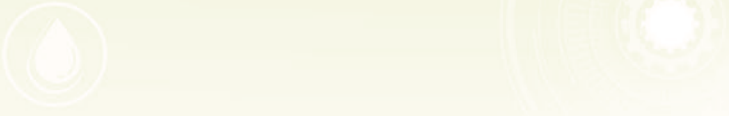
Explanation on major accounting data and financial indicators of the Company

During the Reporting Period, the registration of shares in respect of the Company's non-public issuance was completed, and the total share capital of the Company was increased from 985,850,000 shares to 1,123,645,275 shares. The earnings per share were calculated based on the change in share capital using the weighted average method.

VII. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

Unit: Yuan Currency: RMB

Non-recurring profit or loss items	Amount	Notes (if applicable)
Profit or loss from disposal of non-current assets	3,388,682.05	
Government grants credited to current profit or loss (except for those which are closely related to the Company's ordinary business, in accordance with the PRC national policies and continuously received government grants in certain standard amounts and quantities)	17,264,604.55	
In addition to the effective hedging business related to the normal business operation of the Company, the fair value change profit and loss of held trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities, as well as the investment income from the disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other debt investment	11,474,045.71	
Other non-operating income and expenses except for mentioned above	5,445,870.66	
Gain or loss from other extraordinary items	-6,656,530.68	Mainly affected by the bankruptcy and liquidation of YTO France
Effects on minority shareholders equity interests	-2,432,331.17	
Effects on income tax	-1,873,473.93	
Total	26,610,867.19	




SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

Focusing on the manufacturing of advanced agricultural machinery and equipment, and insisting on the technological upgrading of industrial chain and structural optimisation, the Company is committed to providing agricultural equipment with advanced technology and reliable quality for mechanization of the PRC agricultural industry. The Company's principal businesses include R&D, manufacturing and sales of agricultural machinery, power machinery and related spare parts. In particular, the agricultural machinery business includes R&D, manufacturing and sales of the whole series of wheeled and crawler tractors and their key components including castings, gears, gear boxes and cover that are used in agricultural production. The leading products of power machinery business are off-road diesel engines, and their parts including fuel injection pumps and fuel injectors, and are mainly supporting agricultural machinery, such as tractors and harvesters. YTO Finance, a controlled subsidiary of the Company, is a non-bank financial institution approved by the CBIRC. It provides members of the corporate group with services within the permitted scope, such as fund settlement, deposit and loan, bills, and conducts financial leasing business for the Company's product sales, interbank business and investment business in compliance with the requirements of regulators.

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

For details of the industry situation during the Reporting Period, please refer to Part III headed "Discussion and Analysis on the Operation" of this section.



SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)



II. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

The Company possesses leading industrial technology R&D and comprehensive manufacturing system for core components, efficient and excellent production and organization capacities, and outstanding and stable product quality, and well-established marketing channels and comprehensive after-sales service system. In addition, with the far-reaching influence and good reputation of “Dongfanghong” brand, the Company has built significant competitive advantages in the industry.

During the Reporting Period, there was no change to the Company's core competitiveness. For the detailed analysis of the Company's core competitiveness, please refer to the Company's 2020 Annual Report.

III. DISCUSSION AND ANALYSIS ON THE OPERATION

As China highly stresses the policies and measures to stabilize agriculture, both food security and price expectation has been raised, which further encourage people's initiative to agriculture nationwide. In this context, the domestic market demand for tractors kept raising in the first half of 2021. According to China Association of Agricultural Machinery Manufactures, the total sales volume of hi-powered and mid-powered tractors in tractor industry for the first half of 2021 was 176.3 thousand units, representing an increase of 14.9% year-on-year. In addition, to regulate the competition in the agricultural machinery market, relevant government authorities have issued policies to regulate the K value (ratio of minimum working weight to power) of tractors, which has curbed improper competition and chaos such as “a strong horse pulling a little cart” (referring to tractor products whose engine power is significantly mismatched with chassis design) in the tractor market, and has played a positive role in promoting the transformation, upgrading, innovation and development of the domestic tractor industry. The new policy of agricultural machinery purchase subsidy reduces the single subsidy amount of tractors and other products, which has a certain impact on the purchasing power and purchasing enthusiasm of users, but reduces the product price difference between key enterprises and low-price competitors in the industry. Therefore, it improves the market competitiveness of products from key enterprises.



SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In 2021, the first year to implement the 14th Five-Year Plan, the Company adheres closely to the strategy of “comprehensively pushing forward rural vitalization and accelerating the modernization of agriculture and rural areas” and seizes opportunities brought by agriculture mechanization and upgrading of machinery and equipment in the industry. In particular, the Company has strived to expand its market, promote growth, improve management and enhance revenues, maintaining a good growth momentum and operation performance, despite unchanged complicated and uncertain environment at home and abroad, the increasing raw material prices and new adjustments and changes in the industry. This has laid a solid foundation for the Company to get off to a good start in the 14th Five-Year Plan period. During the Reporting Period, the Company recorded a total revenue of RMB5,632 million, representing an increase of 36.80% year-on-year, and net profit attributable to shareholders of the listed company was RMB511 million, representing an increase of 58.15% year-on-year.

(I) Actively studying and estimating changes in the industry, effectively seizing market opportunities, and highlighting the competitive advantages of leading products

In the first half of 2021, the Company gave play to its comprehensive advantages in products, R&D, channels, services and other aspects, and actively responded to the changes on market environment, including the specification on K value of tractors and the adjustment to subsidies for purchase of agricultural machinery. The Company focused more on targeted marketing and marketing effectiveness, to actively meet the urgent needs of users for high cost-performance products, large and high-efficient agricultural machinery products. To meet differential needs for agricultural machinery from users in different regions, the Company sped up to improve its regional products and develop and promote new products, and achieved overall average-higher performance in the industry with regard to our leading products. By researching and estimating the trend of bulk materials prices, the Company took measures including advanced storage, comprehensive measures and bulk procurement to effectively reduce the impact of rising price of raw materials on the Company's cost in the first half of the year and to maintain the prices for terminal sales stable. Meanwhile, in





SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

order to mitigate the pressure of users in purchasing agricultural machineries, the Company promoted availability of financial instruments for our products. In the first half of the year, the Company sold 1,103 units of hi-powered and mid-powered tractors by means of finance lease, representing an increase of 38.05% year-on-year. During the Reporting Period, the total sales volume of hi-powered and mid-powered tractors was 45.4 thousand units, with a growth rate of 40.55% year-on-year and an increase of 4.7 percentage points in market share.

The Company actively improved and diversified the National III product platform of diesel engines, further achieving a more significant scale of auxiliary items from the external customers including harvest machinery and construction machinery. During the Reporting Period, the Company sold 75.6 thousand units of diesel engines, of which the supporting sales from the external market increased by 35.46% as compared with the corresponding period of last year. Meanwhile, we have expedited the development project of typical National IV products platform of diesel engines under the “Dongfanghong” brand, with the relevant market verification being smoothly conducted.

During the Reporting Period, the Company effectively implemented the technological innovation and new product R&D, and sped up to transform and apply the scientific and technological results. On the one hand, the Company based on the current market need, enhanced the synergy between technology R&D and market demand. We carried out R&D for key products such as LX1604 Tractor (Pro), a range of LP2204–2604 Tractors and 90–130 Horsepower Light Paddy Field Tractors. On the other hand, the Company accelerated its R&D of strategic products, to boost the R&D of power-shift tractor, continuously variable transmission tractor and a full range of National IV tractors and we have applied to start the R&D project of high-power intelligent tractor.



SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(II) Focusing on key links of refined management and improving the quality of operation

In the first half of 2021, the Company further strengthened its internal management and enhanced its comprehensive competitiveness by the following measures: Firstly, the Company improved the assessment mechanism for target cost control and implemented the evaluation mode of target cost control to exploit the internal potential and reduce costs and increase efficiency. Secondly, the Company improved the turnover rates of account receivables and inventory, reduced the amount of outstanding account receivables and increased the disposal of overdue receivables. We also strengthen monitoring for inventory management process, track changes in inventory on an ongoing and dynamic basis to effectively improve the inventory structure. Thirdly, the Company strictly controlled product quality indicators and reduced the loss resulting from product quality to maintain our advantages in quality and cost. In the first half of 2021, facing the pressure brought by surging raw material prices in the market, the Company focused on its target and actively took corresponding steps. Through a series of measures such as locking prices and building reserves, building reserves at low prices, acting at appropriate time, optimizing the value chain and integrating purchasing categories, the Company gave full play to the scale advantage and bargaining power of centralized procurement, so as to reasonably control the procurement cost, curb the impact resulting from the rising purchasing prices, which in turn provided an important support for the sustainable improvement of our production and operation.



SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(III) Implementing reforms and adjustments to achieve the goal of high-quality development in the 14th five-year plan

The Company actively follows the three-year action plan for reform of state-owned enterprises. With reform and innovation as focal points, we strive to enhance internal vitality and sharpen external competitiveness. Firstly, we focus on our principal business, optimize the allocation and structure of resources, and boost the disposal of inefficient, ineffective assets to increase our profitability based on the value chain. Secondly, we emphasize responsibility and target-directed approaches, implement detailed incentive and restriction measures and build a technology R&D and marketing system oriented to the market and users to connect R&D, management, market, and users. Thirdly, the Company takes “serving precision agriculture and smart agriculture” as its development direction, expedites the application of advanced agricultural machinery, promotes to transformation to “manufacturing + service” model to provide a higher mechanization guarantee for modern agriculture. Fourthly, the Company makes sure that operational risk prevention measures are in place, implements risk management and control mechanism of tracing, monitoring and setting time limit to urge the handling of issues, builds a bottom line for major business risks and effectively does a good job in pandemic containment, disaster prevention and control.

From the perspective of development environment and strategic needs at home and abroad, it will be a strategic focus of China in a long run to ensure agricultural production, strengthen food security and improve the benefit and efficiency of food production. This strategy raised the requirements for industrial upgrading of agricultural machinery industry as well as creates opportunities for agricultural machinery enterprises to improve quality and efficiency. In the medium and short term, tractor sales increase in the industry since 2020 has led to, to a certain extent, demands ahead of schedule. The second half of the year is expected to see a more intense competition as some small enterprises complete rectification of K value of tractor products. In addition, the adjustment of farm machinery subsidy policies brings about the increase in cost of user purchasing machineries and the approaching of the switch to National IV standard in the industry, which also result in a lot of pressures and challenges for the industry. The Company will adhere to the principle



SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

of “seeking stable progress”, maintain strategic focus, actively follow the “No. 1 Central Policy Document” for 2021 and adhere to the development idea of “innovation-driven, optimize the structure, penetrate the market and seize the high-end” to fully consolidate and enhance the Company’s competitive advantages in research and development, manufacturing, quality, brand, service and other aspects. We will also expedite innovation and upgrading of product technology and make structural adjustment to maintain our industry leading advantage.

In the second half of the year, the Company will focus on the following work. Firstly, the Company will continue to “seek for increments in the stock market” and improve the level of refinement of marketing, so as to firmly grasp the new trend of user demand changes and consolidate and enhance our market competitive advantages with high quality products and efficient services. Secondly, the Company will continue to improve the quality of economic performance. Focusing on key steps such as technology cost reduction, procurement cost reduction, receivables reduction and inventory pressure reduction, we will deepen cost and cash flow management and control, and mitigate the impact of raw material price increase and cost increase on the Company’s profits to the extent possible. Thirdly, the Company will always take technological innovation as its primary driving force, highlighting the linkage between the strategic orientation of the 14th Five-Year Plan and the industrialization of R&D results. The Company will accelerate the commercialization of large and efficient power-shift and continuously variable transmission tractors, and effectively promote the formulation of major models with National IV emission standard and the research and development of diesel engines with National V standard, to enter into the field of new energy and intelligent agricultural machinery products in advance with a forward-looking vision.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

IV. MAIN OPERATING SITUATION DURING THE REPORTING PERIOD

(I) Analysis on Principal Business

1 Analysis on changes in items of the financial statement

Unit: Yuan Currency: RMB

Item	For the current period	For the corresponding period of last year	Changes (%)
Operating revenue	5,575,101,589.75	4,074,490,101.51	36.83
Operating costs	4,590,934,012.13	3,257,678,123.70	40.93
Interest revenue	53,288,535.72	40,024,451.98	33.14
Selling expenses	77,884,334.74	161,017,133.24	-51.63
Administrative expenses	159,139,342.52	139,146,303.86	14.37
Financial expenses	23,157,988.53	20,468,909.37	13.14
Research and development expenses	187,715,339.78	155,253,323.10	20.91
Investment income (Losses listed as "-")	560,541,212.06	347,706,638.26	61.21
Gain arising from changes in fair value (Losses listed as "-")	13,535,606.94	20,821,149.11	-34.99
Loss on impairment of assets (Losses listed as "-")	-568,744,258.25	-75,014,691.87	N/A
Loss on impairment of credit (Losses listed as "-")	-58,024,911.35	-328,278,476.45	N/A
Asset disposal income (Losses listed as "-")	3,388,682.05	920,722.93	268.05
Non-operating income	6,377,214.92	1,577,199.74	304.34
Income tax expenses	17,306,689.99	12,601,713.30	37.34
Net cash flow generated from operating activities	674,240,684.93	452,641,885.46	48.96
Net cash flow generated from investing activities	-430,148,426.27	-184,193,067.76	N/A
Net cash flow generated from financing activities	127,284,025.33	-593,000,244.29	N/A



SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Reasons for changes in operating revenue: mainly due to the year-on-year increase in sales volume of the Company's major products and the year-on-year increase in operating revenue during the Reporting Period.

Reasons for changes in operating costs: mainly due to the year-on-year increase in sales volume of the Company's major products during the Reporting Period, and the reclassification of transportation expenses into operating costs from selling expenses during the same period.

Reasons for changes in interest revenue: due to an increase of RMB13.26 million over the same period of last year, representing a year-on-year increase of 33.14%, which is mainly due to the year-on-year increase of interest income from financial products purchased by YTO Finance during the Reporting Period.

Reasons for changes in selling expenses: due to a decrease of RMB83.13 million over the same period of last year, representing a year-on-year decrease of 51.63%, which is mainly due to the reclassification of transportation expenses into operating costs during the Reporting Period.

Reasons for changes in administrative expenses: due to an increase of RMB19.99 million over the same period of last year, representing a year-on-year increase of 14.37%, which is mainly due to the year-on-year increase in staff costs during the Reporting Period.

Reasons for changes in financial expenses: due to an increase of RMB2.69 million over the same period of last year, representing a year-on-year increase of 13.14%, which is mainly due to the impact of exchange rate fluctuations during the Reporting Period.

Reasons for changes in research and development expenses: due to an increase of RMB32.46 million over the same period of last year, representing a year-on-year increase of 20.91%, which is mainly due to the Company's active promotion of the research and development of project during the Reporting Period and the synchronous increase of R & D investment.



SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Reasons for changes in investment income: due to an increase of RMB212.83 million over the same period of last year, representing a year-on-year increase of 61.21%, which is mainly due to the fact that YTO France was no longer included in the scope of consolidation of the financial statement as a result of the judicial liquidation during the Reporting Period, and the Company reversed the overlosses of RMB552.23 million in the previous period.

Reasons for changes in gain arising from changes in fair value: due to a decrease of RMB7.29 million over the same period of last year, representing a year-on-year decrease of 34.99%, which is mainly due to the year-on-year decrease in gain arising from changes in fair value of the trading financial assets held by the Company during the Reporting Period.

Reasons for changes in loss on impairment of assets: due to an increase of losses by RMB493.73 million over the same period of last year, which is mainly due to the judicial liquidation of the YTO France during the Reporting Period, for which the Company recorded an impairment loss of RMB559.03 million on assets such as long-term equity investments. As the impact of the judicial liquidation of YTO France on the Company's financial statements was reflected in two items of investment income and impairment of assets, the total impact of the judicial liquidation of YTO France on the Company's profit or loss amounted to -RMB6.8 million during the Reporting Period.

Reasons for changes in loss on impairment of credit: due to a decrease of losses by RMB270.25 million over the same period of last year, which is mainly due to the Company's provision for impairment of YTO Shentong's entrusted loans and receivables as a result of YTO Shentong's bankruptcy liquidation in the same period of last year.

Reason for the changes in income from disposal of assets: due to an increase of RMB2.47 million over the same period of the last year, which is mainly due to the accelerated disposal of inefficient and ineffective assets in the current period.



SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Reasons for changes in non-operating income: due to an increase of RMB4.8 million over the same period of last year, which is mainly due to the impact of the write-off of unpayable payables during the Reporting Period.

Reasons for changes in income tax expenses: due to an increase of RMB4.7 million over the same period of last year, which is mainly due to the increase in income tax expenses as a result of the increase in profits of subsidiaries during the Reporting Period.

Reasons for changes in net cash flow generated from operating activities: due to the additional inflow of RMB221.60 million over the same period of last year, which is mainly due to the year-on-year increase in operating business cash flow of YTO Finance during the Reporting Period.

Reasons for changes in net cash flow generated from investment activities: due to the additional outflow of RMB245.96 million over the same period of last year, which is mainly due to the year-on-year increase in the Company's structural deposits during the Reporting Period.

Reasons for changes in net cash flow generated from financing activities: due to the additional inflow of RMB720.28 million over the same period of last year, which is mainly due to the funds raised from non-public issuance during the Reporting Period.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(II) Analysis on Assets and Liabilities

1. Assets and liabilities

Unit: Yuan

Item	Balance as at the end of the Reporting Period	Balance as at the end of the Reporting Period as a percentage of total assets (%)	Balance as at the end of the corresponding period of last year	Balance as at the end of the corresponding period of last year as a percentage of total assets (%)	Change in balance as at the end of the Reporting Period as compared with balance as at the end of the corresponding period of last year (%)	Explanation
Financial assets held for trading	1,736,796,758.27	14.02	1,306,381,357.98	10.58	32.95	Increase in structured deposits as compared with the beginning of period
Accounts receivable	1,087,339,254.95	8.78	376,202,670.98	3.05	189.03	Accounts receivable of the Company as at the beginning of the period were at a respectively low level for the whole year due to the effect of seasonality in sales of agricultural machinery. The accounts receivable arising from sales of goods had not yet been due for collection in the first half of the year which was the peak season.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Item	Balance as at the end of the Reporting Period	Balance as at the end of the Reporting Period as a percentage of total assets (%)	Balance as at the end of the corresponding period of last year	Balance as at the end of the corresponding period of last year as a percentage of total assets (%)	Change in balance as at the end of the Reporting Period as compared with balance as at the end of the corresponding period of last year (%)	Explanation
Prepayment	56,082,462.18	0.45	177,372,921.45	1.44	-68.38	Prepayment for procurement reserves at the end of last year, is successively delivered in current period
Financial assets purchased with agreement to resale	881,652,150.79	7.12	1,561,721,065.92	12.65	-43.55	Decrease in financial assets held by YTO Finance as at the end of the period
Other current assets	196,256,877.69	1.58	281,587,195.02	2.28	-30.30	Repayment of and decrease in the value added tax left for deduction in the current period
Long-term receivables	180,308,112.22	1.46	132,870,486.03	1.08	35.70	Increase in finance lease of YTO Finance in the current period
Construction in progress	60,408,637.16	0.49	96,000,297.40	0.78	-37.07	Transfer of construction in progress to fixed assets
Deferred income tax assets	146,496,163.75	1.18	102,911,748.79	0.83	42.35	Increase in the provision for accrued expenses, and the deferred income tax assets recognized in the current period
Short-term loans	280,157,645.84	2.26	834,263,379.71	6.76	-66.42	Repayment of part of short-term loans

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Item	Balance as at the end of the Reporting Period	Balance as at the end of the Reporting Period as a percentage of total assets (%)	Balance as at the end of the corresponding period of last year	Balance as at the end of the corresponding period of last year as a percentage of total assets (%)	Change in balance as at the end of	Explanation
					the Reporting Period as compared with balance as at the end of the corresponding period of last year (%)	
Loans from other banks	0.00	0.00	300,066,666.67	2.43	-100.00	Return of loans by YTO Finance
Contract liabilities	161,386,127.85	1.30	398,850,436.72	3.23	-59.54	Fulfillment of some performance obligations in the contract
Taxes payables	63,683,032.42	0.51	23,075,553.98	0.19	175.98	Increase in income tax payable due to the increase in profits of subsidiaries
Other payables	314,739,540.55	2.54	209,162,369.54	1.69	50.48	Increase in dividends payable as a result of the Company's accrued dividends in 2020
Other current liabilities	449,476,461.26	3.63	255,104,052.55	2.07	76.19	Increase in sales and provision of accrued expenses in the current period
Lease liabilities	7,273,442.21	0.06	14,850,790.14	0.12	-51.02	Decrease in the lease liabilities recognized by the Company as lessee
Other comprehensive income	-11,680,535.48	-0.09	-26,960,733.16	-0.22	-56.68	Mainly the influence of the judicial liquidation of YTO France
Special reserves	4,103,412.65	0.03	3,015,461.22	0.02	36.08	Increase in the provision for safety production expenses during the Reporting Period
Retained earnings	1,222,172,071.01	9.87	795,064,178.33	6.44	53.72	Profits in the current period



SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Overseas assets

(1) Asset under management

At the end of the Reporting Period, the Company's total assets amounted to RMB12,387.1747 million, of which overseas assets amounted to 9,631.34 (Unit: 0'000 Currency: RMB), accounting for 0.78% of the total assets.

3. Restrictions on the key assets as at the end of the Reporting Period

As at the end of the Reporting Period, the Company's monetary funds with restrictions on ownership amounted to RMB253.5356 million, including statutory deposit margin of RMB236.3229 million in the central bank, bank acceptance margin of RMB13.3905 million and other guarantee deposits of RMB3.8222 million.

As at the end of the Reporting Period, the Company's notes receivable of restricted ownership amounted to RMB7.30 million, which were notes receivable pledged with the bank during the Reporting Period.

As at the end of the Reporting Period, the original value of Company's fixed assets and intangible assets of restricted ownership amounted to a total of RMB100.0981 million, and the net value amounted to a total of RMB56.8767 million, which were buildings and land mortgaged to the banks for short-term loans granted to the Company.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

4. Other explanations

(1) Key financial indicators

Items	As at the end of the Reporting Period	As at the beginning of the year	Year-on-year change
Gearing ratio (%)	50.68	59.69	Decreased by 9.01 percentage points
Current ratio	1.31	1.08	Increased by 0.23
Quick ratio	1.15	0.89	Increased by 0.26

As at the end of the Reporting Period, total assets of the Company amounted to RMB 12,387,174,665.07, and total liabilities amounted to RMB6,277,443,276.67, with a gearing ratio (total liabilities divided by total assets) of 50.68%.

Reason for the change in gearing ratio: the decrease in gearing ratio was mainly due to the increase in equity capital of the Company as a result of the completion of the non-public issuance during the Reporting Period.

(2) Bank loans

Bank loans of the Company are mainly denominated in RMB. As at the end of the Reporting Period, bank loans (principal) of the Company due within one year amounted to RMB280.10 million, and bank loans (principal) due over one year amounted to RMB99.60 million.



SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(3) Foreign exchange risk

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

(4) As of the end of the Reporting Period, the Company held structured deposits totalling RMB720 million, including: RMB300 million from Industrial and Commercial Bank of China Limited, RMB170 million from China Everbright Bank Co., Ltd., RMB150 million from Bank of Communications Co., Ltd., and RMB100 million from Agricultural Bank of China Limited.

(IV) Analysis on Investments

1. Overall analysis on external equity investments

(1) Financial assets at fair value

			Unit: Yuan	Currency: RMB
Items	Opening Balance	Ending Balance	Change during the Reporting Period	Amount affecting profit for the Reporting Period
Trading financial assets	<u>1,306,381,357.98</u>	<u>1,736,796,758.27</u>	<u>430,415,400.29</u>	<u>19,146,726.14</u>
Total	<u><u>1,306,381,357.98</u></u>	<u><u>1,736,796,758.27</u></u>	<u><u>430,415,400.29</u></u>	<u><u>19,146,726.14</u></u>


SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(V) Analysis on Key Equity Holding and Participating Companies

1. Information on key subsidiaries

Unit: 0'000 Currency: RMB

Name of company	Registered		As at 30 June 2021		Realized during the Reporting Period	
	Capital	Principal business	Total assets	Net assets	Operating income	Net profit
YTO Finance	50,000	Provision of financial services	497,951	85,765	7,808	2,043
YTO International Trade	6,600	International sale of agricultural machinery	44,975	-17,485	15,939	-4,934
YTO Diesel Engine Tractors	USD16 million	Manufacturing and sale of engines	256,627	154,292	121,555	6,470
Tractors Research Company	44,500	Research and development of tractor products	71,914	64,220	7,247	-760
YTO Foundry and Forging	24,883	Processing and sale of rough and semi-finished products and finished products of casting and forging products	38,994	29,239	17,259	544



SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

In June 2021, the local court of France ruled that YTO France entered into the judicial liquidation procedure and appointed an administrator, and YTO France was no longer included in the scope of the Company's consolidated statements. In accordance with the relevant provisions of the Accounting Standards for Business Enterprises, the Company has made a provision for asset impairment of RMB559.03 million and recognised an investment income of RMB552.23 million. The impact of the above events on profit or loss of the Company for the current period amounted to RMB-6.8 million. For details, please refer to the "Announcement of YTO on the Application for Judicial Liquidation by a Wholly-owned Subsidiary" disclosed by the Company on the website of the Shanghai Stock Exchange on 14 May 2021 and on the website of the Stock Exchange on 13 May 2021 and the "Announcement of YTO on the Progress of Judicial Liquidation of a Wholly-owned Subsidiary" disclosed on the website of the Shanghai Stock Exchange on 12 June 2021 and on the website of the Stock Exchange on 11 June 2021.

On 24 December 2020, the Company filed an application for bankruptcy liquidation of Changtuo Company, our controlled subsidiary. As at the end of the Reporting Period, the application for bankruptcy has not been accepted by the local court. For details, please refer to the "Announcement of YTO on the Application for Bankruptcy Liquidation of Its Controlled Subsidiary." disclosed on the website of the SSE on 23 December 2020 and on the website of the Stock Exchange on 22 December 2020.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

Unit: 0'000 Currency: RMB

Number	Name of company	Operating revenue for the Reporting Period	Operating profit for the Reporting Period	Net profit for the Reporting Period
1	YTO Diesel Engine	121,555	6,536	6,470

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

YTO Finance: net profit increased by RMB21.75 million year-on-year, mainly due to the increase in revenue during the current period, the year-on-year increase in profitability, and the decrease in the provision for credit impairment losses as compared with the same period of last year.

YTO International Trade: net profit decreased by RMB44.74 million year-on-year, mainly due to the year-on-year increase in the provision for credit impairment loss during the Reporting Period.

YTO Diesel Engine and YTO Foundry and Forging: net profit increased by RMB1.35 million and RMB4.72 million year-on-year respectively, mainly due to the year-on-year increase in the net profit as a result of the year-on-year increase in the sales revenue driven by the increase in sales volume during the Reporting Period.



SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

V. OTHER DISCLOSEABLE EVENTS

(I) Potential Risks

1. *Market risk*

In the domestic market, the tractor industry has seen a growth in sales since 2020, which, in turn, will suppress the market growth in the second half of this year and even in the near future. In addition, the overall domestic tractor market is standing at a state of high ownership, and the changes in agricultural machinery subsidy policy also has a certain impact on user's purchasing enthusiasm, which leads to a degree of uncertainty in the market trend in the later period.

In the international market, COVID-19 pandemic is still spreading in many countries around the world. In the first half of 2021, the Company only recorded sales growth in Russian-speaking countries and some key markets in Asia. Beyond that, the Company's overseas business expansion in African countries and other regions covered by "The Belt and Road Initiatives" was less than expected. At this stage, the Company still faces great difficulties in expanding business in key overseas markets.



SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. *Operational risk*

Risk relating to rising prices of raw materials. The prices of bulk raw materials have been staying at a high level since this year. By exploiting advantages of centralized procurement, the Company achieved reasonable control over procurement costs, and alleviated the impact of rising procurement prices to a certain extent. However, factors such as homogeneous competition and the particularity of user groups in the agricultural machinery market, which makes it difficult to achieve an increase in the price of our products, inevitably brought pressure to the overall profitability of the Company.

Risk relating to intensified industry competition. With agricultural modernization being vigorously promoted by the state, the agricultural equipment industry ushers in new development opportunities. Many enterprises, both inside and outside the industry, pay more attention to the agricultural equipment industry, and increase investment in the agricultural equipment industry, which will lead to a more fierce competition in the industry. To be more prepared for the coming round of industry competition, the Company will leverage its advantages in R&D and core manufacturing capabilities to accelerate the upgrading of principal products and enrich the products and business portfolio.

Influence of non-operating factors. While implementing reforms and adjustments, the Company intends to strengthen efforts to dispose low-efficiency assets and file for bankruptcy liquidation for some lossmaking subsidiaries. Above measures may have a certain impact on the performance of the Company for the current period.



SECTION III MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3. Risk relating to technology upgrade

China accelerates to implement the conversion and upgrading of off-road diesel engine emission standards while promoting environmental policies in all respects, which requires a higher standard for the product R&D, manufacturing skills and overall upgrade of the supply chain of the agriculture machinery manufacturing enterprises. In addition, the technical barriers due to Euro V emission regulations have increased the difficulty for entering the EU market. As a key backbone enterprise in the industry, the Company will implement the concept of green development and earnestly implement the national objectives and requirements of “Achieving peak carbon dioxide emissions and carbon neutrality”. We will give full play to the technical reserve advantages in the field of diesel engine, and do a good job in the full series of industrialization of National IV Diesel Engine and tractor machine.

SECTION IV CORPORATE GOVERNANCE

I. OVERVIEW OF GENERAL MEETINGS

Session of meeting	Convening date	Search index for the designated website for publishing resolutions	Date of publication of the resolutions	Meeting resolutions
2021 First Extraordinary General Meeting	23 February 2021	"Announcement of First Tractor Company Limited on Resolutions of 2021 First Extraordinary General Meeting" published on the website of the Shanghai Stock Exchange (www.sse.com.cn)	24 February 2021	<ol style="list-style-type: none"> To approve proposal on election of a Supervisor To approve proposed amendments to the Decision Making Principles on Investments and Operation of the Company
2020 Annual General Meeting	8 June 2021	"Announcement of First Tractor Company Limited on Resolutions of 2020 Annual General Meeting" published on the website of the Shanghai Stock Exchange (www.sse.com.cn)	9 June 2021	<ol style="list-style-type: none"> To approve the report of the Board of directors of the Company for the year 2020 To approve the work report of the supervisory committee of the Company for the year 2020 To approve the resolution on making provisions for impairment of assets by the Company for 2020 To approve the audited financial report of the Company for the year 2020 To approve the profit distribution plan of the Company for the year 2020 To approve the re-appointment of Da Hua Certified Public Accountants (Special General Partnership) as the auditor of the Company's financial report and the internal control auditor for the year 2021, and to authorize the Board of the Company to decide its audit fees To approve the amendments to the Articles of Association

SECTION IV CORPORATE GOVERNANCE (CONTINUED)

Explanation on general meetings

During the Reporting Period, resolutions presented at the 2021 First Extraordinary General Meeting and 2020 Annual General Meeting of the Company were all passed.

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Change
Wang Dongxing	Supervisor and Chairman of the Board of Supervisors	Elected
Cai Jibo	former executive Director and Vice Chairman	Resigned

Explanation on changes in Directors, Supervisors and senior management

On 23 February 2021, Mr. Wang Dongxing was elected as Supervisor and Chairman of the eighth session of the Board of Supervisors of the Company at the first extraordinary general meeting in 2021 and the 13rd meeting of the eighth session of the Board of Supervisors, with a term of office from 23 February 2021 to 28 October 2021. For details, please refer to “Announcement of First Tractor Company Limited on Resolutions of 2021 First Extraordinary General Meeting”, “Announcement of First Tractor Company Limited on Election of the Chairman of the Board of Supervisors” disclosed on the website of the Shanghai Stock Exchange on 24 February 2021, and “Announcement on Resolutions of 2021 First Extraordinary General Meeting and Election of the Chairman of the Board of Supervisors” disclosed on the website of the Stock Exchange on 23 February 2021.



SECTION IV CORPORATE GOVERNANCE (CONTINUED)

On 9 June 2021, Mr. Cai Jibo resigned from his positions as the vice chairman, executive Director, a member of the Strategy, Investment Committee and Sustainable Development Committee of the Board and a member of the Remuneration Committee of the Board of directors of the Company due to the change in work arrangements. For details, please refer to “Announcement of First Tractor Company Limited on the Resignation of the Vice Chairman” published on the website of the Shanghai Stock Exchange on 10 June 2021 and that published on the website of the Stock Exchange on 9 June 2021.

III. DIRECTORS’ AND SUPERVISORS’ RIGHTS TO PURCHASE SHARES

The Company has adopted a code of practice with standards not lower than those prescribed in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules of the Stock Exchange to. Having made specific enquiries to all Directors and Supervisors of the Company, they confirmed that they had complied with the relevant code during the first half of 2021.

IV. DIRECTORS’, SUPERVISORS’ AND CHIEF EXECUTIVES’ INTERESTS

As at 30 June 2021, none of the Directors, chief executives and Supervisors of the Company had any interests or short positions in any shares, underlying shares or debentures (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO (including the interests and short positions considered or deemed to be held by such Directors, chief executives and Supervisors under such provisions of the SFO), or which as recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise, pursuant to the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 to the Listing Rules of the Stock Exchange, to be notified to the Company and the Stock Exchange.



SECTION IV CORPORATE GOVERNANCE (CONTINUED)

V. PROPOSAL OF PROFIT DISTRIBUTION OR CAPITALIZATION FROM CAPITAL RESERVES

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

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



SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. ENVIRONMENT INFORMATION

(I) Explanation on Environmental Protection of Enterprises Other than Companies that are Major Pollution Discharge Units

1. *Administrative punishment for environmental problems*

In the first half of 2021, the Company was not subject to administrative punishment for environmental problems.

2. *Disclosure of other environmental information with reference to companies that are major pollution discharge units*

(1) *Construction and operation of pollution prevention facilities*

The Company strictly abides by the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Water Pollution, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, and other environmental protection laws and regulations in the course of its daily production and operation, and actively responds to the relevant requirements of national, provincial and municipal ecological civilization construction. Through continuous standard upgrading and reconstruction, the Company has built a large number of pollution prevention and control facilities, enabling the Company to significantly reduce emissions of pollutants. During the Reporting Period, all pollution control facilities of the Company are in stable operation, and pollutant discharges meet the national or local emission standards.



SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITY (CONTINUED)

(2) *Environmental impact assessment of construction projects and other environmental protection administration approvals*

The Company's construction projects have implemented the Law of the People's Republic of China on Environmental Impact Assessment, prepared environmental impact assessment reports, and obtained the EIA approval from the government. The projects implemented various pollution prevention and control measures in strict accordance with the requirements of the EIA report and the approval. The Company organized the completion acceptance for environmental protection upon completion of the construction, and published it on the national environmental protection website.

(3) *Contingency plan for emergency environmental incidents*

The Company has prepared a contingency plan for emergency environmental incidents and filed it with the government environmental protection department. The emergency management organization and its responsibilities were clearly stipulated in the environment contingency plan of the Company. It established an emergency response team equipped with appropriate emergency facilities and equipment. In the first half of 2021, the Company organized contingency plan drills for waste mineral oil spills and for emergency environmental incidents of reclaimed water treatment stations. The results of the drills were evaluated and improved in a timely manner to effectively improve the emergency response capability for environmental pollution incidents, ensuring that the impact on the environment is minimized in the event of pollution incidents.



SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITY (CONTINUED)

(4) *Environmental self-monitoring program*

The Company strictly abides by national and local government environmental laws, regulations and related requirements, formulates a pollutant self-testing scheme, and adopts both external inspection and online monitoring to monitor pollutant emissions according to the frequency required by the pollutant discharge permit. The Company has installed 7 sets of online monitoring equipment, and uploaded the test results to the national, provincial and municipal monitoring platforms through real-time transmission for the relevant government departments to monitor at any time. For those pollution sources without online monitoring equipment, third-party testing organizations are regularly engaged to monitor and inspect the industrial wastewater, industrial exhaust, noise in the plants and soil of the Company according to the frequency and items determined by the self-testing scheme and issue test reports.

(5) *Solid waste management*

The Company strictly abides by the relevant provisions of the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, strengthens the management of solid wastes, especially hazardous wastes. It has built four centralized storage areas and has taken measures to prevent scattering, running-off and leakage of solid waste to ensure the process of storage and disposal is safe and compliance to laws and regulations.



SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITY (CONTINUED)

II. THE SPECIFIC WORK TO ENTRENCH AND EXPAND POVERTY ALLEVIATION AND TO PROMOTE RURAL REVITALIZATION

The Company actively improved the long-term mechanism for poverty alleviation with corporate characteristics through policy promotion, industrial support, skills promotion, education subsidies and other measures, so as to strengthen the mechanism, implement precise measures and continue to overcome challenges from poverty alleviation. Since 2021, the Company has strictly implemented the “Four Not Removal” requirements, established a long-term mechanism for dynamic monitoring and assistance to prevent the return to poverty, consolidated and expanded the achievements of poverty alleviation, implemented the responsibility of targeted assistance, effectively connected the requirements of Rural Revitalization Strategy, and carried out work in multiple forms and channels in combination with the actual situation of Zhifang Village, so as to achieve the effectiveness of assistance. Firstly, the first Secretary of the village, the person in charge of assistance and the assistance team ensured that each household has a stable source of income and did not return to poverty by providing migrant work information, developing public welfare posts and promoting agricultural products; secondly, we actively promoted poverty alleviation through consumption, and the Company organized the purchase of local characteristic agricultural and sideline products in Zhifang Village, with a value of RMB776,000; thirdly, combined with the business characteristics of the Company, we deepened the poverty alleviation via agricultural machinery, continued to do a good job in the maintenance and use of donated agricultural machinery, helped farmers improve the income from grain planting, and completed more than 200 mu of wheat harvest and more than 300 mu of rotary tillage; fourthly, we carried out household condolences, regular assistance and docking with the person in charge of assistance, carried out assistance activities hand in hand, helped implement the policies, and sent more than RMB10,000 of household necessities and student school supplies to poor households.

Next, the Company will focus on the establishment of a long-term mechanism for dynamic monitoring and assistance to prevent the return to poverty, and continue to promote the new situation of Rural Revitalization.

SECTION VI SIGNIFICANT EVENTS

I. FULFILLMENT OF UNDERTAKINGS

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

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

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

Background of undertaking	Type of undertaking	Party making undertaking	Content of undertaking	Term and deadline of the undertaking	Is there any deadline for performance	Is it performed in a timely and strict manner
Undertakings related to refinancing	Other	SINOMACH	SINOMACH undertakes that it will not act beyond its powers to interfere with the Company's operating and management activities or infringe upon the Company's interests, will effectively promote the Company's effective implementation of the immediate return remedial measures according to the responsibility and authority, and effectively fulfill its commitments and is willing to compensate the Company or investors in accordance with the law if there is any loss incurred due to breach of such undertakings.	Long-term	No	Yes
	Other	YTO	YTO undertakes that it will not act beyond its powers to interfere with the Company's operating and management activities or infringe upon the Company's interests, will effectively promote the Company's effective implementation of the immediate return remedial measures according to the responsibility and authority, and effectively fulfill its commitments and is willing to compensate the Company or investors in accordance with the law if there is any loss incurred due to breach of such undertakings.	Long-term	No	Yes
	Other	Directors, Supervisors and senior management of the Company	1. I undertake that I will not direct benefits to other units or individuals at nil consideration or on unfair terms, and will not harm the Company's interests in any other manner; 2. I undertake that I will act to restrain duty-related spending; 3. I undertake that I will not utilise the assets of the Company for any investment or consumption irrelevant with the performance of my duties; 4. I undertake that the remuneration system formulated by the Board or the Remuneration Committee will be correlated to the implementation of the Company's measures to make up for returns; 5. I undertake that, in the event of the implementation of any share option incentive scheme by the Company in future, the conditions for exercising options under such scheme proposed to be published will be correlated to the implementation of the Company's measures to make up for returns; 6. during the period from the date on which such undertaking is given to the completion of the non-public issuance of shares, supplementary undertakings will be given in accordance with new regulations announced by the CSRC concerning measures to make up for returns and related undertakings, if such regulations are announced by the CSRC and the foregoing undertakings fall short of meeting such new regulations.	Long-term	No	Yes

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

Background of undertaking	Type of undertaking	Party making undertaking	Content of undertaking	Term and deadline of the undertaking	Is there any deadline for performance	Is it performed in a timely and strict manner
	Other	YTO	YTO did not reduce its shareholding or had no shareholding reduction plan during six months before the pricing benchmark date for Non-public Issuance of the Company to six months after the completion of the issuance.	During six months before the pricing benchmark date to six months after the completion of the issuance	Yes	Yes
	Restricted shares	YTO	The shares subscribed for by YTO under the 2020 Non-public Issuance of the Company shall not be transferred within 36 months from the completion of the issuance. Where laws and regulations impose other provisions on the lock-up period, those provisions shall prevail. The shares derived from the shares acquired by YTO under the 2020 Non-public Issuance of the Company due to the distribution of bonus shares and conversion of capital reserves to share capital shall also comply with the above lock-up arrangements.	36 months from the completion of the issuance	Yes	Yes
	Solutions to horizontal competition	The Company	YTO Finance shall only provide financial business services to the following enterprise members: (1) YTO and its subsidiaries; (2) companies in which YTO and its subsidiaries hold more than 20% equity interests and SINOMACH and its other subsidiaries hold no or less than 20% equity interests; (3) companies in which YTO and its subsidiaries, separately or collectively, hold no more than 20% equity interests but are the largest shareholder; Meanwhile, interbank business with SINOMACH Finance Co., Ltd. shall be subject to approval at a general meeting of the Company.	Long-term	No	Yes

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

Background of undertaking	Type of undertaking	Party making undertaking	Content of undertaking	Term and deadline of the undertaking	Is there any deadline for performance	Is it performed in a timely and strict manner
	Solutions to horizontal competition	SINOMACH	SINOMACH Finance Co., Ltd. shall not provide financial services to the following enterprise members: (1) YTO and its subsidiaries; (2) companies in which YTO and its subsidiaries hold more than 20% equity interests and SINOMACH and its other subsidiaries hold no or less than 20% equity interests; (3) companies in which YTO and its subsidiaries, separately or collectively, hold no more than 20% equity interests but are the largest shareholder; Meanwhile, interbank business between SINOMACH Finance Co., Ltd. And YTO Finance of the Company shall be subject to approval at a general meeting of the company.	Long-term	No	Yes
Other undertakings	Other	YTO	YTO and YTO Finance entered into the Deposit Agreement and Loan Agreement, which stipulated the annual caps of loan obtained by YTO and its subsidiaries (excluding the Company) from YTO Finance. YTO further undertook that, on the basis of the aforesaid Deposit Agreement and Loan Agreement and cap amounts of connected transactions, the loan of YTO and its subsidiaries (excluding the Company) obtained from YTO Finance will be less than their deposits placed with YTO Finance, and YTO will ensure the safety of its subsidiaries' loan through various measures.	Long-term	No	Yes

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

II. MISAPPROPRIATION OF FUNDS BY THE CONTROLLING SHAREHOLDERS AND OTHER RELATED PARTIES FOR NON-OPERATING PURPOSES DURING THE REPORTING PERIOD

Unit: 0'000 Currency: RMB

Name of shareholders or related parties	Connected relationship	Occupation time	Reason	Opening balance	Amount newly		Closing balance	Balance as at the disclosure date of the interim report	Expected repayment method	Expected repayment amount	Expected repayment time
					occupied during the Reporting Period	Total amount repaid during the Reporting Period					
YTO Shentong	Other related parties	January 2020 to present	Entrusted Loan	17,100.00	0.00	0.00	17,100.00	17,100.00	Results of liquidation under bankruptcy	Results of liquidation under bankruptcy	Progress of liquidation under bankruptcy
Total	/	/	/	17,100.00	0.00	0.00	17,100.00	17,100.00	/	/	/

Proportion of total amount by the end of the period to the latest audited net assets 3.94%

Procedure for decision on misappropriation of funds by the controlling shareholders and other related parties for non-operating purposes Consideration and approval for the fifth meeting of the eighth session of the Board

Reasons for new misappropriation of funds by the controlling shareholders and other related parties for non-operating purposes during the current period; responsibility investigation; and measures proposed to be taken by the Board /

Reasons for non-repayment for funds misappropriated for non-operating purposes as scheduled; responsibility investigation; and measures proposed to be taken by the Board /

Specific auditing opinion by a CPA on the misappropriation(if any) /

Note: YTO Shentong, a former wholly-owned subsidiary of the Company, enters into bankruptcy liquidation in January 2020, which no longer falls within the scope of consolidation. In accordance with the provisions of the Accounting Standards for Business Enterprises, the Company classified it as another related party, and the time occupied by this sum of money shall be calculated from the date it is classified as another related party.

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

III. INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER DURING THE REPORTING PERIOD

During the Reporting Period, there had been no refusal to implement effective judgments of a court or failure to meet debt repayment schedules in a relatively large amount by the Company and its controlling shareholder and de facto controller.

IV. MATERIAL CONNECTED TRANSACTIONS

(I) Connected transactions in ordinary course of business

1. *Matters which were disclosed in the interim announcement with subsequent progress or changes*

Unit: 0'000 Currency: RMB

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

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2021	Actual transaction amount in the first half of 2021	Percentage in the amount of same type of transactions (%)
1	Material Procurement Agreement	YTO	Controlling shareholder	Purchase of (including, but not limited to) raw materials, other industrial equipment, components, spare parts and other necessities from YTO by the Company.	(1) the market price of an independent third party; (2) if there is no market price determined by an independent third party, the transaction price between YTO and its associates, SINOMACH and its subsidiaries and an independent third party; and (3) if none of the above is applicable, price (tax inclusive) is determined according to cost plus method (i.e. price (tax-inclusive) = cost x (1+ mark-up percentage)), where the mark-up percentage is not more than 30%.	104,000	34,582	6.92
2	Sales of Goods Agreement	YTO	Controlling shareholder	Sales of (including, but not limited to) raw materials, components, spare parts, equipment and other necessities from YTO by the Company.	(1) the market price of an independent third party; (2) if there is no market price determined by an independent third party, the transaction price between the Group and an independent third party; and (3) if none of the above is applicable, price (tax inclusive) is determined according to cost plus method (i.e. price (tax-inclusive) = cost x (1+ mark-up percentage)), where the mark-up percentage is not more than 30%.	39,500	12,006	2.17

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

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

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2021	Actual transaction amount in the first half of 2021	Percentage in the amount of same type of transactions (%)
3	Composite Services Agreement	YTO	Controlling shareholder	Provision of transportation and transportation ancillary services to the Company and its subsidiaries by YTO.	(1) the market price of an independent third party; (2) if there is no market price determined by an independent third party, the transaction price between YTO, its controlled companies and their associates and an independent third party; and (3) if none of the above is applicable, price (tax inclusive) is determined according to cost plus method (i.e. price (tax-inclusive) = cost x (1+ mark-up percentage)), where the mark-up percentage is not more than 10%.	22,000	11,701	87.80
4	Energy Procurement Agreement	YTO	Controlling shareholder	Provision of energy and related services to the Company and its subsidiaries by YTO	(1) the governmental guidance price; (2) if there is no governmental guidance price, the market price or the transaction price between the Group and an independent third party; (3) if none of the above is applicable, the transaction price between YTO and an independent third party; and (4) if none of the above is applicable, price (tax inclusive) is determined according to mark-up percentage (i.e. price = cost x (1+profit rate of cost)), where the profit rate of cost is not more than 16%.	23,500	8,077	98.70
5	Properties Lease Agreement	YTO	Controlling shareholder	Lease of properties by YTO to the Company and its subsidiaries	(1) the transaction price between the lessor and an independent third party; and (2) if none of the above is applicable, determined after arm's length negotiation between the parties with reference to the market rent of similar property.	950	330	99.32
6	Land Lease Agreement	YTO	Controlling shareholder	Lease of land by YTO to the Company and its subsidiaries	(1) the transaction price between the lessor and an independent third party; and (2) if none of the above is applicable, determined after arm's length negotiation between the parties with reference to the market rent of similar land use right.	1,350	573	93.81
7	Deposit Service Agreement	YTO	Controlling shareholder	Provision of deposit services by YTO Finance to YTO	in accordance with the provisions of the CBIRC or the People's Bank of China (PBOC).	280,000	163,847	39.37
8	Loan Service Agreement	YTO	Controlling shareholder	Provision of loan services by YTO Finance to YTO	(1) the rate prescribed by the CBIRC or the PBOC; (2) if none of the above is applicable, the rate charged in the same industry in the PRC for the same type and same period of loans by enquiries in the market; and (3) if none of the above is applicable, determined after arm's length negotiation between YTO Finance and YTO after considering the fair rate offered by the third party on comparable transactions in the same industry, and their financial positions and terms and size of the transactions.	145,000	89,215	39.70

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

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

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2021	Actual transaction amount in the first half of 2021	Percentage in the amount of same type of transactions (%)
9	Bills Acceptance Service Agreement	YTO	Controlling shareholder	Provision of bills acceptance services by YTO Finance to YTO	<p>(1) the rate in relation to the same type and same period of bills acceptance services prescribed by the CBIRC or the PBOC;</p> <p>(2) if none of the above is applicable, the rate charged in applicable industry for the same type and same period of bills acceptance services; and</p> <p>(3) if none of the above is applicable, determined after arm's length negotiation between YTO Finance and YTO after considering the fair rate offered by the third party on the comparable transactions in the same industry, and their financial positions and terms and size of the transactions.</p>	42,000	20,862	9.75
10	Bills Discounting Service Agreement	YTO	Controlling shareholder	Provision of bills discounting services by YTO Finance to YTO	<p>(1) the rate in relation to the same type and same period of bills discounting services prescribed by the CBIRC or the PBOC;</p> <p>(2) if none of the above is applicable (as the rate prescribed by the CBIRC or the PBOC currently is a bills rediscounting rate), the rate charged in applicable industry for the same type and same period of bills discounting services; and</p> <p>(3) if none of the above is applicable, determined after arm's length negotiation between YTO Finance and YTO after considering the fair rate offered by the third party on the comparable transactions in the same industry, and their financial positions and terms and size of the transactions.</p>	35,000	9,079	78.09
11	Interbank Business Service Agreement	SINOMACH Finance Company Limited (匯豐集團財務有限公司)	Controlled subsidiary of the de facto controller	YTO Finance and SINOMACH Finance Company Limited provide financing services to each other, including interbank deposits, lendings, transfer of credit assets and other interbank business services	<p>(1) based on the Shanghai Interbank Offered Rate announced by Shanghai Interbank Offered Market in the same type and same period of transaction for interbank lending and interbank bond transactions rate for bond transactions conducted between financial institutions;</p> <p>(2) with reference to the deposit rates for the same type and same period of funds announced by other financial institutions for interbank deposit;</p> <p>(3) with reference to the market price of the target assets in capital financing announced by other financial institutions for credit asset transfer; and</p> <p>(4) if none of the above is applicable, after arm's length negotiation between the counterparties after considering their financial positions and terms, size and quality of the financial assets.</p>	100,000	60,000	39.80

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

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

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2021	Actual transaction amount in the first half of 2021	Percentage in the amount of same type of transactions (%)
12	Properties Lease Agreement	YTO	Controlling shareholder	Lease of properties by YTO to the Company and its subsidiaries	(1) the price of non-connected transactions between the lessor and independent third parties; (2) if none of the above is available or applicable, then the price will be determined after arm's length negotiation between the parties with reference to the market rent of similar property.	600	207	40.94
13	Land Lease Agreement	YTO	Controlling shareholder	Lease of land by YTO to the Company and its subsidiaries	(1) the price of non-connected transaction between the lessor and independent third parties; (2) if none of the above is available or applicable, then the price will be determined after arm's length negotiation between the parties with reference to the market rent of similar land and land use rights.	75	3	3.25
14	Common Resource Services Agreement	YTO	Controlling shareholder	Provision of common resource services including green services, road maintenance services, cleaning services and logistic support services in the factory areas by YTO to the Company and its subsidiaries.	(1) the transaction prices between YTO and independent third parties; (2) cost plus method, with the mark-up percentage not more than 10%.	600	30	100.00
15	R&D Service Agreement	YTO	Controlling shareholder	Provision of services including product R&D services, process technology R&D services, material testing services, and measuring instrument testing services to YTO and its subsidiaries by the Company.	(1) the price of non-connected transactions for similar services between the Company and independent third parties; (2) the price of the reasonable cost of the service provided by the Company with the addition of gross margin of the comparable non-connected transactions; (3) if none of the above is available or applicable, then the price will be determined under arm's length negotiations between the two parties.	1,000	170	27.21

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

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

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2021	Actual transaction amount in the first half of 2021	Percentage in the amount of same type of transactions (%)
16	Product Inspection and Testing as well as Technology Services Agreement	Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd	Wholly-owned subsidiary of the controlling shareholder	Provision of products related technological inspection and testing services, patent and standardized technological support services, and research and development services on nonstandard equipment such as inspection and testing equipment for products of the Company and its subsidiaries.	(1) the price of non-connected transactions between Xiyuan Company and independent third parties; (2) the price of the reasonable cost of the service provided by Xiyuan Company with the addition of gross margin of the comparable non-connected transactions; (3) if none of the above is available or applicable, then the price will be determined under arm's length negotiations between the two parties.	2,600	769	100.00

- For details of the above No.1–11 connected transactions, please refer to the “Announcement on the Resolutions Passed at the Twenty-second Meeting of the Seventh Session of the Board” and “Announcement on Continuing Connected Transactions for 2019–2021” published by the Company on the website of the Shanghai Stock Exchange on 30 August 2018, and the “Continuing Connected Transactions” announcement and related overseas regulatory announcements published on the website of the Stock Exchange on 29 August 2018. In accordance with the Listing Rules of the Stock Exchange and the Implementation Guidelines for Related Party Transactions of Listed Companies on Shanghai Stock Exchange, as the Deposit Service Agreement entered into by YTO Finance and YTO constitutes an exemption from the approval and disclosure of connected transactions of “provision of financial assistance to listed companies by related parties”, the agreement shall not be required to be submitted to the Company’s general meeting for consideration. For the details of the remaining connected transactions, please refer to the “Announcement on the Resolutions Passed at 2018 Second Extraordinary General Meeting of the Company” published on the website of the Shanghai Stock Exchange on 30 October 2018, and the “Poll Voting Results of the Extraordinary General Meeting Held on 29 October 2018” published by the Company on the website of the Stock Exchange on 29 October 2018.

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

2. For details of the above No.12–16 connected transactions, please refer to the “Announcement on the Daily Related Transactions for 2021 of First Tractor Company Limited” published by the Company on the website of the Shanghai Stock Exchange on 23 December 2020 and the announcements of “Continuing Connected Transaction – (1) Common Resource Services Agreement; (2) Properties Lease Agreement and Land Lease Agreement; (3) R&D Service Agreement; (4) Product Inspection and Testing as well as Technology” published by the Company on the website of the Stock Exchange on 22 December 2020.

Unit: 0'000 Currency: RMB

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

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2021	Actual transaction amount in the first half of 2021	Percentage in the amount of same type of transactions (%)
17	Technology Services Agreement	Tractors Research Company	Subsidiary of YTO	Provision of technology research and development, technology consultation and technology services by Tractors Research Company to the Company	(1) the transaction price between Tractors Research Company and an independent third party; and (2) if none of the above is applicable, price (tax-inclusive) is determined according to mark-up percentage (i.e. price = cost x (1+ mark-up percentage)), where the mark-up percentage is not more than 16%.	13,500	5,775	100.00%

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

For details of the above No.17 connected transaction, please refer to the “Announcement on the Resolutions Passed at the Twenty-second Meeting of the Seventh Session of the Board”, the “Announcement on Continuing Connected Transactions for 2019–2021” and the “Announcement on the Resolutions Passed at 2018 Second Extraordinary General Meeting of the Company” published by the Company on the website of the Shanghai Stock Exchange on 30 August 2018 and 30 October 2018, respectively, and the “Continuing Connected Transactions” announcement, the “Poll Voting Results of the Extraordinary General Meeting Held on 29 October 2018” and related overseas regulatory announcements published by the Company on the website of the Stock Exchange on 29 August 2018 and 29 October 2018, respectively.

Unit: 0'000 Currency: RMB

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

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2021	Actual transaction amount in the first half of 2021	Percentage in the amount of same type of transactions (%)
18	Premise Tenancy Agreement	ZF YTO Drive Axle	Associated corporation	Lease of land and properties to ZF YTO Drive Axle by the Company	The annual lease fee of RMB6,630,000 was determined by both parties under market principles and negotiation	663	331	83.43%
19	Technologies License Agreement	ZF YTO Drive Axle	Associated corporation	Authorization of use of related drive axle production technologies granted by the Company to ZF YTO Drive Axle for production and installation of existing and future products	ZF YTO Drive Axle shall pay 0.3% of the sales revenue of products applying these technologies as technologies authorization fee of to the Company	60	0	0.00%

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

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

No.	Title of agreement	Counterparty	Connected relationship	Content of the transaction	Pricing principle of the transaction	Estimated cap for transaction amount in 2021	Actual transaction amount in the first half of 2021	Percentage in the amount of same type of transactions (%)
20	Procurement Framework Agreement	ZF YTO Drive Axle	Associated corporation	Purchase of components such as gears and drive shafts for the production of drive axles by ZF YTO Drive Axle from the Company	Prices of components are determined under negotiations between both parties based on prices of past years, the then prevailing market price and factors such as raw material price fluctuations	3,500	1,946	0.35%
21	Sales Framework Agreement	ZF YTO Drive Axle	Associated corporation	Sale of goods by ZF YTO Drive Axle to the Company and its branches	Prices of drive axle products are determined under negotiations between both parties based on factors such as prices of past years, the then prevailing market price and raw material price fluctuations. The price of goods sold by ZF YTO Drive Axle to the Company or any of its branches and subsidiaries shall not exceed that of the same types of goods sold to ZF Hangzhou	15,000	10,785	2.16%

For details of No. 18–21 connected transactions, please refer to the “Announcement of First Tractor Company Limited on Daily Connected Transactions of ZF YTO (Luoyang) Drive Axle Company Limited” published by the Company on the website of the Shanghai Stock Exchange on 9 February 2021, and the overseas regulatory announcement published by the Company on the website of the Stock Exchange on 8 February 2021.

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

2. Matters not disclosed in the provisional announcements

Unit: 0'000 Currency: RMB

Connected counter party	Connected relationship	Type of the connected transaction	Content of the connected transaction	Pricing principle of the connected transaction	Estimated cap for transaction amount in 2021	Actual transaction amount in the first half of 2021	Percentage in the amount of same type of transactions (%)
YTO	Controlling shareholder	Acceptance of the right to use the patent and trademark, etc.	YTO and its subsidiaries are permitted by the Company to use the Dongfanghong trademark	It is charged in the range of 2%-5% of the external product revenue of the trademark products	50	0	0
Total				/	50	0	0

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

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

Note: According to the Trademark License Agreement signed between the Company and YTO, YTO paid the license fee for the year in December.

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

(II) Connected transactions of credits or debts

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

Event details

Search index

The Company provided an entrusted loan with a total amount of up to RMB21,000,000 to Changtuo Company, which was due in 2020, and Changtuo Company failed to repay the loan under the contract. As Changtuo Company is a subsidiary which has been incorporated into the Company's consolidated financial statements, such matter will not materially and adversely affect the profit and loss of the Company's consolidated financial statements for the current period, nor will it affect the Company's day-to-day production and operation.

For details, please refer to the "Announcement on Provision of Entrusted Loan and Connected Transaction" published by the Company on the Shanghai Stock Exchange on 28 March 2020, and the announcement published by the Company on the website of the Stock Exchange on 27 March 2020, the Announcement of First Tractor Company Limited Regarding a Subsidiary's Non-repayment of Matured Entrusted Loan issued by the Company on the website of the Shanghai Stock Exchange on 3 July 2020, and the Announcement Regarding a Subsidiary's Non-repayment of Matured Entrusted Loan Provided by the Company published on the website of the Stock Exchange on 2 July 2020.

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

(III) Financial business of the Company with its financial companies, controlled financial companies and related parties

1. Deposit business

Unit: 0'000 Currency: RMB

Related parties	Connected relationship	Daily maximum deposit limit ^{Note 1}	Range of deposit interest rates ^{Note 1}	Beginning balance	Amount incurred in this period	Ending balance
YTO Group Corporation Limited	Controlling shareholder	/	/	98,989.04	-44,831.03	54,158.01
Luoyang Tractor Research Institute Co., Ltd. ^{Note 2}	The company controlled by controlling shareholders	/	/	20,693.44	4,739.41	25,432.85
YTO (Luoyang) Logistics Co., Ltd.	The company controlled by controlling shareholders	/	/	3,439.98	161.93	3,601.92
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	The company controlled by controlling shareholders	/	/	2,606.92	734.73	3,341.65
YTO (Xinjiang) Dongfanghong Equipment Machinery Co., Ltd.	The company controlled by controlling shareholders	/	/	2,251.22	337.06	2,588.28

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

Related parties	Connected relationship	Daily maximum deposit limit ^{Note 1}	Range of deposit interest rates ^{Note 1}	Beginning balance	Amount incurred in this period	Ending balance
YTO (Luoyang) Hydraulic Transmission Corporation Limited ^{Note 2}	The company controlled by controlling shareholders	/	/	5,148.87	-2,682.12	2,466.75
Luoyang Fossett Environmental Protection Technology Co. Ltd.	The company controlled by controlling shareholders	/	/	1,675.02	415.54	2,090.55
Dongfanghong (Henan) Agricultural Service Technology Co., Ltd.	The company controlled by controlling shareholders	/	/	0	1,187.76	1,187.76
YTO (Luoyang) Special Purpose Vehicle Co., Ltd.	The company controlled by controlling shareholders	/	/	319.71	589.66	909.37
YTO (Luoyang) material equipment Co., Ltd.	The company controlled by controlling shareholders	/	/	1,340.20	-431.66	908.54
Dongfanghong Agricultural Service Technology (Guangxi) Co., Ltd.	The company controlled by controlling shareholders	/	/	970.76	-302.48	668.27
Luoyang Tianhui Energy Engineering Co., Ltd.	The company controlled by controlling shareholders	/	/	369.96	58.7	428.66

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

Related parties	Connected relationship	Daily maximum deposit limit ^{Note 1}	Range of deposit interest rates ^{Note 1}	Beginning balance	Amount incurred in this period	Ending balance
Dongfanghong (Luoyang) Culture Communication Centre	The company controlled by controlling shareholders	/	/	579.95	-158.61	421.34
YTO (Luoyang) Huide Tooling Co., Ltd.	The company controlled by controlling shareholders	/	/	232.22	-47.85	184.37
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd.	The company controlled by controlling shareholders	/	/	43.74	0.09	43.84
Luoyang Oriental Printing Co., Ltd.	The company controlled by controlling shareholders	/	/	65.48	-25.41	40.07
Luoyang YTO Driver Training School Co., Ltd.	The company controlled by controlling shareholders	/	/	5.83	19.45	25.28
Shenzhen Dongfang Pengxing Trade Co., Ltd.	Company originally controlled by controlling shareholders	/	/	2.26	1.45	3.72
YTO (Luoyang) Rico Automobile Co., Ltd. ^{Note 3}	The company controlled by controlling shareholders	/	/	1.22	2.10	3.32

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

Related parties	Connected relationship	Daily maximum deposit limit ^{Note 1}	Range of deposit interest rates ^{Note 1}	Beginning balance	Amount incurred in this period	Ending balance
SINOMACH-HI (Luoyang) Co., Ltd.	Company originally controlled by the de facto controller	/	/	0.57	0	0.57
YTO (Luoyang) Standard Parts Co., Ltd.	Equity investment Company controlled by controlling shareholders	/	/	0.32	0	0.32
China YTO Kawei (Luoyang) Vehicle Co., Ltd. ^{Note3}	Equity investment Company controlled by controlling shareholders	/	/	0.31	0	0.31
YTO (Luoyang) New Oriental Automobile Co., Ltd.	Equity investment Company controlled by controlling shareholders	/	/	0.03	0	0.03
Luoyang Zhongshou Machinery Equipment Co., Ltd.	The company controlled by controlling shareholders	/	/	5,007.96	-5,007.96	0
YTO (Luoyang) Zhongcheng Machinery Co., Ltd.	The company controlled by controlling shareholders	/	/	1,482.66	-1,482.66	0

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

Related parties	Connected relationship	Daily maximum deposit limit ^{Note 1}	Range of deposit interest rates ^{Note 1}	Beginning balance	Amount incurred in this period	Ending balance
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd.	The company controlled by Dongfanghong Industrial Park Co., Ltd. controlling shareholders	/	/	20.10	-20.10	0
YTO (Luoyang) Dongchen Mold Technology Co., Ltd.	Equity investment Company originally controlled by controlling shareholders	/	/	0.04	-0.04	0
Total ^{Note 1}	/	<u>/</u>	<u>/</u>	<u>145,247.81</u>	<u>-46,742.04</u>	<u>98,505.77</u>

Note 1 : The Company provides deposit business for all member units with interest rates ranging from 0.42% to 4.125%. For details of the maximum balance at any point of time of the relevant deposit services, please refer to the Deposit Services Agreement disclosed in paragraph 1, (I), IV of this section.

Note 2 : Tractors Research Company and YTO Hydraulic Transmission are the holding subsidiaries of the Company, and YTO, the controlling shareholder of the Company, holds more than 10% of the shares of the above two companies. According to the relevant provisions of Chapter 14A of the Listing Rules of the Stock Exchange, the above two companies belong to affiliated subsidiaries, and transactions between them and listed companies and holding subsidiaries constitute connected transactions under the Listing Rules of the Stock Exchange.

Note 3 : As the controlling shareholder of the Company holds more than 30% of the equity interest in YTO (Luoyang) Rico Automobile Co., Ltd. and China YTO Kawei (Luoyang) Vehicle Co., Ltd., it is a 30% controlled company under the relevant provisions of Chapter 14A of the Listing Rules of the Stock Exchange, and transactions between them and listed companies and holding subsidiaries constitute connected transactions under the Listing Rules of the Stock Exchange.

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

2. Loan business

Unit: 0'000 Currency: RMB

Related parties	Connected relationship	Loan limit Note	The range of	Beginning Balance	Amount	Ending Balance
			interest rates of the loans		incurred in this period	
YTO Group Co., Ltd.	Controlling Shareholders	100,000.00	3.696%-3.8%	89,000.00	-10,000.00	79,000.00
YTO (Luoyang) Huide Tooling Co., Ltd.	The Company controlled by controlling shareholders	800.00	4.8%-5.655%	0	290.00	290.00
Total	/	<u> /</u>	<u> /</u>	<u>89,000.00</u>	<u>-9,710.00</u>	<u>79,290.00</u>

Note: The loan amount refers to the amount of loan credit granted by the YTO Finance for each unit. For details of the maximum balance at any point of time of the relevant deposit agreement, please refer to the Loan Services Agreement of the Company disclosed in the paragraph 1, (I), IV of this section.

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

3. Granting business or other financial business

Unit: 0'000 Currency: RMB

Related parties	Connected relationship	Type of business	Total amount	Actual amount	Balance at the end of the reporting period
YTO Group Corporation	Controlling Shareholder	Bills acceptance	30,000.00	11,266.95	11,249.45
YTO (Luoyang) Logistics Co., Ltd	The Company controlled by controlling shareholders	Bills acceptance	4,000.00	3,702.19	3,740.01
YTO (Luoyang) Fuel Injection Co., Ltd.	Subsidiary controlled by the Company	Bills acceptance	800.00	427.50	427.50
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	The Company controlled by controlling shareholders	Bills acceptance	1,500.00	0	106.00
YTO (Luoyang) Huide Tooling Co., Ltd	The Company controlled by controlling shareholders	Bills acceptance	200.00	100.00	100.00
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	Company originally controlled by controlling shareholders	Bills acceptance	0	0	5.76
Luoyang Zhongshou Machinery Equipment Co., Ltd.	The Company controlled by controlling shareholders	Bills acceptance	7,000.00	0	0
YTO (Luoyang) Logistics Co., Ltd	The Company controlled by controlling shareholders	Notes discounting	2,000.00	3,032.45	965.75
YTO (Luoyang) Huide Tooling Co., Ltd	The Company controlled by controlling shareholders	Notes discounting	500.00	60.00	60.00
Luoyang Zhongshou Machinery Equipment Co., Ltd.	The Company controlled by controlling shareholders	Notes discounting	1,000.00	103.00	10.00
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	The Company controlled by controlling shareholders	Notes discounting	500.00	245.71	5.71

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

Related parties	Connected relationship	Type of business	Total amount	Actual amount	Balance at the end of the reporting period
Luoyang Tractor Research Institute Co., Ltd.	Subsidiary controlled by the Company	Notes discounting	5,000.00	4,998.00	0
SINOMACH Finance Company Limited	The Company controlled by the de facto controller	Interbank borrowing	50,000.00	30,000.00	0
SINOMACH Finance Company Limited	The Company controlled by the de facto controller	Interbank lending	50,000.00	20,000.00	0

Note 1: The total amount refers to the credit facilities provided by YTO Finance to member companies, which can be recycled during the reporting period. During the reporting period, the maximum balance at any one point did not exceed the caps of the Bills Acceptance Service Agreement, Bills Discounting Service Agreement and Interbank Business Service Agreement disclosed in paragraph 1, (I), IV of this section.

(IV) Other significant related party transactions

YTO Group subscribed for 137,795,275 non-public issuance A shares of the Company. The procedures for registration of the shares with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited were completed on 9 February 2021, and the lock-up period was 36 months. For details, please refer to the Announcement on Issue Results of Non-public Issuance of A Shares and Changes in Shareholding Structure of First Tractor (《一拖股份非公開發行A股股票發行結果暨股本變動的公告》) and Short Form Report on Changes in Equity (Revised) (《簡式權益變動報告書(修訂版)》) published by the Company on the website of the Shanghai Stock Exchange on 19 February 2021 and 20 February 2021, and the overseas regulatory announcement published on the website of the Stock Exchange on 18 February and 29 February 2021.

SECTION VI SIGNIFICANT EVENTS (CONTINUED)

V. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF

1 Custody, contracting and lease matters

(1) Custody

Unit: Yuan Currency: RMB

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

Explanation on custody

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

VI. EXPLANATION ON APPOINTMENT OR DISMISSAL OF AUDITOR

As considered and approved at the 2020 annual general meeting, the Company continued to appoint Da Hua Certified Public Accountants LLP as the auditor for financial statements and internal control of the Company for the year 2021, and the Board was authorized to determine the remuneration of the auditor.



SECTION VI SIGNIFICANT EVENTS (CONTINUED)

VII. MATERIAL LITIGATION AND ARBITRATION

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

VIII. PROPOSAL OF PROFIT DISTRIBUTION OR CAPITALIZATION FROM CAPITAL RESERVES

Payment of interim dividend for the six months ended 30 June 2021 was not recommended (the first half of 2020: Nil).

IX. STAFF, REMUNERATION POLICY AND TRAINING OF THE GROUP

As at 30 June 2021, the Company had 7,474 employees. During the Reporting Period, the basic salary system of the Company is a post-based salary system, under which employees' income is linked to their job performance, adhering to the principle of salary distribution based on performance and factors, and highlighting value creation.

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

X. CONTINGENT LIABILITIES

As at 30 June 2021, the Company had no other material contingent liabilities.



SECTION VI SIGNIFICANT EVENTS (CONTINUED)

XI. CORPORATE GOVERNANCE CODE

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

XII. SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has strictly adopted the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules of the Stock Exchange. For the purpose of preparing this announcement, specific enquiries have been made to all the Directors and Supervisors of the Company, who have confirmed to the Company that they had strictly complied with the Model Code for Securities Transactions by Directors of Listed Issuers during the Reporting Period.

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

(I) Changes in Shares

1. Changes in Shares

Unit: Share

	Before change		New shares issued	Increase/decrease after change (+, -)				After change	
	Number	Percentage (%)		Bonus share	Equity fund transferred into shares	Others	Sub-total	Number	Percentage (%)
I. Shares subject to selling restrictions	0	0	137,795,275	0	0	0	137,795,275	137,795,275	12.26
1. Shareholdings of the State									
2. Shareholdings of state-owned legal person	0	0	137,795,275	0	0	0	137,795,275	137,795,275	12.26
3. Other domestic shareholdings Including: Shareholdings of domestic non-state-owned legal person Shareholdings of domestic natural person									
4. Foreign shareholdings Including: Shareholdings of foreign legal person Shareholdings of foreign natural person									
II. Shares not subject to selling restrictions	985,850,000	100	0	0	0	0	0	985,850,000	87.74
1. RMB-denominated ordinary shares	593,910,000	60.24	0	0	0	0	0	593,910,000	52.86
2. Domestic listed foreign shares									
3. Overseas listed foreign shares	391,940,000	39.76	0	0	0	0	0	391,940,000	34.88
4. Others									
III. Total number of shares	985,850,000	100	137,795,275	0	0	0	137,795,275	1,123,645,275	100



SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

2. *Explanations on changes in shares*

In order to optimize capital structure, reduce gearing ratio, increase current ratio, improve the robustness of operation and enhance the ability to cope with industry cycles, the Company conducted a non-public issuance of 137,795,275 Renminbi-denominated ordinary shares (A Shares) to YTO in 2020, with a nominal value of RMB1 per share (the total nominal value of the Renminbi-denominated ordinary shares (A Shares) under the non-public issuance amounted to RMB137,795,275), at an issue price of RMB5.08 per share, which shall not be lower than 80% (average price of shares in the 20 trading days prior to the pricing benchmark date = total amount of trading shares in the 20 trading days prior to the pricing benchmark date/total volume of trading shares in the 20 trading days prior to the pricing benchmark date) of the average transaction price of A shares for the 20 trading days prior to the pricing benchmark date (the announcement date of resolutions of The 17th meeting of the 8th session of board of directors of the Company, namely 24 April 2020). The market price per A share on the date of pricing benchmark date (namely 24 April 2020) of Renminbi-denominated ordinary shares (A Shares) under the non-public issuance was RMB6.92. The proceeds raised in aggregate under the issuance amounted to RMB699,999,997, and the actual net proceeds raised, after deducting issuance costs, amounted to RMB694,178,644.67, which has been transferred into the Company's designated account in full amount on 25 January 2021. The procedures for registration and depository in relation to the shares newly issued have been completed with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 9 February 2021 and the lock-up period for the shares was 36 months. Given that all funds raised from the non-public issuance of the Company were used to replenish the working capital in line with the intended use of proceeds, the designated account for funds raised ceased to be used. The Company has completed the procedures for closing the designated account for funds raised.

Upon completion of the issuance, the total share capital of the Company increased to 1,123,645,275 shares, among which 137,795,275 shares (representing 12.26% of the total share capital) are subject to selling restrictions, while 985,850,000 shares (representing 87.74% of the total share capital) are not subject to selling restrictions.

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

(II) Changes in restricted shares

Unit: Share

Name of shareholder	Number of restricted shares at the beginning of the period	Number of restricted shares released during the Reporting Period	Increase of restricted shares during the Reporting Period	Number of restricted shares at the end of the period	Reason for restriction	Date of release of the restricted shares
YTO	0	0	137,795,275	137,795,275	YTO undertook that it will not transfer the shares subscribed for through the Non-public Issuance of the Company for a period of 36 months from the date of completion of the issue	19 February 2024
Total	0	0	137,795,275	137,795,275	/	/

II. SHAREHOLDERS

(I) Total number of shareholders:

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

40,277
including 39,945 holders of A Shares and
332 holders of H Shares

Total number of preference shareholders with voting rights restored as at the end of the Reporting Period (shareholder)

/

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

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

Unit: Share

Name of shareholder (full name)	Increase/decrease during the Reporting Period	Shareholdings of the top ten shareholders			Pledged, charged or frozen		Nature of shareholder
		Number of shares held as at the end of the period	Percentage (%)	Number of shares held subject to selling restrictions	Status of shares	Number	
YTO Group Corporation	137,795,275	548,485,853	48.81	137,795,275	Nil	/	State-owned legal person
HKSCC NOMINEES LIMITED (Note 1)	278,000	388,157,319	34.54	0	Unknown	/	Overseas legal person
Hong Kong Securities Clearing Company Limited (Note 2)	6,996,735	9,803,138	0.87	0	Unknown	/	Overseas legal person
Li Jun	6,521,129	6,521,129	0.58	0	Unknown	/	Domestic natural person
Shen Jia	5,579,754	5,579,754	0.50	0	Unknown	/	Domestic natural person
Industrial and Commercial Bank of China Limited – Jiashi Theme New Power Hybrid Securities Investment Fund(中國工商銀行股份有限公司—嘉實主題新動力混合型證券投資基金)	4,337,763	4,337,763	0.39	0	Unknown	/	Others

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

Name of shareholder (full name)	Increase/decrease during the Reporting Period	Shareholdings of the top ten shareholders				Pledged, charged or frozen		Nature of shareholder
		Number of shares held as at the end of the period	Percentage (%)	Number of shares held subject to selling restrictions	Status of shares	Number		
Industrial and Commercial Bank of China Limited- Harvest Reverse Strategies Equity Securities Investment Fund (中國工商銀行股 份有限公司—嘉實逆向 策略股票型證券投資基 金)	2,275,164	2,275,164	0.20	0	Unknown	/	Others Domestic natural person	
Liu Huanbao	2,149,800	2,149,800	0.19	0	Unknown	/	Domestic natural person	
Yang Jufen	1,793,100	1,793,100	0.16	0	Unknown	/	Domestic natural person	
Du Guoping	1,415,943	1,415,943	0.13	0	Unknown	/	Domestic natural person	

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

Shareholdings of the top ten shareholders without selling restrictions

Name of shareholder	Number of circulating shares held subject to selling restrictions	Class and number of shares	
		Class	Number
YTO Group Corporation	410,690,578	Ordinary shares denominated in RMB	410,690,578
HKSCC NOMINEES LIMITED (Note 1)	388,157,319	Overseas listed foreign shares	388,157,319
Hong Kong Securities Clearing Company Limited (Note 2)	9,803,138	Ordinary shares denominated in RMB	9,803,138
Li Jun	6,521,129	Ordinary shares denominated in RMB	6,521,129
Shen Jia	5,579,754	Ordinary shares denominated in RMB	5,579,754
Industrial and Commercial Bank of China Limited- Jiashi Theme New Power Hybrid Securities Investment Fund (中國工商銀行股份有限公司— 嘉實主題新動力混合型證券投資基金)	4,337,763	Ordinary shares denominated in RMB	4,337,763
Industrial and Commercial Bank of China Limited- Harvest Reverse Strategies Equity Securities Investment Fund (中國工商銀行股份有限公司— 嘉實逆向策略股票型證券投資基金)	2,275,164	Ordinary shares denominated in RMB	2,275,164
Liu Huanbao	2,149,800	Ordinary shares denominated in RMB	2,149,800
Yang Jufen	1,793,100	Ordinary shares denominated in RMB	1,793,100
Du Guoping	1,415,943	Ordinary shares denominated in RMB	1,415,943

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

Shareholdings of the top ten shareholders without selling restrictions

Name of shareholder	Number of circulating shares held subject to selling restrictions	Class and number of shares	
		Class	Number
Explanation on special repurchase accounts of top ten shareholders ¹	Not applicable		
Explanation on entrusting/being entrusted voting rights or waiving voting rights of the above Shareholders	Among the top ten shareholders and top ten shareholders without selling restrictions, YTO, the controlling shareholder of the Company, has not entrusted voting rights, been entrusted voting rights or waived voting rights. The Company is not aware of whether other shareholders have entrusted voting rights, been entrusted voting rights or waived voting rights.		
Explanation on connected relationship or acting in concert among the aforesaid shareholders	Among the top ten shareholders and top ten shareholders without selling restrictions, YTO, the controlling shareholder of the Company, has no connected relationship with, nor is it a party acting in concert as defined in the Administrative Measures on Acquisitions by Listed Companies with, any other shareholders. The Company is not aware of any connected relationship among other shareholders, nor aware of any parties acting in concert among them as defined in the Administrative Measures on Acquisitions by Listed Companies.		
Explanation on preference shareholders with voting rights restored and number of shares held thereby	Not applicable		

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

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



SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

The shareholdings and selling restrictions of the top ten shareholders subject to selling restrictions

Unit: Share

No.	Name of shareholders subject to selling restrictions	Number of shares held subject to selling restrictions	Shares subject to selling restrictions available for listing and trading		Selling restrictions
			Time available for listing and trading	Number of additional shares available for listing and trading	
1	YTO Group Corporation	137,795,275	19 February 2024	137,795,275	No transfer shall be made within 36 months from the date of completion of Non-public Issuance of the Company
	Explanation on connected relationship or acting in concert among the aforesaid shareholders	Not applicable			

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

III. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS DISCLOSED IN ACCORDANCE WITH THE SFO

As at 30 June 2021, substantial shareholders of the Company and other persons (other than the Directors, Supervisors or chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or which were notified to the Company, were as follows:

Name	Capacity	Nature of interests	Number of shares held	Number of underlying shares held under equity derivatives	Total number of shares interested	Percentage of		Class of share	
						the relevant issued class of share capital ¹	Percentage of the total issued share capital ¹		
						(%)	(%)		
YTO	Beneficial owner	Beneficial interest	548,485,853(L)	/	548,485,853(L)	74.96(L)	48.81(L)	A Share	

Note 1: (L) – Long position

Note 2: SINOMACH is the controlling shareholder of YTO. SINOMACH is deemed to have the same interest in the Company as those owned by YTO by virtue of the SFO, holding 548,485,853 A Shares of the Company



SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS (CONTINUED)

Save as disclosed above, as at 30 June 2021, no person (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 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or which were notified to the Company.

IV. SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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



SECTION VIII PREFERENCE SHARES

The Company had no preference shares during the Reporting Period.

SECTION IX BONDS

The Company had no corporate bonds during the Reporting Period.

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

Consolidated Balance Sheet

June 30th, 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Assets	Note	June 30th, 2021	December 31st, 2020
Current assets			
Monetary Funds	Note 1	2,038,946,432.18	1,702,625,475.53
Lendings to Banks and Other Financial Institutions	Note 2	29,910,000.00	40,000,000.00
Trading financial assets	Note 3	1,736,796,758.27	1,306,381,357.98
Derivative financial assets			
Notes receivable	Note 4	350,000.00	892,050.97
Accounts receivable	Note 5	1,087,339,254.95	376,202,670.98
Receivables Financing	Note 6	377,555,698.64	374,916,413.50
Advances to suppliers	Note 7	56,082,462.18	177,372,921.45
Other receivables	Note 8	33,253,464.29	26,301,581.33
Including: Interest receivables		4,465.01	1,571.53
Dividends receivables			
Buying back the sale of financial assets	Note 9	881,652,150.79	1,561,721,065.92
Inventories	Note 10	951,736,781.53	1,356,265,811.19
Contractual assets			
Assets classified as held for sale			
Non-current assets due within one year	Note 11	225,092,297.37	238,726,244.12
Other current assets	Note 12	196,256,877.69	281,587,195.02
Total current assets		<u>7,614,972,177.89</u>	<u>7,442,992,787.99</u>

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

Consolidated Balance Sheet (Continued)

June 30th, 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Assets	Note	June 30th, 2021	December 31st, 2020
Non-current assets			
Loans and advances to customers	Note 13	863,796,428.75	982,249,523.38
Debt investment			
Other debt investment			
Long-term receivables	Note 14	180,308,112.22	132,870,486.03
Long-term equity investments	Note 15	126,299,969.94	122,332,619.67
Investment in other equity instruments	Note 16	4,839,048.00	4,839,048.00
Other non-current financial assets			
Investment properties			
Fixed assets	Note 17	2,560,201,856.17	2,617,726,435.41
Construction in progress	Note 18	60,408,637.16	96,000,297.40
Productive biological assets			
Oil and gas assets			
Right-to-use assets	Note 19	22,341,069.71	28,901,686.93
Intangible assets	Note 20	755,191,214.44	766,872,164.74
Research and development expenses	Note 21		
Goodwill	Note 22		
Long-term deferred expenses	Note 23	52,319,987.04	44,912,084.65
Deferred income tax assets	Note 24	146,496,163.75	102,911,748.79
Other non-current assets			
Total non-current assets		4,772,202,487.18	4,899,616,095.00
Total assets		12,387,174,665.07	12,342,608,882.99

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

Consolidated Balance Sheet (Continued)

June 30th, 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Liabilities and owners' shareholders' equity	Note VI	June 30th, 2021	December 31st, 2020
Current liabilities:			
Short-term loans	Note 25	280,157,645.84	834,263,379.71
Absorption of deposits and interbank deposits	Note 26	1,243,526,889.55	1,412,624,683.26
Deposits from banks and other financial institutes	Note 27		300,066,666.67
Trading financial liabilities			
Derivative financial liabilities			
Notes payable	Note 28	1,115,523,183.12	1,547,322,110.70
Accounts payable	Note 29	2,068,732,558.45	1,788,192,802.43
Advance from customers	Note 30	3,342,738.50	
Funds incorporated into the sale of financial assets under a repurchase agreement	Note 31	13,954,705.28	
Contractual liability	Note 32	161,386,127.85	398,850,436.72
Employee salary payable	Note 33	84,149,716.64	91,878,235.64
Taxes payables	Note 34	63,683,032.42	23,075,553.98
Other payables	Note 35	314,739,540.55	209,162,369.54
Including: Interest payable		14,273,977.87	10,893,031.49
Dividends payable		95,442,303.47	8,439,607.83
Liabilities classified as held for sale			
Non-current liabilities due within one year	Note 36	17,062,921.17	14,142,498.21
Other current liabilities	Note 37	449,476,461.26	255,104,052.55
Total current liabilities		5,815,735,520.63	6,874,682,789.41

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

Consolidated Balance Sheet (Continued)

June 30th, 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Liabilities and owners' shareholders' equity	Note VI	June 30th, 2021	December 31st, 2020
Non-current liabilities			
Long-term loans	Note 38	99,600,000.00	99,800,000.00
Bonds payable			
Including: Preference shares			
Perpetual bond			
Lease liabilities	Note 39	7,273,442.21	14,850,790.14
Long-term payables	Note 40	8,851,417.84	9,151,465.90
Long-term employee salary payable	Note 41	59,130,325.85	78,569,914.36
Estimated Liabilities	Note 42	2,602,772.65	2,652,542.65
Deferred income	Note 43	138,478,935.59	142,638,278.14
Deferred tax liabilities	Note 24	145,770,861.90	144,741,265.28
Other non-current liabilities			
Total non-current liabilities		461,707,756.04	492,404,256.47
Total liabilities		6,277,443,276.67	7,367,087,045.88

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

Consolidated Balance Sheet (Continued)

June 30th, 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Liabilities and owners' shareholders' equity	Note VI	June 30th, 2021	December 31st, 2020
Shareholder's equity			
Share capital	Note 44	1,123,645,275.00	985,850,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserves	Note 45	2,655,849,996.00	2,099,466,626.33
Less: Treasury shares			
Other comprehensive income	Note 46	-11,680,535.48	-26,960,733.16
Special reserves	Note 47	4,103,412.65	3,015,461.22
Surplus reserves	Note 48	442,101,172.16	442,101,172.16
General risk reserves	Note 49	39,642,392.38	39,642,392.38
Retained earnings	Note 50	1,222,172,071.01	795,064,178.33
Total equity attributable to shareholders of the parent company		5,475,833,783.72	4,338,179,097.26
Minority interests		633,897,604.68	637,342,739.85
Total shareholder's equity		6,109,731,388.40	4,975,521,837.11
Total liabilities and shareholder's equity		12,387,174,665.07	12,342,608,882.99

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

Legal Representative:
Li Xiaoyu

Chief Financial Officer:
Su Ye

Accounting Manager:
Yao Weidong

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

Consolidated Balance Sheet of the Parent Company

June 30th, 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Assets	Note	June 30th, 2021	December 31st, 2020
Current assets			
Monetary Funds		1,829,464,953.00	1,608,714,731.40
Trading financial assets		928,758,352.06	512,201,600.00
Derivative financial assets			
Notes receivable		350,000.00	892,050.97
Accounts receivable	Note 1	736,694,022.22	347,769,727.04
Receivables Financing		318,037,639.85	192,533,034.72
Advances to suppliers		48,570,139.45	233,981,978.59
Other receivables	Note 2	87,146,186.44	82,958,827.14
Including: Interest receivable		2,657,279.77	1,558,254.73
Dividends receivable		79,649,076.96	76,808,376.96
Inventories		588,681,210.18	845,454,361.90
Contractual assets			
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets		570,354,375.36	651,878,524.75
Total current assets		5,108,056,878.56	4,476,384,836.51

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

Consolidated Balance Sheet of the Parent Company (Continued)

June 30th, 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Assets	Note	June 30th, 2021	December 31st, 2020
Non-current assets			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investments	Note 3	2,134,619,811.45	2,130,056,078.80
Investment in other equity instruments			
Other non-current financial assets			
Investment properties	Note 3		
Fixed assets		1,474,261,463.12	1,495,186,425.93
Construction in progress		38,159,558.33	51,995,691.52
Productive biological assets			
Oil and gas assets			
Right-to-use assets		15,677,261.66	20,630,385.89
Intangible assets		506,514,037.34	513,657,721.90
Research and development expenses			
Goodwill			
Long-term deferred expenses		36,309,721.97	31,728,854.65
Deferred income tax assets		42,866,982.02	46,231,011.85
Other non-current assets			
		4,248,408,835.89	4,289,486,170.54
Total non-current assets		4,248,408,835.89	4,289,486,170.54
Total assets		9,356,465,714.45	8,765,871,007.05

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

Consolidated Balance Sheet of the Parent Company (Continued)

June 30th, 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Assets	Note	June 30th, 2021	December 31st, 2020
Current liabilities:			
Short-term loans		1,110,824,590.28	1,601,734,727.90
Trading financial liabilities			
Derivative financial liabilities			
Notes payable		892,928,111.26	1,108,582,868.61
Accounts payable		1,372,010,242.17	1,164,874,749.77
Advance from customers		3,342,738.50	
Contractual liability		160,907,126.88	227,234,931.67
Employee salary payable		53,802,391.46	54,129,972.18
Taxes payables		5,022,658.90	4,951,437.55
Other payables		231,283,115.08	146,058,309.25
Including: Interest payable			
Dividend payable		84,273,395.62	
Liabilities classified as held for sale			
Non-current liabilities due within			
one year		254,350,796.09	251,018,241.26
Other current liabilities		47,960,892.26	49,918,107.90
Total current liabilities		4,132,432,662.88	4,608,503,346.09

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

Consolidated Balance Sheet of the Parent Company (Continued)

June 30th, 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Assets	Note	June 30th, 2021	December 31st, 2020
Non-current liabilities			
Long-term loans		99,600,000.00	99,800,000.00
Bonds payable			
Including: Preference shares			
Perpetual bond			
Lease liabilities		3,947,880.28	10,098,084.14
Long-term payables			
Long-term employee salary payable		38,552,061.99	53,349,151.96
Estimated Liabilities		2,602,772.65	2,652,542.65
Deferred income		93,450,011.01	94,746,864.62
Deferred tax liabilities		17,813,752.81	15,330,240.00
Other non-current liabilities			
		255,966,478.74	275,976,883.37
Total non-current liabilities		255,966,478.74	275,976,883.37
Total liabilities		4,388,399,141.62	4,884,480,229.46

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

Consolidated Balance Sheet of the Parent Company (Continued)

June 30th, 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Assets	<i>Note</i>	June 30th, 2021	December 31st, 2020
Shareholder's equity			
Share capital		1,123,645,275.00	985,850,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserves		2,561,176,415.62	2,004,793,045.95
Less: Treasury shares			
Other comprehensive income			
Special reserves		590,027.96	
Surplus reserves		367,607,888.33	367,607,888.33
Retained earnings		915,046,965.92	523,139,843.31
Total shareholder's equity		<u>4,968,066,572.83</u>	<u>3,881,390,777.59</u>
Total liabilities and shareholder's equity		<u>9,356,465,714.45</u>	<u>8,765,871,007.05</u>

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

Legal Representative:

Li Xiaoyu

Chief Financial Officer:

Su Ye

Accounting Manager:

Yao Weidong

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

Consolidated Income Statement

January 1 to June 30, 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Amount in current year	Amount in last year
1. Total operating revenue		5,631,797,809.93	4,116,725,509.00
Including: Operating revenue	Note 51	5,575,101,589.75	4,074,490,101.51
Interest income	Note 52	53,288,535.72	40,024,451.98
Fees and commission income	Note 53	3,407,684.46	2,210,955.51
2. Total cost of operation		5,074,524,744.86	3,766,196,746.53
Including: Cost of operation	Note 51	4,590,934,012.13	3,257,678,123.70
Interest expenses	Note 52	10,979,674.37	10,929,064.06
Fees and commission expense	Note 53	301,437.15	228,456.80
Taxes and surcharges	Note 54	24,412,615.64	21,475,432.40
Selling expenses	Note 55	77,884,334.74	161,017,133.24
Administrative expenses	Note 56	159,139,342.52	139,146,303.86
R & D expenses	Note 57	187,715,339.78	155,253,323.10
Financial expenses	Note 58	23,157,988.53	20,468,909.37
Including: Interest expenses		14,429,371.78	46,590,431.12
Interest income		1,519,298.92	11,295,005.51
Add: Other income	Note 59	17,263,421.41	16,643,436.56
Investment income			
Investment income (Losses listed as "-")	Note 61	560,541,212.06	347,706,638.26

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

Consolidated Income Statement (Continued)

January 1 to June 30, 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Amount in current year	Amount in last year
Including: Income from investments in associates and joint ventures		2,703,971.43	345,334.11
Termination of Recognized Income of Financial Assets Measured at Amortized Cost (Losses listed as "-")			
Net Open Hedging Income (Losses listed as "-")			
Change in fair value (Losses listed as "-")	Note 62	13,535,606.94	20,821,149.11
Loss on impairment of assets (Losses listed as "-")	Note 64	-568,744,258.25	-75,014,691.87
Loss on impairment on credit (Losses listed as "-")	Note 63	-58,024,911.35	-328,278,476.45
Asset disposal income	Note 65	3,388,682.05	920,722.93
3. Operating profit		525,232,817.93	333,327,541.01
Add: Non-operating income	Note 66	6,377,214.92	1,577,199.74
Less: Non-operating expenses	Note 67	442,973.89	654,060.87
4. Total profit		531,167,058.96	334,250,679.88
Less: Income tax expenses	Note 68	17,306,689.99	12,601,713.30

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

Consolidated Income Statement (Continued)

January 1 to June 30, 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Amount in current year	Amount in last year
5. Net profit		513,860,368.97	321,648,966.58
Including: net profit achieved by the merger of the merged party before the merger under the same control			
(1) classification according to the continuity of operation			
Continuous operating net profit		513,860,368.97	321,648,966.58
Termination of net profit			
(2) classification of ownership according to ownership			
Net profit attributable to shareholders of the parent company		511,381,288.30	323,361,690.16
Minority interest		2,479,080.67	-1,712,723.58
6. Net other comprehensive income after tax		14,745,201.52	-1,840,169.96
Net other comprehensive income after tax attributable to owners of the parent company		15,280,197.68	-3,461,445.67
(1) Other comprehensive income that cannot be reclassified to profit and loss in subsequent periods			
1. Re-measurement of Benefit Plan Change			
2. Share of other comprehensive income of investee that will not be subsequently reclassified to profit and loss under equity method			

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

Consolidated Income Statement (Continued)

January 1 to June 30, 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Amount in current year	Amount in last year
3. Changes in Fair Value of Investment in Other Equity Instruments			
4. Fair Value Change of Enterprise's Credit Risk			
5. Others			
(2) Other comprehensive income that will be subsequently reclassified to profit and loss		15,280,197.68	-3,461,445.67
1. Share of other comprehensive income of investee that will be subsequently reclassified to profit and loss under equity method			
2. Changes in Fair Value of Other Creditor's Rights Investment			
3. Amount of financial assets reclassified into other comprehensive returns			
4. Credit impairment reserve for other creditor's rights investment			
5. Cash Flow Hedging Reserve			
6. The Balance of Conversion of Foreign Currency Financial Statements		15,280,197.68	-3,461,445.67
7. Others			

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

Consolidated Income Statement (Continued)

January 1 to June 30, 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Amount in current year	Amount in last year
Net other comprehensive income after tax attributable to minority interests		-534,996.16	1,621,275.71
7. Total comprehensive income		528,605,570.49	319,808,796.62
Total comprehensive income attributable to shareholders of the parent company		526,661,485.98	319,900,244.49
Total comprehensive income attributable to minority interests		1,944,084.51	-91,447.87
8. Earnings per share:			
(1) Basic earnings per share		0.4646	0.3280
(2) Diluted earnings per share		0.4646	0.3280

(The attached notes to the financial statements are part of the consolidated financial statements) (if an enterprise merges under the same control in the current period, the net profit of the merged party before the merger is RMB0, and the net profit of the merged party in the previous period is RMB0)

Legal Representative:
Li Xiaoyu

Chief Financial Officer:
Su Ye

Accounting Manager:
Yao Weidong

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

Consolidated Income Statement of the Parent Company

January 1 to June 30, 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Amount in current year	Amount in last year
1. Operating revenue	Note 4	4,421,650,677.68	3,064,405,616.29
Less: Cost of operation	Note 4	3,732,120,754.86	2,591,570,564.47
Taxes and surcharges		10,496,997.80	10,284,093.98
Selling expenses		13,047,312.78	8,765,443.78
Administrative expenses		85,543,261.45	69,360,026.93
R & D expenses		138,077,055.85	94,850,003.87
Financial expenses		2,922,719.03	26,422,092.98
Including: Interest expenses		28,532,124.00	59,159,022.37
Interest income		26,387,408.15	28,521,590.24
Add: Other income		11,919,629.20	9,524,543.13
Investment income		14,064,156.05	99,613,344.83
(Losses listed as "-")	Note 5		
Including: income from investments in associates and joint ventures		2,794,664.17	413,344.83
Termination of Recognized Income of Financial Assets Measured at Amortized Cost (Losses listed as "-")			
Net Open Hedging Income (Losses listed as "-")			
Change in fair value (Losses listed as "-")		16,556,752.06	411,754.75
Loss on impairment of assets (Losses listed as "-")		-1,143,858.72	-1,796,402.19
Loss on impairment on credit (Losses listed as "-")		-2,477,173.38	-6,188,277.95
Asset disposal income		830,123.75	529,287.05

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

Consolidated Income Statement of the Parent Company (Continued)

January 1 to June 30, 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Amount in current year	Amount in last year
2. Operating profit		479,192,204.87	365,247,639.90
Add: Non-operating income		3,278,829.89	957,674.83
Less: Non-operating expenses		442,973.89	396,039.76
3. Total profit		482,028,060.87	365,809,274.97
Less: Income tax expenses		5,847,542.64	8,656,159.05
4. Net profit		476,180,518.23	357,153,115.92
Continuous operating net profit		476,180,518.23	357,153,115.92
Termination of net profit			
5. Net other comprehensive income after tax			
(1) Other comprehensive income that cannot be reclassified to profit and loss in subsequent periods			
1. Re-measurement of Benefit Plan Change			
2. Share of other comprehensive income of investee that will not be subsequently reclassified to profit and loss under equity method			
3. Changes in Fair Value of Investment in Other Equity Instruments			
4. Fair Value Change of Enterprise's Credit Risk			

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

Consolidated Income Statement of the Parent Company (Continued)

January 1 to June 30, 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	<i>Note</i>	Amount in current year	Amount in last year
(2) Other comprehensive income that will be subsequently reclassified to profit and loss			
1. Share of other comprehensive income of investee that will be subsequently reclassified to profit and loss under equity method			
2. Changes in Fair Value of Other Creditor's Rights Investment			
3. Amount of financial assets reclassified into other comprehensive returns			
4. Credit impairment reserve for other creditor's rights investment			
5. Cash Flow Hedging Reserve			
6. The Balance of Conversion of Foreign Currency Financial Statements			
7. Others			

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

Consolidated Income Statement of the Parent Company (Continued)

January 1 to June 30, 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Amount in current year	Amount in last year
6. Total comprehensive income		476,180,518.23	357,153,115.92
7. Earnings per share:			
(1) Basic earnings per share			
(2) Diluted earnings per share			
		=====	=====

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

Legal Representative:

Li Xiaoyu

Chief Financial Officer:

Su Ye

Accounting Manager:

Yao Weidong

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

Consolidated Cash Flow Statement

January 1 to June 30, 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Amount in current year	Amount in last year
1. Cash Flow from Operating Activities :			
Cash from sale and render service		4,080,009,560.32	3,648,709,783.48
Net increase of customer's deposit and deposit taking of interbank		-175,177,261.41	-13,661,139.86
Net increase borrowings from central bank			
Net increase borrowing funds to other financing institution		-300,000,000.00	-
Cash from original insurance contract premium			
Net cash from reinsurance business			
Net increase of insured deposit and investment			
Net increase of financial assets disposal measured as fair value and the variation included in current profit and loss			-
Interest, handling charges and commissions received		56,244,146.47	46,275,543.03
Net increase in funds deposit			
Net increase of repurchasing business funds		680,000,000.00	-360,400,000.00
Refund of tax and levies		81,109,394.98	20,317,295.47
Cash relating to other operating activities	Note 69	84,554,661.92	49,881,835.30
Sub-total of cash inflows from operating activities		4,506,740,502.28	3,391,123,317.42



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

Consolidated Cash Flow Statement (Continued)

January 1 to June 30, 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Amount in current year	Amount in last year
Cash payments for goods purchased and services received		3,236,130,866.46	2,345,963,545.44
Net increase in loans and payments on behalf		-52,154,476.94	-28,929,555.92
Net increase in deposits with centre bank and interbank		-23,404,826.63	-15,394,419.76
Payments of claims for original insurance contracts			
Interests, handling charges and commissions paid		5,474,363.91	4,496,541.35
Commissions on insurance policies paid			
Cash payments to and on behalf of employees		502,126,610.07	419,121,320.69
Payments of all types of taxes		84,077,223.20	78,711,640.58
Other cash payments relating to operating activities	Note 69	80,250,057.28	134,512,359.58
Sub-total of cash outflows from operating activities		3,832,499,817.35	2,938,481,431.96
Net cash flows from operating activities		674,240,684.93	452,641,885.46

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

Consolidated Cash Flow Statement (Continued)

January 1 to June 30, 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Amount in current year	Amount in last year
2. Cash flows from investing activities:			
Cash received from disposals and withdraw on investment		2,961,441.60	
Cash received from returns on investments		5,707,855.33	28,732,858.86
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		14,309,015.49	5,331,136.72
Net cash received from disposals of subsidiaries and other business units			
Other cash received relating to investing activities			
		<hr/>	<hr/>
Sub-total of cash inflows from investing activities		22,978,312.42	34,063,995.58
		<hr/>	<hr/>
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		31,323,738.69	44,021,156.10
Cash payments to acquire investments		421,803,000.00	174,000,000.00
Net cash payments for acquisitions of subsidiaries and other business units			
Other cash payments relating to investing activities	Note 69		235,907.24
		<hr/>	<hr/>
Sub-total of cash outflows from investing activities		453,126,738.69	218,257,063.34
		<hr/>	<hr/>
Net cash flows from investing activities		-430,148,426.27	-184,193,067.76
		<hr/> <hr/>	<hr/> <hr/>

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

Consolidated Cash Flow Statement (Continued)

January 1 to June 30, 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Amount in current year	Amount in last year
3. Cash flows from financing activities:			
Cash received from investors in making investment in the enterprise		697,999,997.00	
Including: cash received from issuing shares of minority shareholders			
Cash received from the loans		80,000,000.00	563,048,752.36
Other cash received relating to financing activities	Note 69		11,919.11
Sub-total of cash outflows from financing activities		777,999,997.00	563,060,671.47
Cash repayments of amounts borrowed		630,100,000.00	1,030,100,000.00
Cash payments for distribution of dividends or profits, or cash payments for interest expenses		12,780,602.80	119,752,897.50
Including: subsidiary companies pay cash to minority shareholders for interest expenses and distribution of dividends or profit		2,729,300.00	78,400,000.00
Other cash payments relating to financing activities	Note 69	7,835,368.87	6,208,018.26
Sub-total of cash outflows from financing activities		650,715,971.67	1,156,060,915.76
Net cash flows from financing activities		127,284,025.33	-593,000,244.29

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

Consolidated Cash Flow Statement (Continued)

January 1 to June 30, 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Amount in current year	Amount in last year
4. Effect of foreign exchange rate changes on cash and cash equivalents		-2,791,323.69	-1,690,502.93
5. Net increase in cash and cash equivalents		368,584,960.30	-326,241,929.52
Plus: Cash and cash equivalents at beginning of period		1,416,825,910.58	1,120,120,449.63
6. Cash and cash equivalents at end of period		<u>1,785,410,870.88</u>	<u>793,878,520.11</u>

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

Legal Representative:
Li Xiaoyu

Chief Financial Officer:
Su Ye

Accounting Manager:
Yao Weidong



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

Cash Flow Statement of the Parent Company

January 1 to June 30, 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Amount in current year	Amount in last year
1. Cash Flow from Operating Activities :			
Cash from sale and render service		2,847,201,598.62	3,137,419,470.11
Refund of tax and levies		69,355,326.81	16,582,790.90
Cash relating to other business activities		70,787,505.88	17,732,982.76
Sub-total of cash inflows from operating activities		2,987,344,431.31	3,171,735,243.77
Cash payments for goods purchased and services received		2,197,689,641.64	2,069,044,796.68
Cash paid to and on behalf of employees		299,022,874.79	244,745,121.18
Payments of all types of taxes		11,972,923.63	10,216,695.36
Cash paid relating to other operating activities		25,870,271.16	56,114,996.94
Sub-total of cash outflows from operating activities		2,534,555,711.22	2,380,121,610.16
Net cash flows from operating activities		452,788,720.09	791,613,633.61

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

Cash Flow Statement of the Parent Company (Continued)

January 1 to June 30, 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	<i>Note</i>	Amount in current year	Amount in last year
2. Cash flows from investing activities			
Cash received from returns on investments		100,029,133.00	180,000,000.00
Cash received from investments income		15,843,267.30	115,020,374.30
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		7,005,433.17	5,560,021.78
Net cash received from disposal of subsidiaries and other business units			
Cash received relating to other investing activities			
Sub-total of cash inflows from investing activities		122,877,833.47	300,580,396.08
Cash paid to acquire fixed assets, intangible assets and other long-term assets		16,979,822.46	25,304,945.50
Cash paid for investments		501,800,000.00	404,000,000.00
Net cash paid to acquire subsidiaries and other business units			
Cash paid relating to other investing activities			
Sub-total of cash outflows from investing activities		518,779,822.46	429,304,945.50
Net cash flows from investing activities		-395,901,988.99	-128,724,549.42



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

Cash Flow Statement of the Parent Company (Continued)

January 1 to June 30, 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Amount in current year	Amount in last year
3. Cash flows from financing activities			
Cash received from investment absorption		697,999,997.00	
Cash received from the loans		980,000,000.00	1,300,000,000.00
Cash received relating to other financing activities			11,919.11
Sub-total of cash inflows from financing activities		1,677,999,997.00	1,300,011,919.11
Cash repayments of amounts borrowed		1,470,100,000.00	1,820,100,000.00
Cash paid for dividends, profits appropriation or payments of interest		29,474,902.85	58,975,942.44
Cash paid relating to other financing activities		5,435,651.02	4,471,063.37
Sub-total of cash outflows from financing activities		1,505,010,553.87	1,883,547,005.81
Net cash flows from financing activities		172,989,443.13	-583,535,086.70

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

Cash Flow Statement of the Parent Company (Continued)

January 1 to June 30, 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note	Amount in current year	Amount in last year
4. Effect of changes in foreign exchange rate on cash and cash equivalents		-206.90	-158.87
5. Net increase in cash and cash equivalents		229,875,967.33	79,353,838.62
Add: Cash and cash equivalents at the beginning of the year		1,109,957,835.17	1,094,673,290.86
6. Cash and cash equivalents at the end of the year		<u>1,339,833,802.50</u>	<u>1,174,027,129.48</u>

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

Legal Representative:

Li Xiaoyu

Chief Financial Officer:

Su Ye

Accounting Manager:

Yao Weidong

Consolidated Statement of Changes in Shareholders' Equity

January 1 to June 30, 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Amount in this year											
	Public capital (¥1 share)	Other equity instrument	Capital reserve	Less: Treasury stock	Less: Other comprehensible income	Special reserves	Surplus reserve	General risk reserves	Retained earnings	Subtotal	Minority equity	Total owners' equity
I. Closing balance of prior year	96,630,000.00	-	2,992,465,263.33	-	-36,891,226.16	3,015,491.22	442,901,172.16	38,942,392.33	735,894,173.33	4,338,733,627.29	837,942,729.85	4,653,521,827.11
Add: accounting policy changes	-	-	-	-	-	-	-	-	-	-	-	-
Prior period correction	-	-	-	-	-	-	-	-	-	-	-	-
Enterprise merger under the same control	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance at the beginning of current year	96,630,000.00	-	2,992,465,263.33	-	-36,891,226.16	3,015,491.22	442,901,172.16	38,942,392.33	735,894,173.33	4,338,733,627.29	837,942,729.85	4,653,521,827.11
III. Increase/decrease in current year	137,362,250.00	-	556,300,326.67	-	15,291,973.88	1,097,351.43	-	-	427,172,823.89	1,107,634,866.56	-3,945,165.17	1,494,283,629.29
(1) Total comprehensive income	-	-	-	-	15,291,973.88	-	-	-	427,172,823.89	1,107,634,866.56	-3,945,165.17	1,494,283,629.29
(1) Capital contribution by owners and capital increases	137,362,250.00	-	556,300,326.67	-	15,291,973.88	-	-	-	511,242,268.30	694,178,644.32	-	694,178,644.32
1. Capital contribution by owner	-	-	-	-	-	-	-	-	-	694,178,644.32	-	694,178,644.32
2. Capital contribution by investment	-	-	-	-	-	-	-	-	-	-	-	-
3. The amount of the share paid for the increase of shares' rights and interests	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(1) Profit distribution	-	-	-	-	-	-	-	-	-49,731,395.62	-49,731,395.62	-6,588,000.00	-60,711,995.62
1. Appropriation of surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
2. Extraction of general risk reserves	-	-	-	-	-	-	-	-	-	-	-	-
3. Profit distribution to owners (or shareholders)	-	-	-	-	-	-	-	-	-49,731,395.62	-49,731,395.62	-6,588,000.00	-60,711,995.62
4. Others	-	-	-	-	-	-	-	-	-	-	-	-

Consolidated Statement of Changes in Shareholders' Equity (Continued)

January 1 to June 30, 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Amount in this year											
	The whole equity attributable to parent company											
	Public capital (or stock)	Other equity instrument	Capital reserve	Less: Other comprehensive income less treasury stock	Other comprehensive income	Special reserves	Surplus reserve	General reserves	Retained earnings	Social	Minority equity	Total owners equity
(1) Transfers within the owners equity	-	-	-	-	-	-	-	-	-	-	-	-
1. Capital (or stock) transfers from capital surplus	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital (or stock) transfers from special reserve	-	-	-	-	-	-	-	-	-	-	-	-
3. Recovery of treasury stock reserve	-	-	-	-	-	-	-	-	-	-	-	-
4. Changes in net equity from the assessment of deferred tax assets (or from the measurement of deferred tax liabilities)	-	-	-	-	-	-	-	-	-	-	-	-
5. Other comprehensive income carried forward in previous periods	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-
(1) Special reserves	-	-	-	-	-	1,007,591.43	-	-	-	1,007,591.43	-	68,300.22
1. Excess of special reserves	-	-	-	-	-	7,657,705.31	-	-	-	7,657,705.31	-	532,700.06
2. Used special reserves	-	-	-	-	-	(6,650,113.88)	-	-	-	(6,650,113.88)	-	(453,393.74)
(1) Others	-	-	-	-	-	-	-	-	-	-	-	-
IX. Balance at the end of current year	1,123,062,275.00	-	3,553,049,350.00	-	(41,601,355.48)	4,104,442.65	442,101,172.16	50,642,392.33	1,222,720,070.01	5,475,833,503.72	653,973,094.68	6,109,733,864.40

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

Legal Representative:

Li Xiaoyu

Chief Financial Officer:

Su Ye

Accounting Manager:

Yao Weidong

Consolidated Statement of Changes in Shareholders' Equity (Continued)

January 1 to June 30, 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Amount in this year										
	The owner's equity attributable to parent company										
	Other comprehensive income	Capital reserve	Other equity instrument	Surplus reserve	Special reserve	General reserve	Retained earnings	Subtotal	Minority equity	Total assets'	
I. Closing balance at prior year											
Add: accounting policy changes											
Prior errors' correction											
Enterprise merger under the same control											
Others											
II. Balance at the beginning of current year	965,851,000.00	-	2,099,466,585.33	-	442,101,172.16	26,104,151.50	559,451,673.91	4,070,005,449.08	-	719,680,540.37	4,790,667,029.45
III. Increases/decreases in current year											
(I) Total comprehensive income											
(1) Capital contributed by owners											
2. Holders of other equity instruments invest capital											
3. The amount of the shares paid from the shareholders' rights and interests											
4. Others											
(II) Profit distribution											
1. Appropriation of surplus reserve											
2. Election of general dividends											
3. Profit distributed to owners (or stockholders)											
4. Others											

Consolidated Statement of Changes in Shareholders' Equity (Continued)

January 1 to June 30, 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Note 17	Amount in this year							Total owners' equity				
		The owner's equity attributable to parent company											
		Paid-in capital (or stock)	Other equity instrument	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserve	General risk reserves	Retained earnings	Subtotal	Minority equity	
(1) Transfers within the owners' equity		-	-	-	-	-	-	-	-	-	-	-	
1. Capital (or stock) transferred from capital surplus		-	-	-	-	-	-	-	-	-	-	-	
2. Capital (or stock) transferred from surplus reserve		-	-	-	-	-	-	-	-	-	-	-	
3. Recovery of treasury stock reserve		-	-	-	-	-	-	-	-	-	-	-	
4. Changes in net facilities or net assets arising from the re-measurement of defined benefit plans		-	-	-	-	-	-	-	-	-	-	-	
5. Other comprehensive income transferred to related earnings		-	-	-	-	-	-	-	-	-	-	-	
6. Others		-	-	-	-	-	-	-	-	-	-	-	
(1) Special reserves		-	-	-	-	-	531,163.02	-	-	-	531,163.02	46,798.03	578,961.05
1. Exclusion of special reserves		-	-	-	-	-	4,848,081.149	-	-	-	4,848,081.149	246,630.06	5,094,711.21
2. Use of special reserves		-	-	-	-	-	-4,316,778.47	-	-	-	-4,316,778.47	-398,800.46	-45,166,661.30
(1) Others		-	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at the end of current year		995,853,000.00	-	2,099,466,585.33	-	-17,858,825.80	2,760,135.93	442,101,172.16	25,104,161.60	882,13,980.07	4,390,133,788.99	165,415,851.14	5,025,854,448.73

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

Legal Representative:

Li Xiaoyu

Chief Financial Officer:

Su Ye

Accounting Manager:

Yao Weidong

Statement of Changes in Shareholders' Equity of the Parent Company January 1 to June 30, 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Amount in this year						Total owners' equity	
	Paid-in capital (or stock)	Other equity instrument	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserves		Surplus reserve
I. Closing balance of prior year	985,650,000.00		2,004,750,045.95			367,607,888.83	523,139,843.21	3,861,350,777.99
Add: accounting policy changes								
Prior errors correction								
Others								
II. Balance at the beginning of current year	985,650,000.00		2,004,750,045.95			367,607,888.83	523,139,843.21	3,861,350,777.99
III. Increases/Decreases in current year								
(I) Total comprehensive income								
(II) Capital contributed by owners and capital decreases								
1. Capital contributed by owner	137,795,275.00		538,330,363.67					1,068,675.24
2. Holders of other equity instruments increase capital	137,795,275.00		538,330,363.67					476,160,518.23
3. The amount of the shares paid into the shareholders rights and interests					59,027.95			694,178,644.67
4. Others								694,178,644.67
(III) Profit distribution								
1. Appropriation of surplus reserve							44,273,365.62	44,273,365.62
2. Profit distributed to owners (or stockholders)							44,273,365.62	44,273,365.62
3. Others								

Statement of Changes in Shareholders' Equity of the Parent Company (Continued)

January 1 to June 30, 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Amount in this year								
	Paid-in capital (or stock)	Other equity instrument	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserve	Retained earnings	Total owners' equity
(1) Transfers within the owners' equity									
1. Capital (or stock) transferred from capital surplus									
2. Capital (or stock) transferred from surplus reserve									
3. Recovery of losses by surplus reserve									
4. Changes in net liabilities or net assets arising from the re-ascertainment or defined benefit plans									
5. Other comprehensive income carried forward to retained earnings									
6. Others									
(1) Special reserves									
1. Exemption of special reserves									
2. Use of special reserves									
(1) Others									
IV. Balance at the end of current year	1,123,845,275.00		2,551,175,415.62			59,027.96	357,807,388.33	915,046,365.52	4,980,063,572.83

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

Legal Representative:

Li Xiaoyu

Chief Financial Officer:

Su Ye

Accounting Manager:

Yao Weidong

Statement of Changes in Shareholders' Equity of the Parent Company (Continued)

January 1 to June 30, 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Amount in last year						Total owners' equity
	Paid-up capital (or stock)	Other equity instrument	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserves	
I. Closing balance of prior year	986,860,000.00		2,004,760,045.95		367,807,888.33	687,020,529.92	3,965,271,458.20
Add: accounting policy changes							
Prior errors correction							
Others							
II. Balance at the beginning of current year	986,860,000.00		2,004,760,045.95		367,807,888.33	687,020,529.92	3,965,271,458.20
III. Increases/Decreases in current year	(I) Total comprehensive income						
(1) Total comprehensive income							
(II) Capital contributed by owners and capital decreases							
1. Capital contributed by owner							
2. Holders of other equity instruments increase capital							
3. The amount of the shares paid into the shareholders' rights and interests							
4. Others							
(III) Profit distribution							
1. Appropriation of surplus reserve							
2. Profit distributed to owners (or stockholders)							
3. Others							

Statement of Changes in Shareholders' Equity of the Parent Company (Continued)

January 1 to June 30, 2021

Prepared by: First Tractor Company Limited

Unit: Yuan Currency: RMB

Item	Amount in last year						Total owners' equity			
	Paid-up capital (or stock)	One equity instrument	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserves		Surplus reserve	Related earnings	
(II) Transfers within the owners' equity										
1. Capital (or stock) transferred from capital surplus										
2. Capital (or stock) transferred from surplus reserve										
3. Recovery of losses by surplus reserve										
4. Changes in net liabilities or net assets arising from the remeasurement of defined benefit plans										
5. Other comprehensive income carried forward to retained earnings										
6. Others										
(V) Special reserves										
1. Extraction of special reserves									2,918,746.06	
2. Use of special reserves									2,918,746.06	
(VI) Others										
IV. Balance at the end of current year	986,650,000.00		2,004,789,945.95				37,607,888.33	984,173,689.84		4,392,424,574.12

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

Legal Representative:

Li Xiaoyu

Chief Financial Officer:

Su Ye

Accounting Manager:

Yao Weidong

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



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

I. GENERAL INFORMATION OF THE COMPANY

1. Company Profile

First Tractor Company Limited (referred hereunder as the “Company”; the Company together with its subsidiaries are referred as the “Group”) is a limited company located in People’s Republic of China and established on May 8, 1997. the Company took over the principle business on tractor manufacturing and the corresponding assets and liabilities of YTO Group Corporation (referred hereunder as the “YTO Group”), with the net assets of RMB636,346,000 equivalent to 450,000,000 state-owned corporation shares held by the Company, according to the reorganization plan effective from December 31, 1996. Thereafter, the Company issues 335,000,000 H shares (par value: RMB1) under approval and the issuance resulted in the increase registered and paid-up share capital of the Company to RMB785,000,000. The Company has been listed in Hong Kong Exchanges and Clearing Limited (“HKEx”) since June 23, 1997. On October 24, 2007, the Company allotted 60,900,000 H shares with the price of HKD3.95/share, which increased the registered and paid-up share capital of the Company to RMB845,900,000. According to the Permission [2012] No. 736 of China Securities Regulatory Commission, the Company was approved to publicly issue RMB common stocks not exceeding 150,000,000 shares, and the Company actually issued 150,000,000 shares with the issue price of RMB5.40/share on July 27, 2012. The total proceed from the issuance of shares was received by the Company on August 1, 2012. The Company was listed and started to trade in Shanghai Stocks Exchange on August 8, 2012. The registered and paid-up share capital of the Company had increased to RMB995,900,000.



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

I. GENERAL INFORMATION OF THE COMPANY (CONTINUED)

1. Company Profile (Continued)

Approved by the 2015 annual general meeting, the first meeting of 2016 A share class shareholders' meeting, and the first meeting of 2016 H share class shareholders' meeting, the total number of H shares repurchased and cancelled by the Company from July 19, 2016 to May 26, 2017 was 10,050,000 shares.

After issuing bonus share, selling new shares, increasing share capital, issuing new paper, and share repurchase, by June 30, 2021, the total capital stock of company is 1,123,645,275 shares and registered capital is RMB1,123,645,275. The registered address of business license of the Company is No. 154 Construction Road, Luoyang, Henan Province. The parent company of the Company is YTO Group Corporation (referred hereunder as the "YTO Group") and the ultimate controlling party of the YTO Group is China National Machinery Industry Corporation (referred hereunder as the "SinoMach Group").

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

The financial statements are reported in August 25, 2021 by the board of directors of the Group.



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

II. SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group include 13 companies, which are:

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

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

II. SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The name of subsidiaries	The type of Subsidiaries	Rank	Holding Ratio (%)	Representative Ratio (%)
YTO (Luoyang) Foundry Co., Ltd.	wholly-owned subsidiaries	2	100.00	100.00
YTO Belarus Technology Co. Ltd.	wholly-owned subsidiaries	2	100.00	100.00

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

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

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

Company	The reason of change
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YTO France SAS	YTO France SAS is no longer controlled by the company because of bankruptcy liquidation.
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Detailed information on the subject of change in the scope of merger can be found in Note VII. Changes in the scope of consolidation.



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

III. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

1. Basis of preparation

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

2. Going concern

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Specific accounting policies and accounting estimates

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

1. Specific accounting policies and accounting estimates (Continued)

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

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

1. Specific accounting policies and accounting estimates (Continued)

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

2. Statement of compliance of Accounting Standards for Business Enterprises

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3. Accounting year

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

4. Operating cycle

The operating cycle of the Group is twelve months.

5. Recording currency

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

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

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

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(b) Enterprise merger under common control

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

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(c) Enterprise merger not under common control

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

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

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

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(d) The costs of merger

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

7. Preparation of consolidated financial statements

(a) Scope of the merger

The consolidation scope of the Group includes all subsidiaries controlled.

(b) Consolidated procedures

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

7. Preparation of consolidated financial statements (Continued)

(b) Consolidated procedures (Continued)

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

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

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

The joint arrangement of the Group includes joint operations and joint venture entities. For joint operations, the Group, as the joint operator of the joint operations, recognises assets and liabilities solely held and liabilities assumed by the Group, recognises assets and liabilities jointly owned proportionally, and recognises income and expenses solely or proportionally based on the related agreements. When the Group incurs asset transactions of purchase and sales not constituting to business transaction, the Group only recognizes the portion of profit or loss generated due to the transaction attributable to other parties of the joint operations.

9. Cash and cash equivalents

Cash in the cash flow statement of the Group indicates both cash on hand and the deposit held in bank which are available for payment at any time. Cash equivalents are held less than 3 months, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of value change.

10. Translation for financial statements of foreign exchange

(1) Transactions involving foreign currencies

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(1) Transactions involving foreign currencies (Continued)

The monetary items in foreign currency are translated into RMB at the spot exchange rate of the balance date. Except for the exchange difference caused by specific foreign currency loans made to purchase or manufacture assets which will be capitalized, the exchange difference is accounted into current profit or loss. For non-monetary items measured in foreign currency under historical cost method, the exchange rate on the date when the cost is recognized is applied and the amount in RMB is consistent.

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

(2) Foreign currency translation of financial statements

The asset and liability items in the foreign currency balance sheets are translated at a spot exchange rate as at the balance sheet date. The owner's equity items, except for retained earnings, are translated at the spot exchange rate at the time when they are incurred. The income and expense items in the profit or loss statements are translated at the average exchange rate during the accounting period. The difference caused by above translation are separately presented under other comprehensive income.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

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

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

11. Financial instruments

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

(1) Category of financial instruments

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

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

- (a) Financial assets measured at amortized cost.
- (b) Financial assets measured at fair value and its changes are accounted in other comprehensive income.
- (c) Financial assets measured at fair value and its changes are accounted in loss and profit in the current period.

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

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

(1) Category of financial instruments (Continued)

1) Financial assets classified as measured at amortized cost

The contract terms of financial assets stipulate that the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount, and the business mode of managing the financial assets is to collect the contract cash flow, then the Company classifies the financial assets into financial assets measured at amortized cost. The Company classified financial assets as financial assets classified as measured at amortized cost include monetary capital, notes receivable, accounts receivable, other receivables, long-term receivables, debt investment and so on.

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

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

- 1) *Financial assets classified as measured at amortized cost (Continued)*
 - b) For the financial assets that have no credit impairment when purchased or initially but have credit impairment in the subsequent period, the Company will calculate and determine the interest income based on the amortized cost and actual interest rate of the financial assets in the subsequent period. If the financial instrument no longer has credit impairment due to the improvement of its credit risk in the subsequent period, the Company will calculate and determine the interest income by multiplying the actual interest rate by the book balance of the financial asset.
- 2) *Financial assets classified as those measured at fair value with changes and its changes are accounted in other comprehensive income*

The contract terms of financial assets stipulate that the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount, and the business mode of managing the financial assets is to receive the contract cash flow and sell the financial assets, then the company classifies the financial assets as financial assets classified as those measured at fair value with changes and its changes are accounted in other comprehensive income.

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

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

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

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

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

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

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

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

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

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

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

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

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

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

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

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

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

(2) *Classification and measurement of financial liabilities*

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

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

Subsequent measurement of financial liabilities depends on their classification:

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

(2) *Classification and measurement of financial liabilities (Continued)*

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

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

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

(2) *Classification and measurement of financial liabilities (Continued)*

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

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

- 2) *Other financial liabilities*

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

(2) Classification and measurement of financial liabilities (Continued)

2) Other financial liabilities (Continued)


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

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

(3) The confirmation of termination of financial instruments

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

- I. Termination of the contractual right to collect cash flow from the financial asset.
- II. The financial assets have been transferred, meanwhile, the transfer satisfies the requirements of financial assets termination.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

(3) *The confirmation of termination of financial instruments (Continued)*

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

If the current obligation of the financial liability (or part of it) has been discharged, the financial liability (or part of the financial liability) is derecognised.

If the Group and the lender sign an agreement to replace the original financial liabilities with new financial liabilities, and the new financial liabilities are substantially different from the original financial liabilities or a substantial change is made to the contractual terms of the original financial liability (or part thereof), the original financial liabilities will be terminated and new financial liabilities will be confirmed, the difference between the carrying amount and the consideration paid (including the transferred non-cash assets or liabilities assumed) is accounted in profit or loss in current period.

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

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

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

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

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

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

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

Financial assets or financial liabilities in an active market are determined by quoted prices in active markets, unless the financial asset has a restricted period for the asset itself. For the financial assets limited to sale for the asset itself, the compensation amount required by the market participants for bearing the risk that the financial assets cannot be sold on the open market within the specified period shall be deducted from the quotation of the active market. Quoted prices in active markets include easy and regularly available from exchanges, dealers, brokers, industry groups, pricing agencies or regulatory agencies. A quote for an asset or liability that represents a market transaction that actually and frequently occurs on the basis of fair trade.

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

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

V. The financial difficulties of the issuer or the debtor cause the active market of the financial asset to disappear;

VI. Purchase or source a financial asset at a substantial discount, which reflects the fact that credit losses have occurred.

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

(c) For purchased or generated financial assets that have suffered credit impairment, the cumulative change in expected credit losses over the entire duration of the initial recognition is recognized as loss provision on the balance sheet date. On each balance sheet date, the amount of the change in expected credit losses over the entire life period is recognised in profit or loss as an impairment loss or gain. Even if the expected credit loss for the entire life period determined on the balance sheet date is less than the expected credit loss reflected in the estimated cash flow at the initial recognition, the expected change in credit loss is recognized as an impairment gain.

(d) Except for the case of (c) the provision for loss of financial instruments, the Group assesses whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition on each balance sheet date, and measures the loss, confirms the expected credit loss and its change according to the following situations:



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


IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

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

- I. If the credit risk of the financial instrument has increased significantly since the initial recognition, the loss is measured at the amount equivalent to the expected credit loss for the entire duration of the financial instrument. Regardless of whether the Group's assessment of credit losses is based on a single financial instrument or a combination of financial instruments, the increase or reversal of the loss provision resulting therefrom should be included in the current profit and loss as an impairment loss or gain.
- II. If the credit risk of financial instruments since the initial confirmation has not increased significantly, according to the equivalent of the financial instruments is expected in the next 12 months the amount of credit losses measuring their losses, regardless of the Group to evaluate credit loss is the basis of individual financial instruments or financial instrument combination, the resulting loss to increase or return amount, shall be used as impairment losses or gains recorded into the profits and losses.

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial instruments (Continued)

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

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

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

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Notes receivables

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

13. Accounts receivable

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

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

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Accounts receivables (Continued)

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Other receivable

The Group measures other receivables loss provision in accordance with the following circumstances:

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

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

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Other receivable (Continued)

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

15. Receivables Financing

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16. Inventories

(1) Classification of inventories

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

(2) Method of valuation of inventory

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

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16. Inventories (Continued)

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

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

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

(4) *Inventory system*

Adopting the perpetual inventory system.

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Contract assets and contract liabilities

(1) *Methods and standards for the recognition of contract assets*

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

(2) *Determination method and accounting treatment method of expected credit loss of contract assets*

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

18. Long-term receivables

Determination method and accounting treatment method of expected credit loss of long-term receivables

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

18. Long-term receivables (Continued)

Determination method and accounting treatment method of expected credit loss of long-term receivables (Continued)

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

19. Assets classified as held for sale

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

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

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Assets classified as held for sale (Continued)

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

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

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)


20. 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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

20. 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 acquire after the combination in the consolidated financial statements and accounted as the initial investment cost of long-term investment. Difference between initial investment cost and the carrying value of long-term equity investment before combination and the sum of carrying value of newly paid consideration for additional shares acquired on the date of combination is to adjust capital reserve. If the balance of capital reserve is insufficient, any excess is adjusted to retained earnings.

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

20. Long-term equity investment (Continued)

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

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

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

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.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

20. Long-term equity investment (Continued)

On disposal of a long-term equity investment, the difference between the carrying value and the consideration actually received is recognised as investment income for the period. For long-term investments accounted for under the equity method, the movements of shareholder's equity, other than the net profit or loss, of the investee company, previously recorded in the shareholder's equity of the Group are recycled to investment income for the period on disposal.

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

20. Long-term equity investment (Continued)

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Investment properties

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


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

22. Fixed assets

(1) Conditions for confirmation of fixed assets

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. Fixed assets (Continued)

(2) *Initial measurement of fixed assets*

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. Fixed assets (Continued)

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

1) Depreciation of fixed assets

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

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

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

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. Fixed assets (Continued)

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

1) Depreciation of fixed assets (Continued)

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

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

2) Subsequent measurements of fixed assets

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. Fixed assets (Continued)

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

3) Disposal of fixed assets

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

23. Construction in progress

(1) Initial measurement of construction in process

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Construction in progress (Continued)

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

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

24. Borrowing cost

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

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. Borrowing cost (Continued)

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

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

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

(2) *Capitalization period of borrowing costs*

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

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. Borrowing cost (Continued)

(2) Capitalization period of borrowing costs (Continued)

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

(3) Suspension of capitalization period

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

(4) Calculation for capitalization of borrowing costs

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. Borrowing cost (Continued)

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

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

25. Right-of-use assets

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

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25. Right-of-use assets (Continued)

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

26. Intangible assets and development expenditure

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

(1) Initial measurement of intangible assets

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

For the intangible assets obtained by debt restructuring for debt repayment, the cost should be determined as the fair value of the intangible assets. The difference between the book value of the restructured debt and the fair value of the intangible asset should be counted into the profit or loss in the current period.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Intangible assets and development expenditure (Continued)

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

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

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

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

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Intangible assets and development expenditure (Continued)

(2) *The subsequent measurement of intangible assets*

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

1) *Intangible assets with limited service life*

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

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

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Intangible assets and development expenditure (Continued)

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

2) *Intangible assets with uncertain service life*

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

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

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

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

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Intangible assets and development expenditure (Continued)

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

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

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

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

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

- 1) Complete the intangible asset so that it can be used or sold in technical feasibility;
- 2) The intention to complete the intangible asset and to use or sell it;
- 3) Intangible assets to generate economic benefits, including the ability to prove the existence of the products using the intangible assets market or the market of intangible assets, intangible assets will be used internally, to prove its usefulness;
- 4) Having sufficient technical, financial resources and other resource support to complete the development of the intangible asset and have the ability to use or sell the intangible asset;
- 5) Expenditures attributable to the development stage of the intangible asset can be reliably measured.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Intangible assets and development expenditure (Continued)

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

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

27. Impairment on long-term assets

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

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. Impairment on long-term assets (Continued)

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

The impairment test should be carried out every year no matter there is any sign of impairment for the goodwill that caused by enterprise merger and the intangible assets with uncertain useful life.

In the impairment test of goodwill, the book value of goodwill would be distributed to asset groups or portfolio groups benefiting from the synergy effect of an enterprise merger as expected. When taking an impairment test on the relevant asset group containing goodwill or portfolio groups, if there is any sign that the portfolio related to goodwill impairs, the impairment test should be first carried out to the portfolio that do not contain goodwill. Then, calculate the recoverable amount and compare it with the related book value and confirm the impairment the corresponding loss. Next, testing impairment of goodwill includes asset group or combination of asset groups and comparing book value of the related asset group or combination of asset groups (book value includes the share of goodwill) with the recoverable amount. If the recoverable amount of asset group or combination of asset groups is lower than the book value, confirm the impairment loss of goodwill.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Long-term prepayments

(1) *Amortization method*

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

Amortization years


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

29. Employee benefits

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

(1) *Short-term remuneration*

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. Employee benefits (Continued)

(2) *Post-employment benefits*

Post-employment benefits refer to the compensation and benefits provided, after employees' retirement and termination of employment, by the Group in order to obtain services from employees, except for the short-term compensation and employee benefits. Post-employment benefits including the endowment insurance, pension, unemployment insurance, retirement benefits and other post-employment benefits, and classified into defined contribution plan and defined benefit plan according to the risks and liabilities assumed by the Group. As for defined contribution plan under which the group consumed obligation of making payment to independent funds, in order to exchange for staff services to be provide during the accounting period, shall be recognized as liabilities, and included into the profit or loss or related assets cost of the current period of the beneficiary.

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. Employee benefits (Continued)

(3) Termination benefits

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

Where the Group provides termination benefits to employees, the Group confirms the liabilities of employee benefits payable generated from the termination benefits and be accounted in loss and profit in current period in current period at the earlier date between the date when the Group cannot reverse the termination benefits due to the plan of cancelling the labour relationship or the termination benefits provided by the advice of reducing staff; and when the Group confirms the cost or expense relative to the payment of termination benefits of restructuring into the current profit or loss.

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. Employee benefits (Continued)

(3) Termination benefits (Continued)

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

(4) Other long-term employment benefit

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Expected liabilities

(1) *Criteria for expected liabilities*

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

The assumed responsibilities are current liability;

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

The amount of liabilities can be measured reliably.

(2) *Measurement method of expected liabilities*

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

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

The best estimates are measured in different situation as follow:

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Expected liabilities (Continued)

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

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Revenue

(1) *Recognition and measurement of revenue*

1) *Contract recognition principle*

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

- ① The parties to the contract have approved the contract and promised to fulfill their respective obligations;
- ② The contract clarifies the rights and obligations of the parties to the contract in relation to the goods transferred or the provision of services;
- ③ The contract has clear payment terms related to the goods transferred or services provided;
- ④ The contract has commercial substance, that is, fulfilling the contract will change the risk, time distribution or amount of future cash flow of the enterprise;
- ⑤ The consideration that the enterprise has the right to obtain due to the transfer of goods or services to customers is likely to be recovered.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Revenue (Continued)

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

2) *Recognition principle of performance obligations*

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

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

- ① The customer acquires and consumes the economic benefits brought by the performance of the Group while fulfilling the contract.
- ② Customers can control the products under construction during the Group's performance.
- ③ The goods produced during the performance of the enterprise have irreplaceable use, and the Group has the right to collect funds for the part of the performance that has been completed so far throughout the contract period.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Revenue (Continued)

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


2) *Recognition principle of performance obligations (Continued)*

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

3) *Recognition of transaction price*

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Revenue (Continued)

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

4) *Recognition of the transaction price of individual performance obligations*

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

5) *Recognition of revenue*

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

- ① The enterprise has the current right to collect the goods, that is, the customer has a current payment obligation for the goods.
- ② The enterprise has transferred the legal title of the goods to the customer, that is the customer has the legal title to the goods.
- ③ The enterprise has transferred the goods in kind to the customer, that is, the customer has possessed the goods in kind.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Revenue (Continued)

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

5) *Recognition of revenue (Continued)*

④ The enterprise has transferred the main risks and rewards of ownership of the goods to the customer, that is, the customer has obtained the main risks and rewards of ownership of the goods.

⑤ The customer has accepted the item.

⑥ Other indications that the customer has obtained control of the commodity.

6) *Sales with warranty*

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Revenue (Continued)

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

7) *Principal liable party/agent*

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

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

1) *Domestic product sales revenue*

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Revenue (Continued)

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

2) *Foreign trade revenue*

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

3) *Financial services income*

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

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Revenue (Continued)

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

4) *Other*

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

32. Government subsidy

(1) *Classification of government subsidy*

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

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Government subsidy (Continued)

(2) Confirmation of government subsidy

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

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

(3) Accounting treatment method

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Government subsidy (Continued)

(3) *Accounting treatment method (Continued)*

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

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

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

33. Deferred tax assets/deferred tax liabilities

Deferred tax assets and deferred liabilities are recognised based on the differences (temporary differences) between tax bases of assets and liabilities and respective carrying amount. At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or liability is settled.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(1) Basis for recognizing deferred tax assets


Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available to offset the deductible temporary difference and deduct loss and tax deduction for the year after the end of the year. However, deferred income tax assets resulting from the initial confirmation of assets or liabilities in a transaction with the following characteristics are not recognized: 1) The transaction is not an enterprise merger. 2) The transaction does not affect the accounting profit and the taxable income or the deductible loss as well.

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

(2) Basis for recognizing deferred tax liabilities

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

- 1) Temporary differences in the initial recognition of goodwill;
- 2) A transaction or event formed by a non-enterprise merger. Meanwhile, when the transaction or event occurs, it will neither affect the accounting profits nor affect the temporary difference formed by the taxable income (or deductible loss);



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(2) *Basis for recognizing deferred tax liabilities (Continued)*

- 3) For temporary tax differences related to investment in subsidiaries and joint ventures, the time of temporary difference reversal can be controlled and the temporary difference is unlikely to turn back in the foreseeable future.

34. Lease

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

(1) *Spin off of lease contracts*

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

34. Lease (Continued)

(2) Consolidation of lease contracts

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

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

(3) Accounting for the Company as lessee

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

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

34. Lease (Continued)

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

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

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

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

2) *Right-to-use assets*

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

- ① Initial measurement amount of lease liabilities;
- ② If there are rental incentives in the rental payments paid before or at the beginning of the lease term, the relevant amount of rental incentives happened shall be deducted;
- ③ Initial direct expenses incurred by the Company;
- ④ Expected costs of dismantling and removing leased assets, restoring the site of leased assets or restoring leased assets to the agreed state of leasing terms (Excluding costs incurred for the production of inventory).



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

34. Lease (Continued)

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

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

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

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

3) *Lease liabilities*

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

- ① Fixed Payment and Substantive Fixed Payment after Deducting the Relevant Amount of Lease Incentive;



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

34. Lease (Continued)

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

3) *Lease liabilities (Continued)*

- ② Variable rental payments depending on index or ratio;
- ③ Where the Company reasonably determines that the option will be exercised, the amount of the lease payment includes the exercise price of the right to purchase the option;
- ④ Where the lease term reflects that the company will exercise the option to terminate the lease, the amount of the lease payment includes the amount to be paid for the exercise of the option to terminate the lease;
- ⑤ Expected payments based on the guaranteed residual value provided by the Company.

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

34. Lease (Continued)

(4) *Accounting for the Company as Lessor*

1) *Classification of Leases*

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

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

- ① At the end of the lease term, the ownership of the leased assets is transferred to the lessee;
- ② The lessee has the option to purchase the leased assets, and the purchase price set by the lessee is low enough compared with the expected fair value of the leased assets when exercising the option. Therefore, it can be reasonably determined on the lease start date that the lessee will exercise the option;
- ③ Although the ownership of the assets is not changed, the lease period accounts for the majority of the life of the leased assets;
- ④ At the beginning of the lease, the present value of the rental fee is almost equal to the fair value of the leased assets;
- ⑤ The nature of leased assets is special. If there is no major transformation, only the lessee can use them.

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

34. Lease (Continued)

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

1) *Classification of Leases (Continued)*

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

- ① If the lessee ends the lease, the lessee shall bear the losses caused by the termination of the lease to the lessor;
- ② The profits or losses caused by the fluctuation of the fair value of the balance of assets belong to the lessee;
- ③ The lessee can continue to lease far below the market level for the next period.

2) *Accounting for financial lease*

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)


34. Lease (Continued)

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

2) *Accounting for financial lease (Continued)*

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

- ① Fixed payment and substantive fixed payment after deducting the relevant amount of lease incentive;
- ② Variable rental payments depending on index or ratio;
- ③ In the case of reasonably determining that the lessee will perform the right of purchase option, the amount of rental receipt includes the right price of purchase option;
- ④ The lease term reflects that the lessee will perform the option to terminate the lease. The lease receipt includes the amount to be paid by the lessee in exercising the option to terminate the lease;
- ⑤ Guarantee residual value provided by the lessee to the lessor, the party concerned with the lessee and an independent third party with financial capacity to fulfill the guarantee obligation.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

34. Lease (Continued)

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

2) *Accounting for financial lease (Continued)*

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

3) *Accounting for operating lease*

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

34. Lease (Continued)

(5) *Sale-leaseback*

1) *The Company as the seller and lessee*

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

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

2) *The Company as buyer and lessor*

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

34. Lease (Continued)

(5) *Sale-leaseback (Continued)*

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

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

35. Discontinued operation

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

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

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



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

36. Safety production cost

The Group accrues safety production cost and records it to the cost of related products or in the profit or loss and transferred to special reserve based on state regulations. The Group shall directly reduce special reserve if the safety production cost is belonging to expense. If fixed asset is arising in using safety production cost, all expenditures are recorded in construction in progress and recognized as fixed asset when the safety project is finished and ready for its intended use; meanwhile, the Group shall reduce special reserve based on the cost of the fixed asset and recognize the accumulated depreciation in the same amount. No depreciation shall be recognised in for this fixed asset in following periods.

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

The subsidiary of the Group YTO Group Finance Co., Ltd belongs to the non-banking financial institutions. In accordance with the requirements of the China Banking Regulatory Commission, a five-level classification management is implemented on the assets of creditor's rights type, assets of equity type and other assets. Such assets are classified into five categories as normal, attention, secondary, suspicious and loss class. The percentage on which the impairment provision is accrued for each class is not less than 1.5%, 3%, 30%, 60% and 100% respectively.



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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

38. General risk reserve

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

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

39. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

No accounting policies were changed during the reporting period.

(2) Changes in Accounting Estimates

No accounting estimates were changed during the reporting period.



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

V. TAXATION

1. Main categories of tax and tax rates

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

The income tax rate of different tax subject:

Name of the subject of tax payment	Income tax rate
First Tractor Company Limited	15%
YTO (Luoyang) Diesel Engine Co., Ltd.	15%
YTO (Luoyang) Flag Auto-body Co., Ltd.	15%
Other subsidiaries	25%
Foreign subsidiaries	Local Tax Rate



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

V. TAXATION (CONTINUED)

2. The preferential tax policy and the basis

(1) *Value added tax (VAT)*

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

Luoyang Tractor Research Institute Co., Ltd. is exempted from VAT on revenue from technology development according to the provision of (the twenty-sixth item) of the article 1 of the Appendix 3 'The rules of the pilot by replacing business tax with VAT transition policy' of the 'Notice of the Ministry of Finance and the State Administration of Taxation on the full implementation of the pilot by replacing business tax with VAT' (Caishui [2016] No.36). Luoyang Changxing Agriculture Machinery Co., Ltd., subsidiaries of the Group, are exempted from VAT on sale of agricultural machinery according to Caishui [2001] No.113 Notice of Exemption from VAT for Agricultural Production Issued by Ministry of Finance and State Administration of Taxation.

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



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

V. TAXATION (CONTINUED)

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

(2) Enterprise income tax

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

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

VI. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT

The following disclosed financial statement data, except as specified, "The beginning or beginning of the year" means January 1, 2021, "the end of the year or the end of the period" means June 30, 2021, "the current year or the current period" means January 1, 2021 to June 30, 2021. The unit of currency is RMB.

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

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

1. Monetary funds

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Cash on hand	401,812.12	382,376.31
Bank deposit	2,020,635,876.56	1,664,011,936.27
Other monetary funds	17,908,743.50	38,231,162.95
Total	2,038,946,432.18	1,702,625,475.53
Including: total amount deposited abroad	53,212,868.71	58,500,849.52

The restricted monetary funds are as follows:

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Deposit of bank acceptance	13,390,476.95	22,041,438.35
Other deposit	3,822,196.36	4,030,411.98
Deposit reserve requirement for central banks	236,322,887.99	259,727,714.62
Total	253,535,561.30	285,799,564.95



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

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

2. Lendings to banks and other financial institutions

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Non-bank financial institutions	100,000,000.00	100,000,000.00
Interest receivable from lending funds		
Less: impairment provision	<u>70,090,000.00</u>	<u>60,000,000.00</u>
Total	<u><u>29,910,000.00</u></u>	<u><u>40,000,000.00</u></u>

Note: On March 27, 2019, China YTO Group Finance Co., Ltd., a subsidiary of the Group, loaned 100 million yuan to Tianjin Property Group Finance Co., Ltd. through the National Interbank Funding Center. The loan period is 7 days, and the annual interest rate is 7 days. It was 4.8%, and failed to pay due on April 3. The Group made provision for impairment of the difference between the recoverable amount and the book value based on the debt restructuring plan.

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

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

3. Trading financial assets

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Subtotal of financial assets measured at fair value and its movement recorded through profit or loss	724,284,557.33	306,108,457.98
Debt instrument investment	721,528,139.06	300,000,000.00
Equity instrument investment	2,756,418.27	6,108,457.98
Subtotal of designated as financial assets measured at fair value and recorded in current profits and losses	1,012,512,200.94	1,000,272,900.00
Debt instrument investment		
Equity instrument investment	1,012,074,100.00	1,000,272,900.00
Others	438,100.94	
Total	<u>1,736,796,758.27</u>	<u>1,306,381,357.98</u>



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

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

4. Notes receivable

(1) Classification of notes receivable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Bank acceptance notes		
Commercial acceptance notes	<u>350,000.00</u>	<u>892,050.97</u>
Total	<u><u>350,000.00</u></u>	<u><u>892,050.97</u></u>

(2) There is no note which have been pledged at the end of the period

(3) There is no note which have been endorsed or discounted but not yet due at the end of the period

(4) There is no note that are transferred to accounts receivable by the Group at the end of the term due to the drawer has not fulfilled contract

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

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

5. Accounts receivable

(1) Classified disclosure of accounts receivable

Unit: Yuan Currency: RMB

Item	Ending Balance					Ending Balance				
	Book balance		Bad debt provision			Book balance		Bad debt provision		
	Amount	Ratio	Amount	Ratio	book value	Amount	Ratio	Amount	Ratio	book value
		(%)	(%)			(%)	(%)	(%)		
Accounts receivable for anticipated credit losses on a portfolio basis	1,486,965,745.28	100.00	399,626,490.33	26.88	1,087,339,254.95	766,295,683.73	100.00	390,093,012.75	50.91	376,202,670.98
Including: Aging portfolio	1,371,976,717.76	92.27	363,896,683.46	26.52	1,008,080,034.30	677,972,895.68	88.47	354,313,235.37	52.26	323,659,660.31
Risk exposure portfolio such as collateral	114,989,027.52	7.73	35,729,806.87	31.07	79,259,220.65	88,322,788.05	11.53	35,779,777.38	40.51	52,543,010.67
Total	1,486,965,745.28	100.00	399,626,490.33	26.88	1,087,339,254.95	766,295,683.73	100.00	390,093,012.75	50.91	376,202,670.98

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

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

5. Accounts receivable (Continued)

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

1) *Aging portfolio*

Unit: Yuan Currency: RMB

Aging	Book Balance	Ending Balance Bad debt provision	Accrual Ratio (%)
	Within 1 year	1,003,073,436.73	15,123,596.75
1 to 2 years	7,696,323.02	3,803,552.83	49.42
2 to 3 years	16,580,659.49	7,977,673.16	48.11
Over 3 years	344,626,298.52	336,991,860.72	97.78
Total	1,371,976,717.76	363,896,683.46	26.52

2) *Risk exposure portfolio such as collateral*

Unit: Yuan Currency: RMB

Name of portfolio	Book value	Provision for bad debt	Accrual Ratio (%)
Risk exposure portfolio such as collateral	114,989,027.52	35,729,806.87	31.07
Total	114,989,027.52	35,729,806.87	31.07

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

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

5. Accounts receivable (Continued)

(3) Age Disclosure of Accounts Receivable

Unit: Yuan Currency: RMB

Aging	Ending Balance		Accrual Ratio (%)
	Book Balance	Bad debt provision	
Within 1 year	1,080,434,196.55	15,659,720.66	1.45
1 to 2 yeas	11,024,213.48	4,859,395.89	44.08
2 to 3 yeas	30,517,037.00	21,751,513.31	71.28
Over 3 years	364,990,298.25	357,355,860.47	97.91
Total	1,486,965,745.28	399,626,490.33	26.88

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

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

5. Accounts receivable (Continued)

(4) Provision for bad debts charged, recovered or returned in the current period

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase: Provision	Changes in the current period			Ending Balance
			Decrease: roll-out	Decrease: Write off	Decrease: Other changes	
Accounts receivable for anticipated credit losses on a portfolio basis	390,093,012.75	10,385,373.60	-		851,896.02	399,626,490.33
Including: Aging portfolio	354,313,235.37	10,434,411.07			850,962.98	363,896,683.46
Risk exposure portfolio such as collateral	35,779,777.38	-49,037.47			933.04	35,729,806.87
Total	<u>390,093,012.75</u>	<u>10,385,373.60</u>	<u>-</u>	<u></u>	<u>851,896.02</u>	<u>399,626,490.33</u>

(5) There is no accounts receivable actually written off during the reporting period

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

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

5. Accounts receivable (Continued)

(6) Details of Top Five Accounts Receivable with the Ending Balance Classified by the Borrowers

Unit: Yuan Currency: RMB

Company	Ending Balance	Ratio (%)	Bad debt provision
Liaoning Dongsheng Machinery Equipment Co., Ltd.	81,470,181.00	5.48	81,470,181.00
Urumqi Shifeng Agricultural Machinery Equipment Co., Ltd.	62,183,376.45	4.18	62,183,376.45
Jiangsu Wode High Tech Agricultural Equipment Co., Ltd.	53,081,023.96	3.57	705,218.98
Tianrun Industry Technology Co., Ltd.	45,069,124.13	3.03	595,167.19
Weichai Power Co., Ltd.	31,262,120.41	2.10	451,141.43
Total	273,065,825.95	18.36	145,405,085.05

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

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

6. Receivables Financing

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Notes receivable	377,555,698.64	374,916,413.50
Total	377,555,698.64	374,916,413.50

(1) Receivables Financing which have been endorsed or discounted but not yet due at the end of the period

Unit: Yuan Currency: RMB

Item	Amount de-recognized at the end of the period	Amount not de-recognized at the end of the period
Bank acceptance notes	1,041,734,341.65	
Total	1,041,734,341.65	

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

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

6. Receivables Financing (Continued)

(2) Receivables Financing which have been pledged at the end of the period

Unit: Yuan Currency: RMB

Item	Amount pledged at the end of the period
Bank acceptance notes	7,300,000.00
Total	7,300,000.00

7. Advances to suppliers

(1) Aging analysis of advances to suppliers

Unit: Yuan Currency: RMB

Aging	Ending balance			Beginning balance		
	Amount	Percentage (%)	Bad debt provision	Amount	Percentage (%)	Bad debt provision
Within 1 year	53,297,379.20	85.43		172,516,701.09	93.94	1,277.08
1-2 years	366,447.29	0.59	1,277.08	892,877.41	0.49	-
2-3 years	6,395,926.80	10.25	4,429,562.92	6,630,305.41	3.61	4,429,562.92
Over 3 years	2,327,733.65	3.73	1,874,184.76	3,596,906.24	1.96	1,833,028.70
Total	62,387,486.94	100.00	6,305,024.76	183,636,790.15	100.00	6,263,868.70

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

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

7. Advances to suppliers (Continued)

(1) Aging analysis of advances to suppliers (Continued)

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

No prepayments over one year and with a significant amount.

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

Unit: Yuan Currency: RMB

Company name	Ending balance	Percentage in the ending balance of advances to suppliers (%)	Aging	Reason
Zhongtiaoshan Electromechanical Equipment Co., Ltd.	7,054,631.64	11.31	Within 1 year	Advance payment
Golden Century (Luoyang) Wheel Manufacturing Co., Ltd.	5,853,693.03	9.38	Within 1 year	Advance payment
Shanxi Jiheng Casting Co., Ltd.	5,270,113.17	8.45	Within 1 year	Advance payment
Yto Group Corporation	5,119,240.43	8.21	Within 1 year	Advance payment
ZUSE HOLLER HILLE WERKZEUGMASCHINEN GMBH	4,429,562.92	7.10	2-3 years	Advance payment
Total	27,727,241.19	44.45	/	/

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

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

8. Other receivables

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Interests receivable	4,465.01	1,571.53
Other receivables	33,248,999.28	26,300,009.80
Total	33,253,464.29	26,301,581.33

(1) Interests receivable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Buyers' credit interests receivable	4,465.01	1,571.53
Total	4,465.01	1,571.53

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

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

8. Other receivables (Continued)

(2) Other receivables

a. Disclosure of other receivables

Unit: Yuan Currency: RMB

Item	Book balance		Ending Balance		book value
	Amount	Ratio (%)	Amount	Accrual Ratio (%)	
Accounts receivable for anticipated credit losses on a portfolio basis	131,319,491.02	100	98,070,491.74	74.68	33,248,999.28
Including: Aging portfolio	115,468,794.14	87.93	94,722,463.62	82.03	20,746,330.52
Low-risk portfolio	8,073,160.88	6.15	80,731.62	1.00	7,992,429.26
Risk exposure portfolio such as collateral	7,777,536.00	5.92	3,267,296.50	42.01	4,510,239.50
Total	131,319,491.02	100.00	98,070,491.74	74.68	33,248,999.28

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

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

8. Other receivables (Continued)

(2) Other receivables (Continued)

a. Disclosure of other receivables (Continued)

Unit: Yuan Currency: RMB

Item	Book balance		Beginning balance		book value
	Amount	Ratio (%)	Amount	Accrual Ratio (%)	
Accounts receivable for anticipated credit losses on a portfolio basis	125,235,080.17	100.00	98,935,070.37	79.00	26,300,009.80
Including: Aging portfolio	111,687,688.31	89.18	95,610,412.79	85.61	16,077,275.52
Low-risk portfolio	5,736,105.41	4.58	57,361.08	1.00	5,678,744.33
Risk exposure portfolio such as collateral	<u>7,811,286.45</u>	<u>6.24</u>	<u>3,267,296.50</u>	<u>41.83</u>	<u>4,543,989.95</u>
Total	<u><u>125,235,080.17</u></u>	<u><u>100.00</u></u>	<u><u>98,935,070.37</u></u>	<u><u>79.00</u></u>	<u><u>26,300,009.80</u></u>

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

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

8. Other receivables (Continued)

(2) Other receivables (Continued)

b. Accounts receivable for anticipated credit losses on a portfolio basis

l. Aging portfolio

Unit: Yuan Currency: RMB

Aging	Ending balance		Accrual Ratio (%)
	Book balance	Bad debt provision	
Within 1 year	20,919,919.23	514,318.30	2.46
1-2 years	681,459.19	340,729.60	50.00
2-3 years	1,351,234.89	1,351,234.89	100.00
Over 3 years	92,516,180.83	92,516,180.83	100.00
Total	115,468,794.14	94,722,463.62	82.03

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

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

8. Other receivables (Continued)

(2) Other receivables (Continued)

b. *Accounts receivable for anticipated credit losses on a portfolio basis (Continued)*

II. Low-risk portfolio

Unit: Yuan Currency: RMB

Aging	Ending balance		
	Book balance	Bad debt provision	Accrual percentage (%)
Within 1 year	6,663,734.83	66,637.35	1.00
1-2 years	773,278.58	7,732.79	1.00
2-3 years	144,280.02	1,442.80	1.00
Over 3 years	491,867.45	4,918.68	1.00
Total	8,073,160.88	80,731.62	1.00



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

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

8. Other receivables (Continued)

(2) Other receivables (Continued)

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

III. Risk exposure portfolio such as collateral

Unit: Yuan Currency: RMB

Name of portfolio	Ending balance	Bad debt provision	Accrual percentage (%)
No provision for bad debt portfolio	<u>7,777,536.00</u>	<u>3,267,296.50</u>	<u>42.01</u>
Total	<u><u>7,777,536.00</u></u>	<u><u>3,267,296.50</u></u>	<u><u>42.01</u></u>

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

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

8. Other receivables (Continued)

(2) Other receivables (Continued)

c. Aging disclosure of other receivables

Unit: Yuan Currency: RMB

Aging	Ending balance	Beginning balance
Within 1 year	27,583,654.06	21,453,022.07
1-2 years	1,454,737.77	2,440,443.02
2-3 years	2,636,800.91	1,167,068.41
Over 3 years	99,644,298.28	100,174,546.67
Total	131,319,491.02	125,235,080.17

d. Provision for bad debts charged, recovered or returned in the current period

Unit: Yuan Currency: RMB

Item	Beginning balance	Provision	Changes in the current period		Minus: other changes	Ending Balance
			Recovered or returned	Write off		
Accounts receivable for anticipated credit losses on a portfolio basis	98,935,070.37	29,087.78	-		893,666.41	98,070,491.74
Including: Aging portfolio	95,610,412.79	5,554.01	-		893,503.18	94,722,463.62
Low-risk portfolio	57,361.08	23,533.77	-	-	163.23	80,731.62
Risk exposure portfolio such as collateral	3,267,296.50	-	-	-		3,267,296.50
Total	98,935,070.37	29,087.78	-		893,666.41	98,070,491.74

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

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

8. Other receivables (Continued)

(2) Other receivables (Continued)

e. Provision for bad debts of other receivables

Unit: Yuan Currency: RMB

	Stage one	Stage two	Stage three	Total
	Expected credit loss in the next 12 months	Expected credit loss over the whole duration (No credit impairment)	Expected credit loss over the whole duration (Credit impairment occurred)	
Beginning balance	95,667,773.87	3,267,296.50		98,935,070.37
Beginning balance in current period				
– Shift to stage two				
– Shift to stage three				
– Return to stage two				
– Return to stage one				
Provision in current period	29,087.78			29,087.78
Return in current period				
Transfer in current period				
Write off in current period				
Other changes	893,666.41			893,666.41
Ending balance	<u>94,803,195.24</u>	<u>3,267,296.50</u>	<u>–</u>	<u>98,070,491.74</u>

f. There is no other receivables that actually written off during the reporting period.

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

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

8. Other receivables (Continued)

(2) Other receivables (Continued)

g. Details of top five other receivables with the ending balance classified by the borrowers

Unit: Yuan Currency: RMB

Company	Nature of payment	Ending balance	Aging	Percentage in the ending balance of other receivables (%)	Ending balance of bad debt allowance
YTO (Luoyang)	Payment between units of work	82,240,000.00	Over 5 years	62.63	82,240,000.00
Shentong Construction Machinery Co., Ltd.					
State Tax Bureau of Jianxi District, Luoyang City, Henan Province	Refundable export tax refund	10,829,864.40	Within 1 year	8.25	221,405.06
Shanghai Pengpu Machinery Factory Co., Ltd.	Payment between units of work	6,490,000.00	Over 5 years	4.94	2,292,959.42
Jiangsu Qingjiang Tractor Co., Ltd.	Payment between units of work	3,315,484.00	Over 5 years	2.52	3,315,484.00
Shaanxi Heavy-duty Motor Company Limited	Margin	2,640,826.97	Within 1 year	2.01	26,408.27
Total		105,516,175.37		80.35	88,096,256.75



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

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

8. Other receivables (Continued)

(2) Other receivables (Continued)

- h. No other receivables involving government subsidies
- i. No other receivables that have not been terminated for the transfer of financial assets
- j. No amount of assets and liabilities formed without the transfer of other receivables and continued involvement
- k. Classification of other receivables by nature

Unit: Yuan Currency: RMB

Nature of payment	Ending book value	Beginning book value
Receivables and payments between companies	6,767,946.22	11,272,167.20
Deposits and petty cash	8,576,925.01	5,335,466.46
Collection and payment of social insurance withheld	2,646,357.37	934,257.04
Tax refund for export receivables	12,135,705.76	6,771,313.64
Others	3,122,064.92	1,986,805.46
Total	33,248,999.28	26,300,009.80

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

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

9. Buying back the sale of financial assets

(1) Classification according to the nature of the counterparty

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Domestic interbank institutes	881,652,150.79	1,561,721,065.92
Including: Capital	880,000,000.00	1,560,000,000.00
Interest receivable	1,652,150.79	1,721,065.92
Domestic other financial institutes		
Total	881,652,150.79	1,561,721,065.92

(2) Classification according to the asset type

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Bonds	881,652,150.79	1,561,721,065.92
Total	881,652,150.79	1,561,721,065.92

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

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Due within one month	660,596,354.93	1,301,281,817.50
1-3 month	211,055,795.86	260,439,248.42
Total	881,652,150.79	1,561,721,065.92

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

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

10. Inventories

(1) Classification of inventories

Unit: Yuan Currency: RMB

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Raw materials	524,352,284.36	92,969,306.55	431,382,977.81	512,169,174.72	132,110,838.41	380,058,336.31
Work in progress	203,413,944.62	8,208,377.69	195,205,566.93	224,682,267.57	7,388,853.48	217,293,414.09
Finished goods	271,097,124.35	18,810,252.69	252,286,871.66	574,764,094.46	23,565,607.70	551,198,486.76
Goods shipped in transit	77,814,206.83	4,952,841.70	72,861,365.13	213,557,152.20	5,841,578.17	207,715,574.03
Total	1,076,677,560.16	124,940,778.63	951,736,781.53	1,525,172,688.95	168,906,877.76	1,356,265,811.19

(2) Impairment provision for inventories

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period		Decrease in this period		Other transfer out	Ending balance
		Provision for impairment	Others	Reversed	Write off		
Raw materials	132,110,838.41	6,082,859.90			9,450,758.02	35,773,633.74	92,969,306.55
Work in progress	7,388,853.48	819,524.21					8,208,377.69
Finished goods	23,565,607.70	1,737,921.11	9,306.72		1,821,853.17	4,680,729.67	18,810,252.69
Goods shipped in transit	5,841,578.17	-350,784.06			537,952.41		4,952,841.70
Total	168,906,877.76	8,289,521.16	9,306.72		11,810,563.60	40,454,363.41	124,940,778.63

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

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

11. Non-current assets maturing within one year

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Original value of long-term receivable due within one year	325,308,576.86	330,647,509.01
The original value of financial lease within one year	79,526,245.52	56,149,752.33
Unconfirmed financing gains	-31,752,109.96	-31,366,267.03
Provision for impairment	-147,990,415.05	-116,704,750.19
Total	225,092,297.37	238,726,244.12

12. Other current assets

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Prepaid enterprise income tax	20,287,358.86	19,095,550.99
Loan by mandate	171,000,000.00	171,000,000.00
Value-added tax left for deduction	176,679,756.72	268,197,591.62
Input Tax to be Certified		336,250.42
Advance payment of other tax	4,644,370.72	3,217,771.39
Interest receivable	7,051,476.48	3,146,115.69
Other		
Subtotal	379,662,962.78	464,993,280.11
Provision for impairment	-183,406,085.09	-183,406,085.09
Total	196,256,877.69	281,587,195.02

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

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

13. Loans and advances to customers

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

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Subtotal of individual loans and advances	26,495,638.84	51,573,608.82
Others	26,495,638.84	51,573,608.82
Subtotal of corporate loans and advances	858,789,788.01	956,734,369.31
Loans	848,397,350.00	948,464,022.43
Discounting	10,392,438.01	8,270,346.88
Loan interest	1,278,436.16	1,488,490.42
Total loans and advances	886,563,863.01	1,009,796,468.55
Less: Impairment provision of loans	22,767,434.26	27,546,945.17
Including: Provision made on individual basis		
Provision made on portfolio basis	22,767,434.26	27,546,945.17
Total carrying value of loans and advances	863,796,428.75	982,249,523.38

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

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

13. Loans and advances to customers (Continued)

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

Unit: Yuan Currency: RMB

Distribution of industry	Ending balance	Percentage (%)	Beginning balance	Percentage (%)
Machinery manufacturing	858,789,788.01	96.87	956,734,369.31	94.75
Individuals	26,495,638.84	2.99	51,573,608.82	5.11
Interests on loans	1,278,436.16	0.14	1,488,490.42	0.15
Total loans and advances	886,563,863.01	100.00	1,009,796,468.55	100.00
Less: Impairment provision of loans	22,767,434.26	2.57	27,546,945.17	2.73
Including: Provision made on individual basis				
Provision made on portfolio basis	22,767,434.26	2.57	27,546,945.17	2.73
Total carrying value of loans and advances	863,796,428.75	/	982,249,523.38	/

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

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

13. Loans and advances to customers (Continued)

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

Unit: Yuan Currency: RMB

Geographic distribution	Ending balance	Percentage (%)	Beginning balance	Percentage (%)
Northeast China	26,552,802.30	3.00	35,418,394.65	3.51
Central China	839,324,597.05	94.67	942,342,150.98	93.32
Northwest China	19,408,027.50	2.19	30,547,432.50	3.03
Loan interest	1,278,436.16	0.14	1,488,490.42	0.15
Total loans and advances	886,563,863.01	100.00	1,009,796,468.55	100.00
Less: Impairment provision of loans	22,767,434.26	2.57	27,546,945.17	2.73
Including: Provision made on individual basis				
Provision made on portfolio basis	22,767,434.26	2.57	27,546,945.17	2.73
Total carrying value of loans and advances	863,796,428.75	/	982,249,523.38	/

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

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

13. Loans and advances to customers (Continued)

(4) Distribution details by type of credit guarantee modes

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Credit loans	792,900,000.00	890,000,000.00
Guaranteed loans	58,032,988.84	89,482,631.25
Loans secured by collateral	34,352,438.01	28,825,346.88
Including: Mortgage loans	23,960,000.00	20,555,000.00
Pledged loans	10,392,438.01	8,270,346.88
Loan interest	1,278,436.16	1,488,490.42
Total loans and advances	886,563,863.01	1,009,796,468.55
Less: Impairment provision of loans	22,767,434.26	27,546,945.17
Including: Provision made on individual basis		
Provision made on portfolio basis	22,767,434.26	27,546,945.17
Total carrying value of loans and advances	863,796,428.75	982,249,523.38

(5) Provision for losses on loans

Unit: Yuan Currency: RMB

Item	Amount in this period		Amount in last period	
	Individual	Portfolio	Individual	Portfolio
Beginning balance		27,546,945.17		31,014,471.47
Current year provision		-4,779,510.91		-3,467,526.30
Ending balance		22,767,434.26		27,546,945.17

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

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

14. Long-term receivable

(1) Long-term accounts receivable

Unit: Yuan Currency: RMB

Nature of payment	Ending balance			Beginning balance			Discount Rate Interval
	Book balance	Impairment preparation	Book value	Book balance	Impairment preparation	Book value	
Finance lease cost	197,056,429.72	6,044,162.74	191,012,266.98	112,417,434.16	3,395,786.59	109,021,647.57	
Including: Unconfirmed Financing Income	12,399,479.84		12,399,479.84	7,752,731.31		7,752,731.31	
Selling goods by instalments	397,449,363.20	183,061,220.59	214,388,142.61	405,984,718.44	143,409,635.86	262,575,082.58	
Including: Unconfirmed Financing Income	54,204,447.64		54,204,447.64	55,560,078.55		55,560,078.55	
Financial leases due within one year and selling goods by instalments	-373,082,712.42	-147,990,415.05	-225,092,297.37	-355,430,894.31	-116,704,750.19	-238,726,244.12	
Total	221,423,080.50	41,114,968.28	180,308,112.22	162,971,158.29	30,100,672.26	132,870,486.03	

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

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

14. Long-term receivable (Continued)

(2) Provision for bad debts

Unit: Yuan Currency: RMB

	Stage one	Stage two	Stage three	Total
	Expected credit loss in the next 12 months	Expected credit loss over the whole duration (No credit impairment)	Expected credit loss over the whole duration (Credit impairment occurred)	
Bad debts				
Beginning balance	1,754,984.54	28,345,687.72		30,100,672.26
Beginning balance in current period				
– Shift to stage two				
– Shift to stage three				
– Return to stage two				
– Return to stage one				
Provision in current period	1,862,597.24	9,151,698.78		11,014,296.02
Return in current period				
Transfer in current period				
Write off in current period				
Other changes				
Ending balance	<u>3,617,581.78</u>	<u>37,497,386.50</u>		<u>41,114,968.28</u>

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

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

15. Long-term equity investments

Unit: Yuan Currency: RMB

Invested company	Beginning balance	Additional investment	Investment reduced	Changes of increase/decrease in the period					Others	Ending balance	Ending balance of impairment provision
				Investment profit/loss recognized under equity method	Adjustment of other comprehensive income	Other equity charges	Declared cash dividends/profit to be distributed	Provision for impairment			
I. Investments in associates											
ZF YTO (Luoyang) Olive A&E Co., Ltd	121,441,096.59			2,754,028.55					-536,621.16		123,658,513.97
YTO Chuanlong Shuwan Agricultural Equipment Co., Ltd	617,842.67			-13,247.67							604,595.00
Luoyang Yehong Technology Consulting Co., Ltd.	273,690.12			-36,819.45							236,870.67
Jiangxi Dongfanghong Agricultural Machinery Co., Ltd.		1,800,000.00									1,800,000.00
Subtotal	122,322,619.67	1,800,000.00		2,703,971.43					-536,621.16		126,295,969.94
Total	122,322,619.67	1,800,000.00		2,703,971.43					-536,621.16		126,295,969.94

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

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

16. Other equity instrument investment

(1) Category of other equity instruments

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Luoyang intelligent agricultural equipment Research Institute Co., Ltd	<u>4,839,048.00</u>	<u>4,839,048.00</u>
Total	<u><u>4,839,048.00</u></u>	<u><u>4,839,048.00</u></u>



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

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

16. Other equity instrument investment (Continued)

(2) Investment in non-tradable equity instruments

Unit: Yuan Currency: RMB

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

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

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

17. Fixed assets

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Fixed assets	<u>2,560,201,856.17</u>	<u>2,617,726,435.41</u>
Total	<u><u>2,560,201,856.17</u></u>	<u><u>2,617,726,435.41</u></u>

(1) Detail of fixed asset

Unit: Yuan Currency: RMB

Item	Land	Buildings	Machinery	Transportation equipment	Electronic and office equipment	Other equipment	Total
I. Original book balance							
1. Beginning balance	8,289,825.00	2,227,412,440.75	4,292,465,009.82	50,673,632.16	123,045,543.20	3,560,807.69	6,705,467,258.62
2. Increase amount in this period	-	16,829,227.92	67,682,508.03	2,369,348.95	2,087,526.47	10,000.00	108,978,611.37
Purchase	-	81,009.18	2,060,220.55	242,935.92	223,610.84	-	2,607,776.49
Transferred from construction in progress	-	15,990,976.15	86,683,303.69	1,943,362.84	1,990,972.60	10,000.00	106,618,615.28
Converted difference in Foreign Currency Statements	-	-205,021.53	-908.22	-34,648.93	-7,201.72	-	-247,780.40
Reclassification	-	962,264.12	-1,060,107.99	217,699.12	-119,855.25	-	-
Others	-	-	-	-	-	-	-
3. Decrease amount in this period	8,289,825.00	8,642,574.73	112,570,608.71	1,648,965.31	1,813,089.75	3,193,018.38	136,158,081.88
Disposal of scrapped	-	3,200,757.47	74,336,918.96	1,648,965.31	1,587,709.55	-	80,774,351.29
Disposal of subsidiaries	8,289,825.00	5,441,817.26	38,233,689.75	-	225,380.20	3,193,018.38	55,383,730.59
Others	-	-	-	-	-	-	-
4. Ending balance	-	2,235,599,093.94	4,267,596,909.14	51,394,015.80	123,319,979.92	377,789.31	6,678,287,788.11

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

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

17. Fixed assets (Continued)

(1) Detail of fixed asset (Continued)

Unit: Yuan Currency: RMB

Item	Land	Buildings	Machinery	Transportation equipment	Electronic and office equipment	Other equipment	Total
II. Accumulated depreciation							
1. Beginning balance	-	1,042,571,498.12	2,827,785,857.65	28,328,099.66	93,321,933.19	2,921,008.23	3,994,928,397.85
2. Increase amount in this period	-	31,603,224.81	107,962,092.67	1,851,723.46	3,873,911.28	17,353.99	145,308,306.21
Provision	-	31,274,067.10	107,876,529.09	1,883,161.87	3,965,497.43	17,353.99	145,468,629.48
Converted difference in Foreign Currency Statements	-	-141,618.46	-860	-31,458.41	-4,386.40	-	-178,323.27
Reclassification	-	20,776.17	86,423.58	-	-107,199.75	-	-
Others	-	-	-	-	-	-	-
3. Decrease amount in this period	-	2,951,562.06	91,461,499.59	1,516,569.75	1,623,104.78	2,675,042.35	100,227,778.53
Disposal or scrap	-	1,736,197.40	62,429,292.10	1,516,569.75	1,462,993.11	-	67,145,052.36
Disposal of subsidiaries	-	1,215,364.66	29,032,207.49	-	160,111.67	2,675,042.35	33,082,726.17
Others	-	-	-	-	-	-	-
4. Ending balance	-	1,071,223,161.87	2,844,286,450.73	28,663,253.37	95,572,739.69	263,319.87	4,040,008,925.53
III. Impairment provision							
1. Beginning balance	4,461,900.00	12,805,890.73	73,917,292.29	970,653.58	287,782.32	368,906.44	92,812,425.36
2. Increase amount in this period	-	-	1,364,303.67	-	23,808.39	-	1,388,112.06
Provision	-	-	1,364,303.67	-	23,808.39	-	1,388,112.06
Converted difference in Foreign Currency Statements	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-
3. Decrease amount in this period	4,461,900.00	473,090.04	10,716,606.25	-	103,028.28	368,906.44	16,123,531.01
Disposal or scrap	-	-	3,206,169.02	-	59,610.14	-	3,265,779.16
Disposal of subsidiaries	4,461,900.00	473,090.04	7,510,437.23	-	43,418.14	368,906.44	12,857,751.85
Others	-	-	-	-	-	-	-
4. Ending balance	-	12,332,800.69	64,564,989.71	970,653.58	208,562.43	-	78,077,006.41
IV. Book value							
1. Ending balance of book value	-	1,152,043,131.38	1,358,745,468.70	21,760,108.85	27,538,677.80	114,469.44	2,560,201,856.17
2. Beginning balance of book	3,827,925.00	1,172,035,050.90	1,390,781,859.88	21,374,878.92	29,435,827.69	270,893.02	2,617,726,435.41

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

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

17. Fixed assets (Continued)

(2) Fixed assets leased out by operating lease

Unit: Yuan Currency: RMB

Item	Book value
Houses and buildings	109,879,299.01
Machine and equipment	5,536,307.71
Total	115,415,606.72

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

Unit: Yuan Currency: RMB

Item	Book value	Reason for property right certificate not yet processed
Modern agricultural equipment cab automation project	82,786,031.96	The property right certificate is in the process of processing
Qingnianjiayuan	63,361,723.39	The property right certificate is in the process of processing
The production workshop of the large wheel tractor joint factory	44,241,112.50	The property right certificate is in the process of processing
Zhengzhou branch plant and dormitory building	14,222,668.59	The property right certificate is in the process of processing
Heat treatment room	4,817,104.02	New plant, the property right certificate is in the process of processing



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

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

17. Fixed assets (Continued)

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

Unit: Yuan Currency: RMB

Item	Book value	Reason for property right certificate not yet processed
South Office Building of the large wheel tractor joint factory	4,539,572.94	The property right certificate is in the process of processing
North Auxiliary Building of the large wheel tractor joint factory	3,190,622.02	The property right certificate is in the process of processing
User training service workshop	3,102,679.90	The property right certificate is in the process of processing
Heat treatment auxiliary room	1,816,576.99	New plant, the property right certificate is in the process of processing
Kw line new cooling channel workshop	869,825.85	Construction project investment and construction land subject is inconsistent, temporarily unable to handle the certificate of real estate right
Total	<u>222,947,918.16</u>	

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

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

17. Fixed assets (Continued)

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

The increase of depreciation in this period is RMB145,486,629.48. Among the above fixed assets, the original value of the fixed assets on which the accumulated depreciation was fully accrued and still in use continuously was RMB1,740,376,097.91. Refer to the statement in the Note 71 for detailed information about the ending balance of pledge on fixed assets.

18. Construction in progress

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Construction in progress	60,408,637.16	96,000,297.40
Total	60,408,637.16	96,000,297.40

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

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

18. Construction in progress (Continued)

(1) Details of construction in progress

Unit: Yuan Currency: RMB

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Ammonia Escape Tester Equipment	864,221.21	-	864,221.21	98,396.28	-	98,396.28
Core business management system	218,048.18	-	218,048.18	199,527.03	-	199,527.03
Clean and intelligent transformation of foundry production line	3,087,630.46	-	3,087,630.46	977,919.08	-	977,919.08
Dongfanghong diesel engine hot test line intelligent environmental protection improvement project	11,856,679.04	-	11,856,679.04	10,020,400.64	-	10,020,400.64
Robot transformation project	3,230,769.23	-	3,230,769.23	3,230,769.23	-	3,230,769.23
Large-wheel tractor horizontal machining center	5,023,351.44	-	5,023,351.44	5,023,351.44	-	5,023,351.44
Exhaust gas collection and treatment equipment	475,800.00	-	475,800.00	-	-	-
Pollution source upgrading and renovation project	7,537,694.94	-	7,537,694.94	8,727,325.04	-	8,727,325.04
Small and medium-sized high-quality resource integration project	919,966.60	-	919,966.60	873,318.73	-	873,318.73
Small and medium-sized parts moulding line renovation project	4,167,899.81	-	4,167,899.81	-	-	-
Newly cleaned the automatic grinder project in the foundry and forging plant	849,557.54	-	849,557.54	424,778.77	-	424,778.77
Heat treatment flexible carburizing heat treatment capacity improvement project-new automatic multi-purpose furnace production line	96,330.27	-	96,330.27	8,451,125.53	-	8,451,125.53
Deep hole drilling machining center	1,921,876.19	-	1,921,876.19	1,912,992.44	-	1,912,992.44
Vertical machining center	1,129,911.53	-	1,129,911.53	-	-	-
CNC Lathe	680,973.48	-	680,973.48	-	-	-
Gear Hobbing Machine	1,114,247.88	-	1,114,247.88	-	-	-
Welding fume purification device	1,177,499.26	-	1,177,499.26	770,036.77	-	770,036.77
other	39,201,290.60	23,145,110.50	16,056,180.10	102,078,887.90	46,788,531.48	55,290,356.42
Total	83,553,747.66	23,145,110.50	60,408,637.16	142,788,828.88	46,788,531.48	96,000,297.40

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

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

18. Construction in progress (Continued)

(2) Details of significant changes of construction in progress

Unit: Yuan Currency: RMB

Project name	Budget number (RMB10,000)	Beginning balance	Increase in this period	Transferred to fixed assets in this period	Decrease in this period	Ending balance
Small and medium-sized parts moulding line renovation project	56,149,700.00	-	4,511,452.89	343,553.08		4,167,899.81
Robot transformation project	4,500,00.00	3,230,769.23	-	-		3,230,769.23
Dongfanghong diesel engine hot test line intelligent environmental protection improvement project	25,000,000.00	10,020,400.64	1,836,278.40	-		11,856,679.04
Pollution source upgrading and renovation project	23,000,000.00	8,727,325.04	4,480,060.49	5,669,690.59		7,537,694.94
Clean and intelligent transformation of foundry production line	30,000,000.00	977,919.08	2,109,711.38	-		3,087,630.46
Large-wheel tractor horizontal machining center	5,023,000.00	5,023,351.44	-	-		5,023,351.44
Welding fume purification device	2,000,000.00	770,036.77	407,462.49	-		1,177,499.26
CNC Lathe	1,300,000.00	-	1,129,911.53	-		1,129,911.53
Gear Hobbing Machine	4,500,000.00	-	1,114,247.88	-		1,114,247.88
Total	<u>151,472,700.00</u>	<u>28,749,802.20</u>	<u>15,589,125.06</u>	<u>6,013,243.67</u>		<u>38,325,683.59</u>



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

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

18. Construction in progress (Continued)

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

Unit: Yuan Currency: RMB

Project name	Proportion of project investment to budget (%)	Project progress (%)	Cumulative amount of interest capitalization	Among them: the amount of interest capitalization in the current period	Interest capitalization rate in the current period (%)	Source of funds
Small and medium-sized parts moulding line renovation project	87.00	87.00				Self-funded
Robot transformation project	84.00	90.00				Self-funded
Dongfanghong diesel engine hot test line intelligent environmental protection improvement project	47.43	50.00				Self-funded
Pollution source upgrading and renovation project	65.00	75.00				Self-funded
Clean and intelligent transformation of foundry production line	60.00	60.00				Self-funded
Large-wheel tractor horizontal machining center	90.00	90.00				Self-funded
Welding fume purification device	58.87	60.00				Self-funded
CNC Lathe	98.22	90.00				Self-funded
Gear Hobbing Machine	93.27	30.00				Self-funded
Total	<u> /</u>	<u> /</u>	<u> </u>	<u> </u>	<u> /</u>	<u> /</u>

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

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

19. Right-to-use assets

Unit: Yuan Currency: RMB

Item	Houses and buildings	Venue rental	Machinery equipment	Others	Total
I. Original book balance					
1. Beginning balance	9,700,543.97	17,385,840.90	2,368,976.89		29,455,361.76
2. Increase amount in this period	1,589,046.93	1,299,392.87	39,963.03		2,928,402.83
3. Decrease amount in this period	549,905.76				549,905.76
4. Ending balance	10,739,685.14	18,685,233.77	2,408,939.92		31,833,858.83
II. Accumulated depreciation					
1. Beginning balance	447,494.85	106,179.98			553,674.83
2. Increase amount in this period	3,319,289.45	5,558,029.63	611,700.97		9,489,020.05
3. Decrease amount in this period	549,905.76				549,905.76
4. Ending balance	3,216,878.54	5,664,209.61	611,700.97		9,492,789.12
III. Impairment provision					
1. Beginning balance					
2. Increase amount in this period					
3. Decrease amount in this period					
4. Ending balance					
IV. Book value					
1. Ending balance of book value	7,522,806.60	13,021,024.16	1,797,238.95		22,341,069.71
2. Beginning balance of book value	9,253,049.12	17,279,660.92	2,368,976.89		28,901,686.93

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

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

20. Intangible assets

(1) Detail spreadsheet of intangible assets

Unit: Yuan Currency: RMB

Item	Land use right	Patents	Trademarks	Software	Others	Total
I. Original book balance						
1. Beginning balance	883,095,748.55	7,070,051.93	60,108,508.55	98,489,875.51	8,355,261.01	1,057,119,445.55
2. Increase amount in this period	-	-	1,505.00	3,700,318.75	-	3,701,823.75
Purchase	-	-	-	1,180,824.59	-	1,180,824.59
Transferred from construction in progress	-	-	-	2,519,494.16	-	2,519,494.16
Converted difference in Foreign	-	-	1,505.00	-	-	1,505.00
3. Decrease amount in this period	-	5,613,639.25	-	243.90	8,355,261.01	13,969,144.16
Disposal	-	5,613,639.25	-	-	8,355,261.01	13,968,900.26
Converted difference in Foreign	-	-	-	243.90	-	243.90
4. Ending balance	883,095,748.55	1,456,412.68	60,110,013.55	102,189,950.36	-	1,046,852,125.14
II. Accumulated amortization						
1. Beginning balance	208,049,804.60	6,436,536.60	527,308.92	65,766,932.13	3,636,205.10	284,416,787.35
2. Increase amount in this period	11,487,455.94	-	6,121.32	3,888,965.40	-	15,382,542.66
Provision	11,487,455.94	-	4,616.32	3,888,965.40	-	15,381,037.66
Reclassification	-	-	-	-	-	-
Converted difference in Foreign	-	-	1,505.00	-	-	1,505.00
3. Decrease amount in this period	-	5,613,639.25	-	12.51	3,636,205.10	9,249,856.86
Disposal	-	5,613,639.25	-	-	3,636,205.10	9,249,844.35
Converted difference in Foreign	-	-	-	12.51	-	12.51
4. Ending balance	219,537,260.54	822,897.35	533,430.24	69,655,865.02	-	290,549,473.15

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

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

20. Intangible assets

(1) Detail spreadsheet of intangible assets (Continued)

Unit: Yuan Currency: RMB

Item	Land use right	Patents	Trademarks	Software	Others	Total
III. Impairment provision						
1. Beginning balance	-	633,515.33		477,922.22	4,719,055.91	5,830,493.46
2. Increase amount in this period	-	-	-	-	-	-
Provision	-	-	-	-	-	-
Increase for other reasons	-	-	-	-	-	-
3. Decrease amount in this period	-	-	-	-	4,719,055.91	4,719,055.91
4. Ending balance	-	633,515.33	-	477,922.22	-	1,111,437.55
IV. Book value						
1. Ending balance of book value	663,558,488.01	-	59,576,583.31	32,056,143.12		755,191,214.44
2. Beginning balance of book value	675,045,943.95	-	59,581,199.63	32,245,021.16		766,872,164.74

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

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

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

21. Development expenditure

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period		Decrease in this period		Ending balance
		Internal development expenditure	others	Transfer to current period profit or loss	Recognized as intangible assets	
Tractor product development		104,956,661.99		104,956,661.99		
Power machinery product development		47,361,367.55		47,361,367.55		
Process R&D		25,838,500.82		25,838,500.82		
Basic research		5,130,093.91		5,130,093.91		
Component optimization and other mechanical product development		4,428,715.51		4,428,715.51		
Total		187,715,339.78		187,715,339.78		

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

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

22. Goodwill

(1) Original value of goodwill

Unit: Yuan Currency: RMB

Name of invested company	Beginning balance	Increase in this period		Decrease in this period		Ending balance
		Formed from business combination	Others	Disposal	Others	
Chang Tuo Agricultural Machinery Equipment Group Co., Ltd	14,297,893.81	_____	_____	_____	_____	14,297,893.81
Total	<u>14,297,893.81</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>14,297,893.81</u>

(2) Impairment provision for goodwill

Unit: Yuan Currency: RMB

Name of invested company	Beginning balance	Increase in this period		Decrease in this period		Ending balance
		Provision	Others	Disposal	Others	
Chang Tuo Agricultural Machinery Equipment Group Co., Ltd	14,297,893.81	_____	_____	_____	_____	14,297,893.81
Total	<u>14,297,893.81</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>14,297,893.81</u>

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

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

23. Long-term deferred expenses

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Amortization in this period	Other decrease in this period	Ending balance
Mold amortization	34,939,510.38	15,993,658.45	7,968,610.65	-	42,964,558.18
Amortization of maintenance expenditure	6,648,059.38	119,263.64	761,091.26	3,578.73	6,002,653.03
Amortization of equipment relocation expenses	1,275,452.15	-	106,287.66	-	1,169,164.49
Others	2,049,062.74	454,908.00	320,359.40	-	2,183,611.34
Total	44,912,084.65	16,567,830.09	9,156,348.97	3,578.73	52,319,987.04

24. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets that are not offset

Unit: Yuan Currency: RMB

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred tax asset	Deductible temporary difference	Deferred tax asset
Provision for asset impairment Deductible losses	98,714,038.60	15,683,068.52	102,843,916.20	16,454,157.31
Termination welfare	79,925,961.05	12,305,807.02	98,885,352.72	15,238,541.06
Wages payable and accrued expense	464,088,871.49	101,592,592.85	271,422,621.48	53,790,885.59
Deferred revenue	107,969,518.09	16,914,695.36	110,454,255.14	17,428,164.83
Total	750,698,389.23	146,496,163.75	583,606,145.54	102,911,748.79

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

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

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

(2) Deferred tax liabilities that are not offset

Unit: Yuan Currency: RMB

Item	Ending balance		Beginning balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Asset evaluation increase from business combination not under same control	86,756,938.24	21,689,234.56	90,786,566.04	22,696,641.51
Fair value change	826,483,393.59	124,081,627.34	813,035,918.55	122,044,623.77
Total	913,240,331.83	145,770,861.90	903,822,484.59	144,741,265.28

(3) Deductible temporary difference that are not recognized as deferred tax assets

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Deductible losses	1,226,724,132.35	1,889,106,877.49
Provision for asset impairment	1,173,957,588.77	1,124,544,816.37
Total	2,400,681,721.12	3,013,651,693.86

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

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

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

(4) *Deductible losses unrecognized as deferred tax liabilities due in the following year*

Unit: Yuan Currency: RMB

Year	Ending balance	Beginning balance	Remark
Year of 2021	48,317,536.50	234,388,214.58	
Year of 2022	51,408,581.45	120,108,525.32	
Year of 2023	67,790,692.48	161,315,657.57	
Year of 2024	12,152,227.99	59,744,380.24	
Year of 2025	62,057,698.98	65,049,671.90	
Year of 2026	38,334,144.76		
Year of 2027	12,787,357.45	31,287,727.15	
Year of 2028	589,831,614.58	881,247,616.88	
Year of 2029	333,699,685.79	333,699,685.79	
Year of 2030	2,265,398.06	2,265,398.06	
Year of 2031	8,079,194.31		
Total	1,226,724,132.35	1,889,106,877.49	

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

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

25. Short-term borrowings

(1) Classification of borrowings

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Mortgaged loans	70,000,000.00	73,433,929.60
Credit loans	210,000,000.00	760,000,000.00
Interests payable	157,645.84	829,450.11
Total	<u>280,157,645.84</u>	<u>834,263,379.71</u>

Explanation of short-term loans: The subsidiary of the Group, Changtuo Agricultural Machinery Equipment Group Co., Ltd. drawn short-term loan of RMB70,000,000 from Jilin Bank Dong Sheng Branch by mortgage of real estate and land. The period will be extended after maturity, with an annual interest rate of 6.525% and a maturity date of 13 November 2019.

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

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

25. Short-term borrowings (Continued)

(2) Short term loans overdue and outstanding

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

The overdue short-term loans are as follows:

Unit: Yuan Currency: RMB

Loan unit	Ending balance	Borrowing interest rate (%)	Overdue time	Overdue interest rate (%)
Jilin Bank Dongsheng bank	<u>70,000,000.00</u>	<u>6.525</u>	<u>1-2 year</u>	<u>9.7875</u>
Total	<u><u>70,000,000.00</u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

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

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

26. Absorption of deposits and interbank deposits

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Demand deposit	844,035,953.23	1,022,512,345.62
Including: Corporate	843,775,897.28	1,013,708,885.36
Individuals	260,055.95	8,803,460.26
Time deposit (including notice deposit)	388,307,492.37	385,008,361.39
Including: Corporate	388,307,492.37	385,008,361.39
Individuals		
Interests payable	11,183,443.95	5,103,976.25
Total	<u>1,243,526,889.55</u>	<u>1,412,624,683.26</u>

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

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

27. Loans from other banks

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Capital		300,000,000.00
Interest		66,666.67
Total		300,066,666.67

28. Notes payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Commercial acceptance notes	860,719.27	1,007,353.67
Bank acceptance notes	1,114,662,463.85	1,546,314,757.03
Total	1,115,523,183.12	1,547,322,110.70

The total amount of Notes payable due and unpaid at the end of the period is RMB453,572.27.

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

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

29. Accounts payable

(1) Classification of accounts payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Purchase payable	1,861,752,403.32	1,597,593,667.49
Purchase of construction equipment payable	67,977,969.46	39,640,607.32
Service payment payable	139,002,185.67	150,935,442.35
Others		23,085.27
Total	2,068,732,558.45	1,788,192,802.43

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

Unit: Yuan Currency: RMB

Company name	Ending balance	Reason for not paid or reversed
Hong Kong LLAF INTERNATIONAL CO., LTD	24,749,231.93	Unsettled
Total	24,749,231.93	

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

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

30. Advance from customers

(1) Classification of advance from customers

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Within 1 year	3,342,738.50	
Total	3,342,738.50	

31. Funds incorporated into the sale of financial assets under a repurchase agreement

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Rediscount bill	13,954,705.28	
Total	13,954,705.28	

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

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

32. Contractual liability

(1) Contractual liability

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Payment for goods	161,386,127.85	398,850,436.72
Total	161,386,127.85	398,850,436.72

(2) Aging analysis of contractual liability

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Within 1 year (including 1 year)	127,855,701.40	364,323,805.35
Over 1 year	33,530,426.45	34,526,631.37
Total	161,386,127.85	398,850,436.72

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

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

32. Contractual liability (Continued)

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

Unit: Yuan Currency: RMB

Company name	Ending balance	Reason for not paid or reversed
Henan Luoyang Industrial Park Management Committee	<u>11,926,605.50</u>	Unsettled
Total	<u><u>11,926,605.50</u></u>	

33. Employee benefits payable

(1) Classification of employee benefits payable

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Short-term remuneration	55,314,012.80	436,560,829.52	444,762,333.25	47,112,509.07
Post-employment welfare – Defined contribution plan	805,322.12	38,603,477.33	37,937,322.00	1,471,477.45
Termination welfare	<u>35,758,900.72</u>	<u>18,897,263.96</u>	<u>19,090,434.56</u>	<u>35,565,730.12</u>
Total	<u>91,878,235.64</u>	<u>494,061,570.81</u>	<u>501,790,089.81</u>	<u><u>84,149,716.64</u></u>

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

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

33. Employee benefits payable (Continued)

(2) Short-term remuneration

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Wages or salaries, bonuses, allowances and subsidies	26,610,923.28	331,176,023.47	339,449,192.56	18,337,754.19
Staff welfare expense	-	19,564,710.95	19,564,710.95	-
Social insurance expense	5,268.63	17,051,534.92	16,267,450.86	789,352.69
Including: Medical insurance expense	4,913.77	15,652,446.43	14,931,629.61	725,730.59
Work-related injury insurance	354.86	1,399,088.49	1,335,821.25	63,622.10
Housing funds	677,340.50	22,855,950.40	22,855,560.90	677,730.00
Union & employee education funds	28,006,921.91	9,467,909.69	10,167,159.41	27,307,672.19
Other short-term remuneration	13,558.48	36,444,700.09	36,458,258.57	-
Total	<u>55,314,012.80</u>	<u>436,560,829.52</u>	<u>444,762,333.25</u>	<u>47,112,509.07</u>

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

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

33. Employee benefits payable (Continued)

(3) Defined contribution plan

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Basic endowment insurance	804,740.91	36,934,466.19	36,329,808.46	1,409,398.64
Unemployment insurance premium	581.21	1,662,365.24	1,600,867.64	62,078.81
Enterprise annuity payment	-	6,645.90	6,645.90	-
Total	<u>805,322.12</u>	<u>38,603,477.33</u>	<u>37,937,322.00</u>	<u>1,471,477.45</u>

The explanation of defined contribution plan: the Group participates in the social insurance plans set up by the government according to the provisions. According to the plan, the Group pays the costs of such plans according to the relevant provisions of the local government. In addition to the above charges paid, the Group no longer undertakes the further payment obligations. The corresponding expenditure is recognized into the current period profit or loss, or the cost of the related assets when incurred.

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

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

34. Taxes payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Value-added tax (VAT)	2,074,440.14	1,639,615.83
Enterprise income tax	51,560,074.02	11,406,877.97
Individual income tax	490,768.25	827,288.51
Urban maintenance and construction tax	181,911.75	150,124.86
Property tax	6,527,444.46	5,644,085.35
Land use tax	2,484,117.98	2,715,681.74
Education surcharge	129,936.97	107,232.06
Other taxes	234,338.85	584,647.66
Total	63,683,032.42	23,075,553.98

35. Other payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Interests payable	14,273,977.87	10,893,031.49
Dividends payable	95,442,303.47	8,439,607.83
Other payables	205,023,259.21	189,829,730.22
Total	314,739,540.55	209,162,369.54

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

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

35. Other payable (Continued)

(1) Interests payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Interest payable on bank loans	<u>14,273,977.87</u>	<u>10,893,031.49</u>
Total	<u><u>14,273,977.87</u></u>	<u><u>10,893,031.49</u></u>

(2) Dividends payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Natural person shareholders	<u>95,442,303.47</u>	<u>8,439,607.83</u>
Total	<u><u>95,442,303.47</u></u>	<u><u>8,439,607.83</u></u>

Explanation of dividends payable: Brilliance China Machinery Holdings Ltd., a subsidiary of the Group, distributes the unpaid portion of the dividend

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

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

35. Other payable (Continued)

(3) Other payables

a. Classification of other payables by nature

Unit: Yuan Currency: RMB

Nature of payment	Ending balance	Beginning balance
Receivables and payments between companies	52,089,008.18	53,798,166.51
Cash pledge and deposits	68,592,352.24	58,380,678.06
Expenses payable	39,416,648.00	35,717,615.65
Collection and payment on behalf of others	14,157,693.09	11,150,711.02
Others	30,767,557.70	30,782,558.98
Total	205,023,259.21	189,829,730.22

b. Significant amount of other payables aged over 1 year

Unit: Yuan Currency: RMB

Company name	Ending balance	Reason for not paid or reversed
YTO Group Corporation	43,180,386.04	Unsettled
Total	43,180,386.04	

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

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

36. Non-current liabilities due within one year

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Long-term loans due within 1 year	100,000.00	
Lease liabilities due within 1 year	16,837,949.99	14,004,892.03
Interest on long-term loans due within 1 year	124,971.18	137,606.18
Total	17,062,921.17	14,142,498.21

37. Other current liabilities

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Discount and allowance	330,601,532.65	130,597,789.93
Warranty fee for 3 after sale services included	88,635,612.61	96,036,341.75
Agent service fees	1,275,120.77	3,055,849.06
Transportation fee	12,976,790.00	1,833,400.00
Environmental governance and house maintenance		11,658,286.73
Output tax to be transferred	10,018,251.24	9,560,743.04
Others	5,969,153.99	2,361,642.04
Total	449,476,461.26	255,104,052.55

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

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

38. Long-term loans

(1) Classification of loans

Unit: Yuan Currency: RMB

Classification of loans	Ending balance	Beginning balance
Guarantee loan	99,700,000.00	99,800,000.00
Interests payable	124,971.18	137,606.18
Subtotal	99,824,971.18	99,937,606.18
Long-term loans due within 1 year	-100,000.00	
Including: Credit loans	-100,000.00	
Guarantee loan	-124,971.18	-137,606.18
Long-term loans due over 1 year	99,600,000.00	99,800,000.00

(2) Due date analysis of long-term loans

Unit: Yuan Currency: RMB

Due date	Ending balance	Beginning balance
Over than 1 year after the balance sheet date, but not over than 2 years	99,600,000.00	99,800,000.00
Total	99,600,000.00	99,800,000.00

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

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

39. Lease liabilities

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Lease liabilities	24,111,392.20	28,855,682.17
Reclassified to non-current liabilities due within one year	-16,837,949.99	-14,004,892.03
Total	7,273,442.21	14,850,790.14

40. Long-term accounts payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Long-term loans from non-financial institutions	8,851,417.84	9,151,465.90
Total	8,851,417.84	9,151,465.90

Explanation of long-term accounts payable:

YTO AGRO-INDUSTRIAL, an offshore subsidiary of the Group, signed a supplementary agreement with the Ivorian government which stipulates that XOF 750,120,156.00 (RMB8,851,417.84 at the end of the period) of the transfer loan from the government of YITWO AGRO-INDUSTRIAL in CYD Ivory Coast in 1997 has not been repaid, and the repayment can be postponed until 2024.

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

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

41. Long-term salary payable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
After-service benefits – Defined benefit plan net liability		
Long-term dismissal benefits	92,593,017.97	111,035,027.08
Others	2,103,038.00	3,293,788.00
Non-discounted long-term payable remuneration for employees whose long-term dismissal benefits expire within one year	-35,565,730.12	-35,758,900.72
Total	59,130,325.85	78,569,914.36

42. Estimated liabilities

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance	Reason for occurring
Other	2,602,772.65	2,652,542.65	Note 1
Total	2,602,772.65	2,652,542.65	

Note 1: In 2017, when the sale of a towed forklift (Luoyang) Co., Ltd. was formed, part of the payment was made in the current period, and the balance was not yet paid.

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

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

43. Deferred revenue

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance	Reason
Government subsidies related assets	133,584,232.43		9,539,764.98	124,044,467.45	Details refer to (1)
Government subsidies related benefit	9,054,045.71	6,738,592.00	1,358,169.57	14,434,468.14	Details refer to (1)
Total	<u>142,638,278.14</u>	<u>6,738,592.00</u>	<u>10,897,934.55</u>	<u>138,478,935.59</u>	

(1) Item of government grants

Unit: Yuan Currency: RMB

Item of government grants	Beginning balance	Increase of subsidy in this period	Accounted in non-operating income	Accounted in loss and profit in current period	Other changes	Ending balance	Related to assets/related to income
High-power non-road diesel engine	34,300,000.00			2,450,000.00		31,850,000.00	Related to assets
C Series Government Project Grant	716,000.00			358,000.00		358,000.00	Related to assets
New wheeled tractor core capacity improvement	31,436,363.62			2,418,181.82		29,018,181.80	Related to assets
Annual production of 1000 high-power shift heavy-duty wheel tractors	3,250,000.00			250,000.00		3,000,000.00	Related to assets
Modern agricultural equipment smart cockpit digital factory	6,319,444.46			291,666.66		6,027,777.80	Related to assets
Energy-saving and environmentally friendly diesel engine crankshaft	2,655,000.00			270,000.00		2,385,000.00	Related to assets

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

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

43. Deferred revenue (Continued)

(1) Item of government grants (Continued)

Unit: Yuan Currency: RMB

Item of government grants	Beginning balance	Increase of subsidy in this period	Accounted in non-operating income	Accounted in loss and profit in current period	Other changes	Ending balance	Related to assets/ related to income
New wheeled tractor intelligent manufacturing new model application	9,736,363.62			540,909.10		9,195,454.52	Related to assets
Industrial revitalization and technological transformation	6,600,000.00			1,098,000.00		5,502,000.00	Related to assets
8-12 Kgs Multifunctional Combine Harvester Project	2,625,000.00			0.00		2,625,000.00	Related to assets
Diesel Engine National Four Provincial Renovation (Phase I) Project	4,845,000.00			255,000.00		4,590,000.00	Related to assets
Enhance the ability of independent research and development	10,639,595.74			671,015.34		9,968,580.40	Related to assets
Special funds for urban security housing projects	7,776,000.00		144,000.00			7,632,000.00	Related to assets
Key product testing platform	9,722,630.17			694,473.60		9,028,156.57	Related to assets
Foundry medium and small parts molding line transformation project	2,830,432.41			98,518.46		2,731,913.95	Related to assets
Intelligent workshop and factory industrial internet platform		5,000,000.00				5,000,000.00	Related to income
Development of key core components for new energy-saving and environmentally	118,184.40					118,184.40	Related to income
Research and system development of reliability testing technology for tractor	103,000.00					103,000.00	Related to income

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

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

43. Deferred revenue (Continued)

(1) Item of government grants (Continued)

Unit: Yuan Currency: RMB

Item of government grants	Beginning balance	Increase of subsidy in this period	Accounted in non-operating income	Accounted in loss and profit in current period	Other changes	Ending balance	Related to assets/related to income
Agricultural Machinery Pollution emission Control Technology and System Research	69,544.50					69,544.50	Related to income
Application research of intelligent design platform in the development of high power tractor	50,191.53					50,191.53	Related to income
Research on Key Technologies of Clean Combustion of Agricultural Diesel Engines	75,672.44					75,672.44	Related to income
Research on control of agricultural machinery exhaust aftertreatment system and key technologies of OBD	266,594.74					266,594.74	Related to income
Tractor test environment chamber and supporting comprehensive verification platform	3,000,000.00					3,000,000.00	Related to income
Development and Industrialization of Non road Guo-4 Diesel Engine	2,000,000.00					2,000,000.00	Related to income
Research and System Development of Tractor Inspection Technology	480,319.92					480,319.92	Related to income
The integration and demonstration application of agricultural machinery navigation operation technology based on Beidou	685,914.00			35,914.00		650,000.00	Related to income

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

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

43. Deferred revenue (Continued)

(1) Item of government grants (Continued)

Unit: Yuan Currency: RMB

Item of government grants	Beginning balance	Increase of subsidy in this period	Accounted in non-operating income	Accounted in loss and profit in current period	Other changes	Ending balance	Related to assets/related to income
Research on early warning and remote diagnosis of tractor operation information collection	391,991.62	39,000.00		48,320.71		382,670.91	Related to income
Integrated creation of new tractor products in Hilly and mountainous areas	571,383.64	95,000.00		533,699.18		132,684.46	Related to income
Integrated development of medium-power energy-saving and environmentally protection agricultural diesel engine and its machine	447,423.93			184,128.57		263,295.36	Related to income
Research and development of large-scale precision planting and fertilization robot system	206,600.00	53,400.00		17,866.26		242,133.74	Related to income
Research and development of cloud collaborative intelligent harvesting robot system	587,224.99	205,000.00		538,240.85		253,984.14	Related to income
Development and application demonstration of collaborative product design system based on modular agricultural equipment network (special project)		138,500.00				138,500.00	Related to income

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

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

43. Deferred revenue (Continued)

(1) Item of government grants (Continued)

Unit: Yuan Currency: RMB

Item of government grants	Beginning balance	Increase of subsidy in this period	Accounted in non-operating income	Accounted in loss and profit in current period	Other changes	Ending balance	Related to assets/ related to income
Application demonstration of intelligent control technology for agricultural equipment production process based on digital twin technology (special project)		776,943.00				776,943.00	Related to income
Development and application demonstration of collaborative technology in the supply chain network of agricultural equipment enterprises (special project)		430,749.00				430,749.00	Related to income
Others	132,402.41			0.00		132,402.41	Related to assets
Total	<u>142,638,278.14</u>	<u>6,738,592.00</u>	<u>144,000.00</u>	<u>10,753,934.55</u>		<u>138,478,935.59</u>	

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

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

44. Share capital

Unit: Yuan Currency: RMB

Item	Beginning balance	Issue new stock	Changes in current period (+, -)			Subtotal	Ending balance
			Bonus share	Equity fund transferred into shares	Others		
Total amount of shares	985,850,000.00	137,795,275.00				137,795,275.00	1,123,645,275.00

Explanation of share capital:

On December 14, 2020, the China Securities Regulatory Commission issued the "Approval for the Approval of the Non-public Issuance of Stocks by First Tractor Co., Ltd." (China Securities Regulatory Commission [2020] No. 3379). On January 22, 2021, CITIC Securities received a total of 699,999,997.00 yuan of subscription funds for the special payment account opened by CITIC Securities for the non-public issuance of YTO shares. On January 25, 2021, CITIC Securities will transfer the remaining amount of the aforementioned subscription monies after deducting the sponsor's sponsorship fee and underwriting fee to the issuer's designated account. As of January 25, 2021, YTO shares has received a monetary contribution of RMB697,999,997.00 from a specific investor. The total amount of raised funds deducts RMB1,886,792.45 excluding tax underwriting and sponsorship fees, and other excluding tax issuance costs of RMB3,934,559.88 yuan, the net amount of raised funds was 694,178,644.67 yuan, of which 137,795,275.00 yuan was included in "share capital" and 556,383,369.67 yuan was included in "capital reserve-equity premium".

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

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

45. Capital reserve

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Capital stock premium	1,851,848,375.56	556,383,369.67		2,408,231,745.23
Others capital reserve	247,618,250.77			247,618,250.77
Total	<u>2,099,466,626.33</u>	<u>556,383,369.67</u>		<u>2,655,849,996.00</u>

Note: Please refer to the above description of changes in share capital for details of the description of changes in capital reserve.

46. Other comprehensive income

Unit: Yuan Currency: RMB

Item	Beginning balance	Amount before income tax in the current period	Less: accounted in other comprehensive income in prior period	Less: accounted in retained earnings in current period which was accounted in other comprehensive income in prior period	Less: accounted in financial assets measured at amortized cost in current period which was accounted in other comprehensive income in prior period	Amount incurred in this period				Ending balance
						Less: initial recognition amount of related assets or liabilities transferred from	Less: Income tax expense	Attributable to the parent company after tax	Attributable to the minority shareholders after tax	
Other comprehensive income that will be subsequently reclassified to profit and loss	-36,960,733.16	14,745,201.52					15,290,197.69	-534,936.16		-11,690,355.48
Exchange differences from retranslation of foreign currency financial statements	-36,960,733.16	14,745,201.52					15,290,197.69	-534,936.16		-11,690,355.48
Total other comprehensive income	<u>-36,960,733.16</u>	<u>14,745,201.52</u>					<u>15,290,197.69</u>	<u>-534,936.16</u>		<u>-11,690,355.48</u>

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

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

47. Special reserves

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Safety production expense	3,015,461.22	7,657,705.91	6,569,754.48	4,103,412.65
Total	<u>3,015,461.22</u>	<u>7,657,705.91</u>	<u>6,569,754.48</u>	<u>4,103,412.65</u>

48. Surplus reserve

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Statutory surplus reserve	441,329,741.16			441,329,741.16
Discretionary surplus reserve	771,431.00			771,431.00
Total	<u>442,101,172.16</u>	<u></u>	<u></u>	<u>442,101,172.16</u>

49. General risk reserves

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
General risk reserves	39,642,392.38			39,642,392.38

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

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

50. Retained earnings

Unit: Yuan Currency: RMB

Item	Current year	Proportion of withdrawal or distribution
Beginning balance of retained earnings before adjustment	795,064,178.33	529,451,678.91
Total amount of adjustment on beginning balance of retained earnings		-
Beginning balance of retained earnings after adjustment	795,064,178.33	529,451,678.91
Add: Net profit for the year attributable to shareholders of the parent company	511,381,288.30	280,150,740.30
Less: Appropriation of the statutory surplus reserve		
Appropriation of discretionary surplus reserve		
Appropriation of reserve fund		
Venture expansion fund		
Profit Return Investments		
Employee Benefits Fund		
Provision of general risk reserves		14,538,240.88
Common stock dividends payable	84,273,395.62	
Common dividends converted to equity		
Preferred Dividend		
Other Distributions to Shareholders		
Profit Return Investments		
Other Profit Distribution		
Add: Surplus reserve to compensate for losses		
Carry-over recount changes in net liabilities or net assets of Beneficiary Plan		
Carry-over of Other Comprehensive Income		
Other Internal Carry-over of Owner's Rights and Interests		
Ending balance of this period	<u>1,222,172,071.01</u>	<u>795,064,178.33</u>

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

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

51. Operating revenue and operating costs

Unit: Yuan Currency: RMB

Item	Amount incurred in this period		Amount incurred in last period	
	Income	Cost	Income	Cost
Main business	5,535,756,395.06	4,572,009,949.02	4,036,648,664.67	3,221,192,166.51
Other business	39,345,194.69	18,924,063.11	37,841,436.84	36,485,957.19
Total	5,575,101,589.75	4,590,934,012.13	4,074,490,101.51	3,257,678,123.70

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

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

52. Net interest income

Unit: Yuan Currency: RMB

Item	Cumulative amount in this period	Cumulative amount in last period
Interest income	53,288,535.72	40,024,451.98
Including: From deposits in other banks	17,037,455.02	11,598,955.64
From deposits in central bank	1,957,339.49	1,572,690.33
Lending funds	93,333.33	
Loans and advances granted	21,890,643.40	21,963,279.86
Including: Individual loans and advances	5,156,636.67	3,053,784.26
Corporate loans and advances	16,283,523.49	18,866,059.27
Notes discounting	450,483.24	43,436.33
Buying back the sale of financial assets	12,309,764.48	4,889,526.15
Interest expense	10,979,674.37	10,929,064.06
Including: From deposits in other banks		
From deposits in central bank		
Deposits from banks and other financial institutes	50,000.00	45,000.00
Deposits adsorption	10,880,037.15	10,884,064.06
Sale of repurchase financial assets		
Others	49,637.22	
Net interest income	42,308,861.35	29,095,387.92

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

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

53. Fees and net commission income

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Fees and commission income	3,407,212.77	2,210,955.51
Clearing and settlement fees	10,752.56	16,801.16
Agent fees	206,877.36	316,858.44
Credit commitment fees and commissions	71,222.40	315,780.30
Others	3,118,360.45	1,561,515.61
Fees and commission expense	301,437.15	228,456.80
Service fee expense	301,437.15	228,456.80
Commission expense		–
Fees and net commission income	3,105,775.62	1,982,498.71

54. Taxes and surcharges

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Urban maintenance and construction tax	2,685,194.71	1,930,069.02
Education surcharge	1,917,996.21	1,378,620.76
Property tax	11,123,230.04	10,722,055.65
Land use tax	4,060,772.11	4,012,649.47
Vehicle and vessel usage tax	13,545.66	21,763.83
Stamp duty	4,410,185.74	3,231,960.98
Others	201,691.17	178,312.69
Total	24,412,615.64	21,475,432.40

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

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

55. Selling expenses

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Employee compensation	40,429,002.04	32,999,539.62
Three guarantees and sales service charges	15,860,752.65	27,150,692.97
Travel expenses	6,350,196.95	5,057,172.33
Packing expenses	4,552,677.49	3,146,703.60
Advertising fees	2,996,892.08	1,737,302.64
Rent fees	679,414.97	803,663.00
Transportation expenses		87,390,344.65
Others	7,015,398.56	2,731,714.43
Total	77,884,334.74	161,017,133.24

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

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

56. Administrative expenses

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Employee compensation	75,198,104.01	60,522,874.05
Depreciation expenses	27,421,179.41	29,319,981.69
Repair expense	15,322,621.77	12,047,442.29
Amortization of intangible assets	13,653,488.96	12,718,872.60
Rent fees	8,079,279.66	7,194,483.38
Labor fee	3,903,009.55	2,947,828.29
Party building work funding	2,442,635.52	1,980,999.68
Business entertainment expense	1,245,695.96	680,187.35
Travel expenses	906,181.29	658,737.95
Utility bill	1,081,999.13	937,829.59
Office fee	957,459.00	1,175,503.67
Overseas personnel expenses	261,163.48	283,020.97
Others	8,666,524.78	8,678,542.35
Total	159,139,342.52	139,146,303.86

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

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

57. Research & development expenses

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Employee compensation	86,800,557.02	70,039,951.62
Material cost	62,560,222.88	41,941,740.83
Depreciation expenses	22,754,237.81	21,364,863.55
Design fee	4,717,809.93	5,692,489.60
Others	10,882,512.14	16,214,277.50
Total	187,715,339.78	155,253,323.10

58. Finance expenses

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Interest expense	14,429,371.78	46,590,431.12
Less: Interest income	1,519,298.92	11,295,005.51
Exchange gain or loss	10,057,622.29	-9,355,503.15
Other expense	190,293.38	-5,471,013.09
Total	23,157,988.53	20,468,909.37

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

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

59. Other income

(1) Details of other income

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Government grants	17,120,604.55	16,643,436.56
Tax refund	142,816.86	
Total	17,263,421.41	16,643,436.56

(2) Government grants included in other income

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period	Related to assets/related to income
Luoyang City Enterprise R&D Expenses			
Financial Subsidy	5,453,270.00	2,800,000.00	Related to income
High-power non-road diesel engine	2,450,000.00	2,450,000.00	Related to assets
Improved core capabilities of new wheeled tractors	2,418,181.82	2,418,181.82	Related to assets
Industrial revitalization and technological transformation	1,098,000.00	1,098,000.00	Related to assets
Key product testing and testing platform	694,473.60	694,473.60	Related to assets
Improve independent research and development capabilities	671,015.34	671,015.34	Related to assets

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

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

59. Other income (Continued)

(2) Government grants included in other income (Continued)

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period	Related to assets/related to income
New Model Application Project of Intelligent Manufacturing of New Wheel Tractor	540,909.10	540,909.10	Related to assets
Research and development of cloud collaborative intelligent harvesting robot system	538,240.85		Related to income
Research on Key Technologies of Tractor in Hilly and Mountainous Regions and Development of the Whole Machine	533,699.18	65,353.73	Related to income
C series government project subsidies	358,000.00	358,000.00	Related to assets
Robot and intelligent equipment 260-340 horsepower power shift tractor research and development and industrialization	300,000.00		Related to income
Modern agricultural equipment smart cockpit digital factory	291,666.66	291,666.66	Related to assets
Fund subsidy income of CITIC Insurance project	274,300.00		Related to income
Energy-saving and environmentally friendly diesel engine crankshaft machining production line project	270,000.00	270,000.00	Related to assets
Diesel Engine National Four Provincial Renovation (Phase I) Project	255,000.00		Related to assets

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

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

59. Other income (Continued)

(2) Government grants included in other income (Continued)

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period	Related to assets/related to income
Annual production of 1,000 high-horsepower power-shift heavy-duty wheeled tractors	250,000.00	250,000.00	Related to assets
Integrated development of medium-power energy-saving and environmentally friendly agricultural diesel engine and matching of the whole machine	184,128.57	535,884.20	Related to income
Subsidy for 100-120 horsepower wheel-track conversion tractor development project	150,000.00		Related to income
Reconstruction project of moulding line for small and medium parts in foundry	98,518.46		Related to assets
Research on Fault Early Warning and Remote Diagnosis Technology of Tractor Operation Information Collection	48,320.71	20,538.13	Related to income
The integration and demonstration application of agricultural machinery navigation operation technology based on Beidou	35,914.00	104,009.49	Related to income
Subsidy funds for the elimination of national three diesel trucks	30,000.00		Related to assets
Research and development of large-scale precision planting and fertilization robot system	17,866.26		Related to income

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

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

59. Other income (Continued)

(2) Government grants included in other income (Continued)

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period	Related to assets/related to income
Development of key core components of a new type of energy-saving and environmentally friendly agricultural diesel engine		358,344.55	Related to income
Research on Reliability Testing Technology and System Development of Tractor Key Components		611,459.63	Related to income
Special funds for major science and technology projects in Henan Province		780,000.00	Related to income
Job stabilization subsidy		1,015,160.49	Related to income
Demonstration of agricultural machinery post-processing system engineering that meets the national four-stage standard		353,968.14	Related to income
Central Foreign Economic and Trade Development Special Fund		343,400.00	Related to income
2018 National Import Interest Subsidy Fund		248,569.00	Related to income
other	159,100.00	364,502.68	Related to income
Total	17,120,604.55	16,643,436.56	

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

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

60. Government subsidies

(1) Classification of government subsidies

Unit: Yuan Currency: RMB

Projects of government subsidies	Amount in this period	Item	Extraordinary gains and losses recognized in this period
Government subsidies is related to assets	30,000.00	Other income	30,000.00
Government subsidies is related to income	6,336,670.00	Other income	6,336,670.00
Government subsidies is related to income	6,738,592.00	Deferred income	
	<u><u>6,738,592.00</u></u>		<u><u> </u></u>

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

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

61. Investment income

Unit: Yuan Currency: RMB

Item	Amount incurred in this period	Amount incurred in last period
Investment income from long-term equity investments by equity method	2,703,971.43	345,334.11
Investment income from disposal of long-term equity investments	552,226,121.43	329,054,307.96
Investment income from holding of trading financial assets		17,670,001.46
Investment income from disposal of trading financial assets	-96,271.20	636,994.73
Investment income generated by the maturity of a tradable financial asset	5,707,390.40	
Total	560,541,212.06	347,706,638.26

Explanation of investment income:

The investment income of the current period increased compared with the previous period, mainly because the bankruptcy liquidation of the French company was not controlled by the company and was not included in the scope of consolidation at the end of the period.

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

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

62. Income from changes in fair value

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Trading financial assets	13,535,606.94	20,821,149.11
Total	13,535,606.94	20,821,149.11

63. Loss on impairment on credit

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Loss of impairment of receivables	-52,714,422.26	-127,785,587.72
Lending funds	-10,090,000.00	-30,000,000.00
Loss of impairment of loan asset	4,779,510.91	507,111.27
Loss of impairment of entrusted Loan		-171,000,000.00
Total	-58,024,911.35	-328,278,476.45

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

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

64. Loss on impairment of assets

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Impairment loss on long-term equity investment	-559,025,468.97	-46,500,046.00
Impairment loss on inventories	-8,289,521.16	-28,515,206.99
Impairment loss on fixed assets	-1,388,112.06	
others	-41,156.06	561.12
Total	-568,744,258.25	-75,014,691.87

65. Assets disposal income

Unit: Yuan Currency: RMB

Item	Amount incurred in this period	Amount incurred in last period
Profit or loss of the disposal of fixed assets	3,389,682.05	920,722.93
Total	3,389,682.05	920,722.93

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

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

66. Non-operating income

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period	Extraordinary gains and losses recognized in this period
Government grants	144,000.00	144,000.00	144,000.00
Unpayable payables	5,169,446.81	840,003.85	5,169,446.81
Others	1,063,768.11	593,195.89	1,063,768.11
Total	6,377,214.92	1,577,199.74	6,377,214.92

Government subsidies included in current profit and loss

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period	Related to assets/ related to income
Special funds for urban affordable housing projects	144,000.00	144,000.00	Related to assets
Total	144,000.00	144,000.00	

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

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

67. Non-operating expenses

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period	Extraordinary gains and losses recognized in this period
Lost of Non-current assets scrapped	439,170.90		439,170.90
Others	3,802.99	654,060.87	3,802.99
Total	442,973.89	654,060.87	442,973.89

Explanation of non-operating expenses: N/A

68. Income tax expenses

(1) Chart of income tax expenses

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Current income tax expenses	59,859,397.11	21,688,533.07
Deferred income tax expense	-42,552,707.12	-9,086,819.77
Total	17,306,689.99	12,601,713.30

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

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

68. Income tax expenses (Continued)

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

Unit: Yuan Currency: RMB

Item	Amount in this period
Total profit	531,167,058.96
Income Tax Expenses at Statutory/Applicable Tax Rates	132,791,764.74
The Impact of Different Tax Rates on Subsidiaries	-53,430,478.02
The impact of income tax on the period before adjustment	-274,614.53
The impact of non-taxable income	-84,059,348.90
Non-deductible Cost, Cost and Loss Impact	866,417.05
The impact of deductible loss on deferred income tax assets not recognized in the prior period of use	-47,896,723.99
The impact of deductible temporary differences or deductible losses on deferred income tax assets not recognized in the current period	101,823,309.08
Extra deductions for R& D expenses	-32,503,445.45
Others	-10,189.99
Income tax expenses	17,306,689.99

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

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

69. Notes to items of cash flow statement

(1) Cash receipts from other operating activities

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Cash receipts from interest income of bank deposits	1,620,054.07	2,625,447.49
Cash receipts of government subsidy	13,105,262.00	11,736,332.17
Receive cash related to other transactions	69,829,345.85	35,520,055.64
Total	84,554,661.92	49,881,835.30

(2) Cash payments to other operating activities.

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Payment of selling, administrative and R&D expenses	63,037,383.97	120,734,138.07
Pay cash related to other transactions	17,212,673.31	13,778,221.51
Total	80,250,057.28	134,512,359.58

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

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

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

(3) Payment of other cash related to investment activities

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Net cash received from disposal of subsidiaries and other business units is negative		235,907.24
Total		235,907.24

(4) Receive other cash related to financing activities

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Dividend refund		11,919.11
Total		11,919.11

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

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

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

(5) Other cash payments relating to financing activities

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Right-to-use assets	7,835,368.87	6,208,018.26
Total	7,835,368.87	6,208,018.26

70. Supplementary information for consolidated cash flow statement

(1) Supplementary information for consolidated cash flow statement

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
1. Reconciliation of net profit to cash flows from operating activities		
Net profit	513,860,368.97	321,648,966.58
Add: Provision for asset impairment	568,744,258.25	75,014,691.87
Loss on impairment on credit	58,024,911.35	328,278,476.45
Depreciation of fixed asset	145,486,629.48	145,529,887.51
Amortization of right-to-use assets	9,489,020.05	9,546,923.36
Amortization of intangible assets	15,381,037.66	15,194,287.96
Amortization of long-term deferred expenses	9,156,348.97	8,553,450.31

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

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

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

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

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain listed as "-")	-3,389,682.05	-920,722.93
Loss on disposal of fixed assets (Gain listed as "-")		
Gain or loss from changes in fair value (Gain listed as "-")	-13,535,606.94	-20,821,149.11
Financial expenses (Gain listed as "-")	10,051,302.80	38,058,681.79
Loss on investments (Gain listed as "-")	-560,541,212.06	-347,706,638.26
Decrease in deferred tax assets (Increase listed as "-")	-43,584,414.96	-10,895,328.02
Increase in deferred tax liabilities (Decrease listed as "-")	1,029,596.62	1,808,508.25
Decrease in inventories (Increase listed as "-")	448,495,128.79	100,877,565.71
Decrease in operating receivables (Increase listed as "-")	156,566,228.10	-749,094,301.48
Increase in operating payables (Decrease listed as "-")	-673,257,233.75	522,174,165.71
Others	32,264,003.65	15,394,419.76
Net cash flow generated from operating activities	674,240,684.93	452,641,885.46



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

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

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

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

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
2. Significant non-cash investing and financing activities		
Conversion of debts into capital		
Convertible bonds repayable within 1 year		
Fixed assets acquired under finance lease arrangement		
3. Net changes in cash and cash equivalents		
Ending balance of cash	1,785,410,870.88	793878520.11
Less: Beginning balance of cash	1,416,825,910.58	1,120,120,449.63
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	368,584,960.30	-326241929.52

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

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

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

(2) Cash and cash equivalents

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
1. Cash	1,785,410,870.88	1,416,825,910.58
Including: Cash on hand	401,812.12	382,376.31
Bank deposits ready for payment	1,784,312,988.57	1,404,284,221.65
Other monetary funds ready for payment	696,070.19	12,159,312.62
Deposit in the Central Bank ready for payment		
Interbank deposits		
Loans to other banks		
2. Cash equivalents		
Including: Bond investments due within 3 months		
3. Ending balance of cash and cash equivalents	1,785,410,870.88	1,416,825,910.58
Including: Cash and cash equivalents with restricted use of the parent company or the subsidiaries of the Group		

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

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

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

Unit: Yuan Currency: RMB

Item	Ending balance of book value	Reason
Monetary funds	253,535,561.30	Cash deposits and statutory reserve deposited in the Central Bank
Receivables financing	7,300,000.00	Bills Pledge
Fixed assets	41,327,231.46	Loan mortgage
Intangible assets	15,549,477.44	Loan mortgage
Total	317,712,270.20	

72. Net current assets

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Current assets	7,614,972,177.89	7,442,992,787.99
Less: current liabilities	5,815,735,520.63	6,874,682,789.41
Net current assets	1,799,236,657.26	568,309,998.58

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

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

73. Total assets deduct current liabilities

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Total assets	12,387,174,665.07	12,342,608,882.99
Less: current liabilities	5,815,735,520.63	6,874,682,789.41
Total assets deduct current liabilities	6,571,439,144.44	5,467,926,093.58

74. Loan

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Short-term bank loan	280,000,000.00	833,433,929.60
Long-term loans due in one year	100,000.00	
Long-term loan	99,600,000.00	99,800,000.00
Total	379,700,000.00	933,233,929.60

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

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

74. Loan (Continued)

(1) Analysis of loan

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Bank loan		
Paid within one year	280,100,000.00	833,433,929.60
Paid after one year	99,600,000.00	99,800,000.00
Total	379,700,000.00	933,233,929.60

(2) Maturity date analysis of loan

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Bank loan		
Within 1 year	280,100,000.00	833,433,929.60
1-2 years	99,600,000.00	99,800,000.00
Total	379,700,000.00	933,233,929.60

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

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

75. Foreign currency monetary items

(1) Foreign currency monetary items

Unit: Yuan Currency: RMB

Item	Ending balance of foreign currency	Exchange rate	Ending balance converted into RMB
Monetary funds			184,281,045.33
USD	19,627,321.13	6.4601	126,794,457.23
EUR	210,542.84	7.6862	1,618,274.38
HKD	46,239,770.19	0.8321	38,476,112.78
AUD	467.33	4.8528	2,267.86
XOF	1,458,973,885.00	0.0118	17,215,891.84
ZAR	229,493.64	0.4501	103,295.09
BYR	28,186.84	2.5099	70,746.15
Accounts receivable			124,035,306.81
USD	15,940,208.15	6.4601	102,975,338.67
EUR	57,915.60	7.6862	445,150.88
AUD	1,065,719.41	4.8528	5,171,723.15
XOF	362,474,074.00	0.0118	4,277,194.07
ZAR	24,807,598.41	0.4501	11,165,900.04
Other receivables			500,737.71
XOF	39,749,807.50	0.0118	469,047.73
ZAR	26,860.62	0.4501	12,089.97
BYR	7,809.08	2.5099	19,600.01

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

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

75. Foreign currency monetary items (Continued)

(1) Foreign currency monetary items (Continued)

Unit: Yuan Currency: RMB

Item	Ending balance of foreign currency	Exchange rate	Ending balance converted into RMB
Non-current assets maturing within one year			325,308,576.80
USD	43,095,029.49	6.4601	278,398,200.01
EUR	6,103,194.92	7.6862	46,910,376.79
Long-term receivables			126,345,234.06
USD	4,624,212.28	6.4601	29,872,873.75
EUR	12,551,372.63	7.6862	96,472,360.31
Accounts payable			32,731,533.48
USD	4,099,407.89	6.4601	26,482,584.91
EUR	706,460.12	7.6862	5,429,993.77
AUD	11,794.96	4.8528	57,238.58
XOF	55,392,151.00	0.0118	653,627.38
ZAR	150,000.00	0.4501	67,515.00
BYR	16,165.52	2.5099	40,573.84
Other payables			247,955.54
XOF	20,776,500.00	0.0118	245,162.70
BYR	1,112.73	2.5099	2,792.84

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

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

75. Foreign currency monetary items (Continued)

(1) Foreign currency monetary items (Continued)

Unit: Yuan Currency: RMB

Item	Ending balance of foreign currency	Exchange rate	Ending balance converted into RMB
Employee benefits payable			48,636.67
BYR	19,377.93	2.5099	48,636.67
Long-term payables			8,851,417.84
XOF	750,120,156.00	0.0118	8,851,417.84

(2) Overseas business entities

Company name	Overseas main business place	Recording currency	The basis for recording currency selection
Brilliance China Machinery Holdings Co., Ltd	Hong Kong	USD	Business environment and the main settlement currency
YTO Agro-Industrial	Côte d'Ivoire	XOF	Business environment and the main settlement currency
CAD FUND MACHINERY (SA) (PTY) LTD.	South Africa	ZAR	Business environment and the main settlement currency
YTO Belarus Technology Co. Ltd.	Belarus	BYR	Business environment and the main settlement currency



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

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

76. Reserved funds

According to the applicable law of China, where the Group is registered and established, the allowable reserve of the Group on June 30, 2021 is RMB1,222,172,071.01, and the capital reserve-equity premium is RMB2,408,231,745.23.



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

VII. CHANGES IN THE SCOPE OF CONSOLIDATION

1. Business consolidation not under common control

No business consolidation not under common control in this period.

2. Business consolidation under common control

No business consolidation under common control in this period.

3. Disposal of subsidiary companies:

N/A

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

YTO (France) Agricultural Equipment Co., Ltd., a subsidiary of the company, has filed for bankruptcy with the People's Court due to continuous losses, insolvency, and difficulty in repaying its due debts. Not included in the scope of consolidation.



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

VIII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Composition of the Group

Unit: Yuan Currency: RMB

Name of the subsidiary	Main operating place	Registration place	Business nature	Shareholding percentage (%)		Acquisition method
				Direct	Indirect	
China-Africa Heavy Industry Investment Co., Ltd	China	China	Sale of agricultural machinery	55.00		Establishment
Chang Tuo Agricultural Machinery Equipment Group Co., Ltd	China	China	Tractor manufacturing	33.33		Subsidiaries acquired through business combination not under common control
Luoyang Tractor Research Institute co., Ltd	China	China	Others	51.00		Business combination under common control
YTO International Economic and Trade Co., Ltd	China	China	Sale of agricultural machinery	100.00		Business combination under common control
YTO (Luoyang) Flag Auto-Body Company Limited	China	China	Tractor manufacturing	100.00		Business combination under common control
YTO (Luoyang) Fuel Injection Co., Ltd	China	China	Power machinery manufacturing	66.60	22.83	Business combination under common control
Brilliance China Machinery Holdings Co., Ltd	China	Bermuda	Investment shareholding	90.10		Establishment

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

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) Composition of the Group (Continued)

Unit: Yuan Currency: RMB

Name of the subsidiary	Main operating place	Registration place	Business nature	Shareholding percentage(%)		Acquisition method
				Direct	Indirect	
Luoyang Changxing Agricultural Machinery Co., Ltd	China	China	Sale of agricultural machinery	70.00	30.00	Establishment
China YTO Group Finance Co., Ltd	China	China	Finance service	94.60	4.80	Establishment
YTO (Luoyang) Diesel Engine Co., Ltd	China	China	Power machinery manufacturing	67.94	19.45	Business combination under common control
YTO Shunxing (Luoyang) Spare Parts Co., Ltd	China	China	Tractor manufacturing	100.00		Subsidiaries acquired through business combination not under common control
YTO (Luoyang) Casting and Forging Co., Ltd.	China	China	Tractor manufacturing	100.00		Business combination under common control
YTO Belarus Technology Co. Ltd	Belarus	Belarus	Research and development	100.00		Business combination under common control

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

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) Composition of the Group (Continued)

Note: According to the decision of the first meeting of the sixth board of directors in 2012, the Company raised capital with RMB94.25 million. 00 based on the valuation of net assets of Changtuo Agricultural Machinery Equipment Group Co., Ltd (referred to as "Changtuo Company") on March 31, 2012. the Company holds 33.33% equity of Changtuo Company after raising capital. In accordance with the agreement between the Company and China National Machinery Industry Corporation (referred to as "SinoMach"), SinoMach authorized its voting right and supervision and management right corresponding to 33.33% equity of Changtuo Company to the Company to independently exercise these rights. The authorization will end when SinoMach transfers the equity to unrelated third parties. During the authorization period, SinoMach cannot unilaterally withdraw its authorization. SinoMach has to obtain the written consent from the Company if SinoMach needs to transfer its equity to a third party. However, the Company has the priority purchase right. At this point, the Company obtained 66.66% voting right and actual control right of Changtuo Company.

(2) Significant partially-owned subsidiaries

Unit: Yuan Currency: RMB

Name of the subsidiary	Shareholding percentage of minority shareholders (%)	Profit or loss attributable to minority shareholders	Dividends declared to minority shareholders in this period	Ending balance of minority interests
YTO Group Finance Co., Ltd	1.21	247,214.90		10,966,856.23
Luoyang Tractor Research Institute Co., Ltd	49	-3,721,727.55	5,458,600.00	314,677,853.89
YTO (Luoyang) Diesel Engine Co., Ltd	14.53	11,184,902.10		259,510,147.59

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

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

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

The main financial information of these subsidiaries is the amount before each company offset each other, but the adjustment of fair value and unified accounting policy is made after the merger day:

Unit: Yuan Currency: RMB

Item	Ending balance						Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
YTO Group Finance Co., Ltd	2,799,760,155.95	2,179,745,719.47	4,979,505,875.42	4,121,669,566.63	163,900.69	4,121,837,497.52	3,004,066,017.96	2,197,569,952.42	5,221,635,970.40	4,384,207,157.29	186,354.78	4,384,413,512.07
Luoyang Tractor Research Institute Co., Ltd	280,974,051.68	438,168,984.94	719,143,036.62	40,851,776.50	36,891,558.08	76,943,335.01	282,608,497.74	457,569,607.66	740,178,305.40	41,640,194.22	37,661,047.02	79,241,241.24
YTO (Luoyang) Diesel Engine Co., Ltd	1,897,380,767.92	668,906,995.53	2,566,287,763.45	886,188,233.59	137,159,213.60	1,023,347,447.19	1,893,161,382.42	680,839,234.65	2,574,000,677.07	954,716,238.34	141,341,197.66	1,096,057,426.00

Unit: Yuan Currency: RMB

Item	Amount in this period				Amount in last period			
	Operating income	Net profit	Total comprehensive income	Cash Flow of Operational Activities	Operating income	Net profit	Total comprehensive income	Cash Flow of Operational Activities
YTO Group Finance Co., Ltd	78,083,289.43	20,425,919.57	20,425,919.57	455,425,457.36	67,774,123.55	-1,323,008.57	-1,323,008.57	-330,050,949.47
Luoyang Tractor Research Institute Co., Ltd	72,472,996.10	-7,595,362.35	-7,595,362.35	55,888,190.59	69,145,189.37	-8,785,233.21	-8,785,233.21	-7,897,799.64
YTO (Luoyang) Diesel Engine Co., Ltd	1,215,554,580.37	64,701,418.20	64,701,418.20	-50,025,950.32	930,961,242.28	63,354,399.29	63,354,399.29	-15,076,557.28



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

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Situation of which the portion of shareholders' equity in a subsidiary changed but still in control of the subsidiary

The Group does not have this transaction in this period.

3. Interests in joint ventures or associates

(1) Significant joint ventures or associates

Unit: Yuan Currency: RMB

Name of joint ventures or associates	Main operating place	Registration place	Business nature	Shareholding percentage (%)		Accounting method of investments in joint ventures or associates
				Direct	Indirect	
ZF YTO (Luoyang) Drive Axle Co., Ltd	China	China	Tractor manufacturing	49.00		Equity method
YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	China	China	Tractor manufacturing	20.00		Equity method

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

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Interests in joint ventures or associates (Continued)

(2) Main financial information of important joint ventures

Unit: Yuan Currency: RMB

Item	Ending balance/Amount incurred in this period		Beginning balance/Amount incurred in last period	
	YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	ZF YTO (Luoyang) Drive Axle Co., Ltd	YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	ZF YTO (Luoyang) Drive Axle Co., Ltd
Current assets	3,199,485.16	155,970,726.46	3,286,986.11	147,127,860.67
Non-current assets	12,230.56	167,824,428.83	65,888.63	178,096,555.63
Total assets	3,211,715.72	323,795,155.29	3,352,874.74	325,224,416.30
Current liabilities	188,739.21	64,755,378.89	168,848.81	64,365,242.71
Non-current liabilities		6,402,699.75	94,831.00	12,810,588.61
Total liabilities	188,739.21	71,158,078.64	263,679.81	77,175,831.32
Minority interests				
Equity attributable to the parent company shareholders	3,022,976.51	252,637,076.65	3,089,194.93	248,048,584.98
Share of net assets calculated by shareholding ratio	604,595.30	123,792,167.56	617,842.97	121,543,806.64
Adjusted matters		-133,653.59		-102,710.06
– Goodwill				
– Unrealized profits from internal transactions		-133,653.59		-102,710.06
– Others				

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

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Interests in joint ventures or associates (Continued)

(2) Main financial information of important joint ventures (Continued)

Unit: Yuan Currency: RMB

Item	Ending balance/Amount incurred in this period		Beginning balance/Amount incurred in last period	
	YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	ZF YTO (Luoyang) Drive Axle Co., Ltd	YTO Chuanlong Sichuan Agricultural Equipment Co., Ltd	ZF YTO (Luoyang) Drive Axle Co., Ltd
Book value of equity investments in joint ventures	604,595.30	123,658,513.97	617,842.97	121,441,096.58
Fair value of equity investments in joint ventures with public offer				
Operating income		125,813,562.38		93,890,861.16
Finance expenses	792.82	-725,149.88	-59.07	-330,798.07
Income tax expenses		-		515,673.55
Net profit	-161,049.42	4,415,396.13	-172,442.84	1,547,020.65
Net profits of discontinuing operation				
Other comprehensive income				
Total comprehensive income	-161,049.42	4,415,396.13	-172,442.84	1,547,020.65
Dividends from associates for current period				

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

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Interests in joint ventures or associates (Continued)

(3) Summary financial information of insignificant associates

Unit: Yuan Currency: RMB

Item	Ending balance/ Amount incurred in this period	Beginning balance/ Amount incurred in last period
Associates total book value of investments	2,036,860.67	273,680.12
Total amount of the following items calculated by shareholding ratio	-	-
Net profit	-37,370.97	-51,993.72
Other comprehensive income		
Total comprehensive income	-37,370.97	-51,993.72



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

IX. RISK RELATED TO FINANCIAL INSTRUMENTS

The Group faces risks of various financial instruments in its daily activities, including credit risk, liquidity risk, market risk (including exchange rate risk, interest rate risk and commodity price risk). The Group's main financial instruments include currency funds, equity investments, creditor's rights investments, loans, accounts receivable, accounts payable, etc. The risks associated with these financial instruments and the risk management policies adopted by the Group to reduce these risks are described below:

The Board of Directors is responsible for planning and establishing the risk management framework of the Group, formulating the Group's risk management policies and related guidelines, and supervising the implementation of risk management measures. The Group has formulated risk management policies to identify and analyze the risks faced by the Group. These risk management policies specify specific risks, covering market risk, credit risk and liquidity risk management, etc. The Group regularly assesses changes in the market environment and the Group's business activities to determine whether to update risk management policies and systems.

The Group disperses the risk of financial instruments through appropriate diversification of investment and business portfolio, and reduces the risk of focusing on a single industry, a specific region or a specific counterparty by formulating corresponding risk management policies.



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

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Credit risk

Credit risk refers to the risk of financial loss caused by the failure of the counterparty to perform its contractual obligations. The Group has adopted a policy of cooperating only with creditworthy counterparties and obtaining sufficient collateral when necessary to mitigate the risk of financial losses arising from the failure of counterparties to fulfill their contractual obligation. The Group deals only with subjects rated as equal to or above the investment level. Rating information is provided by independent rating agencies. If such information is not available, the Group will use other publicly available financial information and its own transaction records to rate major customers. The Group continuously monitors the exposure to risks and the credit ratings of many counterparties and continuously monitors these exposure to credit risks.

On June 30, 2021, the biggest credit risk exposure that may cause financial losses to the Group was mainly due to the failure of the client or counterparty to perform on the due date. Specifically, it includes accounts receivable, other receivables and notes receivable, as well as the lending business of China YTO Group Finance Co., Ltd., a subsidiary of the Group.

The policy of the Group is to make all customers with credit term transactions to go through credit audit procedures. the Group evaluate the credit qualification of customers and set up corresponding credit period which are based on the financial status of customers, the possibility of obtaining guarantees from third parties, credit records and other factor refer to current market conditions. the Group will conduct regular monitoring of customer credit records. As for bad credit customers, the Group will use the written reminders, shorten the credit period or cancel the credit period to ensure that the Group's overall credit risk in the controllable range. In addition, the Group will continue to monitor balances of accounts receivable. The board of directors believes that the uncollected accounts receivable in the financial statement has an adequate allowance. Considering with such procedures, the board of directors believes that the credit risk has been significantly reduced.



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

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Credit risk (Continued)

Monetary funds held by the Group are mainly deposited in state-owned holding banks and other large and medium-sized commercial banks and other financial institutions. The management believes that these commercial banks have a high reputation and asset status, there is no significant credit risk, and will not cause any significant losses due to the default of the other party's units.

The debtor of accounts receivable is a large number of customers distributed in different industries and regions. The Group continues to conduct credit assessments of the financial position of debtors of accounts receivable and to purchase credit guarantee insurance when appropriate. Because the counterparts of currency funds and derivatives are reputable banks with high credit ratings, these instruments have low credit risk.

At June 30, 2021, the accounts receivable of the top five customers accounted for 18.36% (June 30, 2020: 17.3%) of the Group's total accounts receivable, so the group has no significant risk of credit concentration.

The Group's credit risk exposure includes on balance sheet items and off balance sheet items involving credit risk. On the balance sheet date, the book value of the group's financial assets has represented its maximum credit risk exposure.

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

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

2. Liquidity risk

Liquidity risk refers to the risk of capital shortage when the Group fulfills its obligation to pay cash or other financial assets for settlement. Each member of the Group is responsible for its cash flow forecast. The financial company under the Group monitors the long-term and short-term capital demand at the Group level based on the cash flow forecast results of each member company. Through the fund pool plan set up by large banking financial institutions, the Group coordinates and dispatches surplus funds within the group, and ensures that member enterprises have sufficient cash reserves to fulfill payment obligations due for settlement. In addition, the Group has entered into a credit agreement with major business banks to support the Group in fulfilling its obligations related to commercial paper.

Cash Flow Payable as shown in the Contract Remaining Period at the Balance Sheet Date of the Group's Financial Liabilities:

Unit: Yuan Currency: RMB

Item	June 30, 2021				
	Net book vale	Within 1 year	1-2 years	2-5 years	Over 5 years
Non-derivative financial liabilities					
Notes payable	1,115,523,183.12	1,115,523,183.12			
Accounts payable	2,068,732,558.45	2,068,732,558.45			
Other payables	314,739,540.55	314,739,540.55			
Other current liabilities	449,476,461.26	449,476,461.26			
Short-term borrowings	280,157,645.84	280,157,645.84			
Long-term loans	99,600,000.00		99,600,000.00		
Non-current liabilities due within one year	17,062,921.17	17,062,921.17			
Absorbing deposits and Interbank Deposit	1,243,526,889.55	1,243,526,889.55			
Subtotal of non-derivative financial liabilities	5,588,819,199.94	5,489,219,199.94	99,600,000.00		
Financial liabilities	5,588,819,199.94	5,489,219,199.94	99,600,000.00		



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

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

2. Liquidity risk (Continued)

Unit: Yuan Currency: RMB

Item	Net book value	December 31, 2020			
		Within 1 year	1-2 years	2-5 years	Over 5 years
Non-derivative financial liabilities					
Notes payable	1,547,322,110.70	1,547,322,110.70			
Accounts payable	1,788,192,802.43	1,788,192,802.43			
Other payables	209,162,369.54	209,162,369.54			
Other current liabilities	255,104,052.55	255,104,052.55			
Short-term borrowings	834,263,379.71	834,263,379.71			
Long-term loans	99,800,000.00		99,800,000.00		
Non-current liabilities due within one year	14,142,498.21	14,142,498.21			
Absorbing deposits and Interbank Deposit	1,412,624,683.26	1,412,624,683.26			
Subtotal of non-derivative financial liabilities	6,160,611,896.40	6,060,811,896.40	99,800,000.00		
Financial liabilities	6,160,611,896.40	6,060,811,896.40	99,800,000.00		

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

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Market risk

(1) Exchange rate risk

The main business of our company is in China, and the main business is settled in RMB. the Group has confirmed that the foreign currency assets and liabilities and future transactions in foreign currency still exists the risk of exchange rate (the currency for foreign currency assets and liabilities and foreign transactions mainly are US dollar, Hong Kong dollar, Euro, Yen, Australian dollar West African francs and Rand). The financial department of the Group is responsible for monitoring the scale of foreign currency transactions and foreign currency assets and liabilities of the Group to minimize the risk of exchange rate so that the Group may achieve the purpose of avoiding the exchange rate risk by signing forward foreign exchange contracts.

By the end of June 30, 2021, the amount of foreign currency financial assets and foreign currency financial liabilities converted into RMB is listed below:

Unit: Yuan Currency: RMB

Item	Ending balance		Beginning balance	
	Original currency	Converted into RMB	Original currency	Converted into RMB
Foreign currency of financial assets				
Monetary funds		184,281,045.33		191,838,452.93
USD	19,627,321.13	126,794,457.23	19,773,993.96	129,023,333.19
EUR	210,542.84	1,618,274.38	1,831,984.81	14,701,678.10
HKD	46,239,770.19	38,476,112.78	42,699,251.02	35,935,689.66
AUD	467.33	2,267.86	20,784.40	104,260.79
XOF	1,458,973,885.00	17,215,891.84	985,042,716.00	12,017,521.14
ZAR	229,493.64	103,295.09	85,817.64	38,257.50
BYR	28,186.84	70,746.15	7,031.30	17,712.55

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

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Market risk (Continued)

(1) Exchange rate risk (Continued)

Unit: Yuan Currency: RMB

Item	Ending balance		Beginning balance	
	Original currency	Converted into RMB	Original currency	Converted into RMB
Accounts receivable		124,035,306.81		125,628,231.70
USD	15,940,208.15	102,975,338.67	15,425,212.35	100,647,968.06
EUR	57,915.60	445,150.88	322,550.95	2,588,471.38
AUD	1,065,719.41	5,171,723.15	789,211.40	3,958,921.15
XOF	362,474,074.00	4,277,194.07	604,397,028.00	7,373,643.74
ZAR	24,807,598.41	11,165,900.04	24,807,598.41	11,059,227.37
Other receivables		500,737.71		5,650,606.56
XOF	39,749,807.50	469,047.73	41,096,807.50	501,381.05
ZAR	26,860.62	12,089.97	26,860.62	11,974.46
BYR	7,809.08	19,600.01	13,397.82	33,750.45
EUR			635,950.23	5,103,500.60
Non-current assets maturing within one year		325,308,576.80		330,647,509.01
USD	43,095,029.49	278,398,200.01	43,168,381.09	281,669,369.79
EUR	6,103,194.92	46,910,376.79	6,103,194.92	48,978,139.22
Long-term receivables		126,345,234.06		130,897,287.98
USD	4,624,212.28	29,872,873.75	4,624,212.28	30,172,522.70
EUR	12,551,372.63	96,472,360.31	12,551,372.62	100,724,765.28

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

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Market risk (Continued)

(1) Exchange rate risk (Continued)

Unit: Yuan Currency: RMB

Item	Ending balance		Beginning balance	
	Original currency	Converted into RMB	Original currency	Converted into RMB
Accounts payable		32,731,533.48		37,110,926.34
USD	4,099,407.89	26,482,584.91	4,129,407.89	26,943,973.54
EUR	706,460.12	5,429,993.77	1,129,426.29	9,063,645.97
AUD	11,794.96	57,238.58	11,794.96	59,167.06
XOF	55,392,151.00	653,627.38	76,807,151.00	937,047.24
ZAR	150,000.00	67,515.00	–	–
BYR	16,165.52	40,573.84	42,512.22	107,092.53
Other payables		247,955.54		719,643.28
USD			71,444.77	466,169.98
XOF	20,776,500.00	245,162.70	20,776,500.00	253,473.30
BYR	1,112.73	2,792.84		
Short-term loans				3,433,929.60
EUR			427,904.00	3,433,929.60
Employee benefits payable		48,636.67		6,476,067.83
EUR			796,253.00	6,389,930.33
BYR	19,377.93	48,636.67	34,193.76	86,137.50

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

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Market risk (Continued)

(1) Exchange rate risk (Continued)

Unit: Yuan Currency: RMB

Item	Ending balance		Beginning balance	
	Original currency	Converted into RMB	Original currency	Converted into RMB
Long-term accounts payable		8,851,417.84		9,151,465.90
XOF	750,120,156.00	8,851,417.84	750,120,156.00	9,151,465.90

Sensitivity analysis:

By the end of June 30, 2021, as for the Group of foreign currency of financial assets and financial liabilities, if the RMB against the US dollar and euro currency appreciation or depreciation of 10% and other factors remain unchanged, the Group will reduce or increase retained profits about RMB71,859,135.72 (January to June, 2020: RMB63,339,473.97).



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

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Market risk (Continued)

(2) *Interest rate risk*

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

the Group's financial department continuously monitors the Group's interest rate level. Rising interest rates will increase the cost of new interest-bearing liabilities and the interest expenditure of interest-bearing liabilities that the Group has not yet paid at floating interest rates, which will have a significant negative impact on the Group's financial performance. The management will make timely adjustments based on the latest market conditions. These adjustments may be made by arranging interest rate swaps to reduce interest rate risk.

On June 30, 2021, the Group's long-term interest-bearing liabilities are mainly floating rate contracts denominated in RMB, amounting to RMB99,600,000.00. (Details in VI Note 37 Long-term Loans)



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

IX. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Market risk (Continued)

(2) Interest rate risk (Continued)

Sensitivity analysis:

By the end of June 30, 2021, if the interest rate calculated at floating interest rate has increased or decreased by 1%, while other factors remain unchanged, the Group's pre-tax profit will decrease or increase by about RMB996,000.00. (Year of 2020: RMB998,000.00).

The above sensitivity analysis assumption of interest rate changes has taken place on the balance sheet date and have been applied to all loans obtained by our company at floating interest rates.

(3) Price risk

Price risk refers to the risk of fluctuation caused by market price changes other than exchange rate risk and interest rate risk. It mainly comes from the changes of commodity price, stock market index, equity instrument price and other risk variables.



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

X. DISCLOSURE OF FAIR VALUE

1. Financial instruments measured at fair value

In June 30, 2021 the Group expose the book value of financial asset instruments measured at fair value at three levels which is based on the lowest level of the three levels of the important input values used in the measurement of fair value. The three levels are defined as following:

First level: Unadjusted quotations of the same assets or liabilities that can be obtained on the day of measurement in the active market.

Second level: An input value directly or indirectly observable except for the first level of input value.

Input values in second level included: 1) Quotations similar to assets or liabilities in active markets. 2) Quotations of the same or similar assets or liabilities in an inactive market. 3) Other observable input values other than quotations, such as: The interest rate and yield curve, implied volatility and credit margin that can be observed during the normal quotation interval. 4) Input value of market verification.

Third level: The unobservable input value of the related assets or liabilities.


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

X. DISCLOSURE OF FAIR VALUE (CONTINUED)

2. Ending fair value

Unit: Yuan Currency: RMB

Item	Ending fair value			Total
	The first level of fair value measurement	The second level of fair value measurement	The third level of fair value measurement	
I. Continuous fair value measurement				
(1) Financial assets held for trading	2,756,418.27		1,734,040,340.00	1,736,796,758.27
1. Sub-total of Financial Assets Measured at Fair Value and its changes are accounted in loss and profit in current period	2,756,418.27		721,528,139.06	724,284,557.33
(1) Investments on debt instrument			721,528,139.06	721,528,139.06
(2) Investments on equity instrument	2,756,418.27			2,756,418.27
(3) Derivative financial assets				
2. Sub-total of designated as financial assets measured at fair value and its changes are accounted in loss and profit in current period			1,012,512,200.94	1,012,512,200.94
(1) Investments on debt instrument				
(2) Investments on equity instrument			1,012,074,100.00	1,012,074,100.00
(3) Other			438,100.94	438,100.94
Total assets continuously measured at fair value	2,756,418.27		1,734,040,340.00	1,736,796,758.27



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

X. DISCLOSURE OF FAIR VALUE (CONTINUED)

3. Determination basis of the market price of the item measured using the first level of fair value measurement continuously and non-continuously

The fair value of financial instruments traded in the active market is accounted for the market price on the financial statement date. The market is regarded active when the offer can be real-time and regularly acquired from the stock exchange, traders, brokers, insiders, pricing services, or regulatory agencies and the offer represents actual and regular market transactions with an even bargain reference. The market price of financial assets held by the Group is the bid price at that time. These financial instruments are in the first level. Instruments in the first level include equity investments of the Hengsheng index, the composite index of Shanghai stock exchange and component index of Shenzhen stock exchange (classified as financial assets incorporated in current profit and loss at fair value).

4. Valuation techniques and qualitative and quantitative information on important parameters adopted for the second level of continuous and non-continuous fair value measurement

Valuation techniques can be used to determine the fair value of financial instruments not traded in the active market (such as over-the-counter (OTC) derivatives). Valuation techniques should use observable market data as much as possible and use specific estimations as less as possible. If all significant inputs are observable data when calculating the fair value of a financial instrument, the financial instrument is in the second level.



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

X. DISCLOSURE OF FAIR VALUE (CONTINUED)

5. Valuation techniques and qualitative and quantitative information on important parameters adopted for the third level of continuous and non-continuous fair value measurement

If one or more of the significant inputs are not based on observable market data, the financial instrument is then listed in the third level.

Specific methods of valuating financial instruments include:

- (1) Market price or industry price of similar financial instruments.
- (2) The fair value of interest rate swap is calculated based on discounted value of estimated future cash flows by observable yield curve.
- (3) Present value discounted from fair value of foreign exchange forward contracts calculated by the exchange rate on the settlement date.
- (4) Other methods such as discounted value of cash flow analysis which is used to calculate the fair value of the rest other financial instruments.

The Company hired Zhonglian Asset Appraisal Group Co., Ltd. to issue the valuation report for the investment in equity instruments held by the Company. The valuation method of equity instruments in valuation report is market method- comparisons of listed companies and market method.

6. Continuous third level fair value measurement items, adjustment information between the beginning and the end of the book value and sensitivity analysis of unobvious parameters

The above continuous fair value measurement project of the Group has not changed between different levels in this year.



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

X. DISCLOSURE OF FAIR VALUE (CONTINUED)

- 7. For the continuous fair value measurement items, if there is a conversion between all levels in the current period, the reason for the conversion and the policy for determining the time point of the conversion**

The above continuous fair value measurement items of the group have not been converted between all levels in this year.

- 8. The changes in the valuation technology and the cause of the change in this period**

The fair value valuation technology of the Group's financial instruments has not changed in this year.

- 9. The fair value of financial assets and financial liabilities that are not measured at fair value**

Financial assets and liabilities that are not measured at fair value are mainly including: accounts receivable, short-term loans, accounts payables, non-current liabilities and long-term loans due within one year and an equity tool that is not quoted in an active market and its fair value is not reliably measured.

There is little difference between the book value and the fair value of the financial assets and liabilities that are not measured at fair value.

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION

1. Information of the parent company of the enterprise

Unit: Yuan Currency: RMB

Name of controlling shareholder	Registration place	Business nature	Registered capital (RMB ten thousand)	Percentage of shareholding in the Company (%)	Percentage of voting right in the Company (%)
YTO Group Corporation	Henan Luoyang	Production and sales of large and small tractors, construction machinery, diesel engines, etc.	302,374.96	48.81	48.81

(1) Explanation of the parent company of the Company:

N/A

(2) The ultimate controlling party of the Company is China National Machinery Industry Corporation Ltd.

China National Machinery Industry Corporation Ltd, with the registered address and the operation location in Beijing, whose business scope includes: domestic and foreign contracting of large equipment and projects, organization of the major technology and equipment research in the industry, development and research production and sales of motor vehicles, cars and auto parts; contracted overseas projects and domestic international bidding; import and export businesses; held economic and trade exhibitions overseas and organization of domestic enterprises to participate or hold exhibitions overseas. The registered capital of the Group is RMB26 billion.

2. Subsidiaries of the Company: refer to the related content in the Note VIII 1. Interests in subsidiaries for the details of the subsidiaries.

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

3. The Company's Joint Ventures and Associated Enterprises

Refer to the related content in the Note VIII 3. Significant joint ventures or associates for the details.

There are transactions incurred between the joint ventures and associates with the Company in this year or balances due to or from the Company realized in prior period carried forward.

Unit: Yuan Currency: RMB

Other associated party names	Relationship to other related parties	Note
Yituo (Luoyang) Hydraulic Transmission Co., Ltd.	the Company's subsidiary and the joint venture of the controlling shareholder of the Company	the Company hold shareholding 10.57%
Luoyang Tractor Research Institute Co., Ltd.	the Company's subsidiary and the joint venture of the controlling shareholder of the Company	the Company hold share holding 49%
YTO (Luoyang) Rico Automobile Co. Ltd.	The joint venture of the controlling shareholder of the Company	
Luoyang intelligent agricultural equipment Research Institute Co., Ltd	The joint venture of the controlling shareholder of the Company	
Luoyang Oriental Printing Co., Ltd	The joint venture of the controlling shareholder of the Company	
China YTO Kawei (Luoyang) Vehicle Co., Ltd	The joint venture of the controlling shareholder of the Company	
YTO (Luoyang) Standard Parts Co., Ltd	The joint venture of the controlling shareholder of the Company	
YTO (Luoyang) New Oriental Automobile Co., Ltd	The joint venture of the controlling shareholder of the Company	

Note: According to the board rules of the Hong Kong stock exchange, the Company holding a share of 10% or more of the holding shareholders of the Company is a joint venture of the controlling shareholder of the Group.



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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

4. Other related parties

Unit: Yuan Currency: RMB

Name of other related parties	Relationship to the Company
YTO (Luoyang) Special Purpose Vehicle Co., Ltd	Under common control
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	Under common control
YTO (Luoyang) Logistics Co., Ltd	Under common control
YTO (Luoyang) material equipment Co., Ltd	Under common control
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	other
YTO (Luoyang) Huide Tooling Co., Ltd	Under common control
YTO (Luoyang) Dongchen Mold Technology Co., Ltd.	other
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd	Under common control
Luoyang Zhongshou Machinery Equipment Co., Ltd.	Under common control
Luoyang Tianhui Energy Engineering Co., Ltd	Under common control
Luoyang Fossett Environmental Protection Technology Co., Ltd	Under common control
Luoyang Duen Advertising Co., Ltd	Under common control
Dongfanghong (Luoyang) Culture Communication Centre	Under common control
Dongfanghong Agricultural Service Technology (Guangxi) Co., Ltd.	Under common control
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	Under common control
YTO (Xinjiang) Dongfanghong Equipment Machinery Co., Ltd.	Under common control

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

4. Other related parties (Continued)

Unit: Yuan Currency: RMB

Name of other related parties	Relationship to the Company
Dongfanghong (Henan) Agricultural Service Technology Co., Ltd.	Under common control
SINOMACH Finance Co., Ltd.	Same ultimate control
SINOMACH Science and Technology Research Institute Co., Ltd.	Same ultimate control
SINOMACH International Equipment Co., Ltd.	Same ultimate control
China National Machinery Heavy Industry (Luoyang) Co., Ltd.	other
SINOMACH Changlin Co., Ltd.	Same ultimate control
Guoji Intelligent Technology Co., Ltd.	Same ultimate control
Beijing Heavy Transport Machinery Design Research Institute Co., Ltd.	Same ultimate control
Beijing Jinlun Kuntian Special Machinery Co., Ltd.	Same ultimate control
Shandong Huayuan Laidong Internal Combustion Engine Co., Ltd.	Same ultimate control
Guangzhou Jisheng Lubrication Technology Co., Ltd.	Same ultimate control
Guangzhou Optimus Material Technology Co., Ltd.	Same ultimate control
Guoji Casting and Forging Machinery Co., Ltd.	Same ultimate control
Machinery Industry Fourth Design & Research Institute Co., Ltd.	Same ultimate control
Machinery Industry Sixth Design and Research Institute Co., Ltd.	Same ultimate control
China Automobile (Tianjin) Automotive Equipment Co., Ltd.	Same ultimate control

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

4. Other related parties (Continued)

Unit: Yuan Currency: RMB

Name of other related parties	Relationship to the Company
Zhonghengtian Automobile Group (Ya'an) Automobile Co., Ltd.	Same ultimate control
China National Machinery Heavy Industry Group Co., Ltd.	Same ultimate control
Zhengzhou Abrasives Grinding Research Institute Co., Ltd.	Same ultimate control
China Automotive Industry Engineering Co., Ltd.	Same ultimate control
Zhonghengtian Off-road Vehicle Co., Ltd.	Same ultimate control
Jiangsu Sumida Electromechanical Technology Co., Ltd.	Same ultimate control
China National Machinery Industry Machinery Engineering Co., Ltd.	Same ultimate control
Beijing Guoji Lianchuang Advertising Co., Ltd.	Same ultimate control
Beijing Tianshun Great Wall Hydraulic Technology Co., Ltd.	Same ultimate control
China National Heavy Machinery Research Institute Co., Ltd.	Same ultimate control
Fuyang Bearing Co., Ltd.	Same ultimate control
China Industry International Logistics Co., Ltd.	Same ultimate control
Sichuan Deyang Erzhong Electromechanical Equipment Supporting Corporation	Same ultimate control
Weikai Testing Technology Co., Ltd.	Same ultimate control
Chinese Academy of Agricultural Mechanization Sciences	Same ultimate control
Lanpec Technologies Limited	Same ultimate control
Shenyang Institute of Instrumentation Science Co., Ltd.	Same ultimate control

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

4. Other related parties (Continued)

Unit: Yuan Currency: RMB

Name of other related parties	Relationship to the Company
Beijing Zhongzhuo Culture Media Co., Ltd.	Same ultimate control
Beijing Zhuozhong Publishing Co., Ltd.	Same ultimate control
China National Machine Tool Corporation	Same ultimate control
China National Electrical Equipment Research Institute Co., Ltd.	Same ultimate control
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	Bankruptcy liquidation is not included in the scope of consolidation

The explanation of other related parties: The ultimate controlling party of the Company is China Machinery Industry Group Co., Ltd., so the subsidiaries controlled by China Machinery Industry Group Co., Ltd. are all related parties of the Company. Only the parties concerned with the Company are disclosed herein.

5. Related party transactions

- (1) The transactions between subsidiaries that have control relations and have been incorporated into the Company's consolidated financial statements and parent company have been offset.

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

5. Related party transactions (Continued)

(2) Significant transactions with SINOMACH and its subsidiaries

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Sales of raw materials and components	10,615,971.92	7,080,351.23
Research and development revenue		4,560,000.00
Purchase plant and equipment	849,557.52	
Purchase of raw materials and components	4,714,814.11	4,465,421.89
Interest income	93,333.33	3,003,962.26
Interest payment	50,012.09	45,047.97
Commission income		53,782.48
	=====	=====

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

5. Related party transactions (Continued)

(3) Significant transactions between the Group and YTO Group and the subsidiaries

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Sales of raw materials and components	109,059,969.01	100,507,838.68
Purchase of raw materials and components	319,520,003.25	207,315,785.71
Payment and payable of power expense	80,770,795.72	82,410,164.36
Payment and payable of comprehensive services and transportation fees	117,306,296.56	88,691,620.67
Payment and payable of land rental expenses	5,726,618.77	1,557,172.12
Payment and payable of buildings and equipment rental expenses	3,295,764.14	4,986,001.20
Pay for R & D expenses	7,691,406.44	9,655,715.53
Rental income of leasing buildings and equipment	2,061,403.25	2,719,380.99
Land lease income	32,855.00	805,468.00
Purchase of plant and equipment	338,862.42	5,682,591.34
Interest income	14,561,674.57	29,716,974.73
Interest payment	9,511,871.08	10,476,353.91
Commission income	288,462.50	307,766.31
Provide technical and testing services	522,243.85	
Payment received of research and development expense	1,181,886.80	28,728,171.04

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

5. Related party transactions (Continued)

(4) *Related party transactions between the Group and the joint ventures and associates (including the joint ventures and associates of SINOMACH and YTO Group Corporation)*

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Sales of raw materials and components	19,721,812.89	14,195,721.53
Rental income	3,327,189.50	6,640,743.35
Purchase raw materials and components	128,248,936.36	115,404,307.24
Payment for clients' deposit interest	2,830,596.20	1,978,465.48
Payment for research and development costs	57,748,755.54	17,520,792.01
Providing technology and testing services	131,775.16	96,435.59
Commission income	3,282.53	1,256.67
	3,282.53	1,256.67

(5) *Borrowing and lending between related parties*

Unit: Yuan Currency: RMB

Item	Amount in this period	Amount in last period
Loans granting	157,857,862.82	255,096,817.66
Notes discounted	34,862,054.80	32,739,963.63
Absorption of deposits	4,808,241,973.83	5,305,728,381.34
Interbank deposits	300,116,666.67	600,116,666.67
Loans from other banks		300,000,000.00
Loans to other banks	200,000,000.00	200,000,000.00
	200,000,000.00	200,000,000.00

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

5. Related party transactions (Continued)

(6) Remuneration of key management personnel (Unit: RMB10 thousand)

Currency: RMB

Item	Amount in this period	Amount in last period
Fees	9.43	10.91
Salaries and other benefits	337.89	192.25
Retirement benefits scheme contribution	13.89	6.16
Total remuneration	361.21	209.32

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

5. Related party transactions (Continued)

(6) Remuneration of key management personnel (Unit: RMB10 thousand) (Continued)

Currency: RMB

Analysis of key management personnel remuneration (Unit: RMB10 thousand):

Personnel and duties	Amount in this period			Total
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	
Executive directors				
Li Xiaoyu				
Liu Jiguo		21.5	1.43	22.93
Non-executive directors				
Zhou Honghai				
Li, Hepeng	0.48			0.48
Xie, Donggang	0.36			0.36
Independent non-executive directors				
Xue Lipin	2.93			2.93
Yang, Minli	2.83			2.83
Wang Yuru	2.83			2.83
Supervisors				
Tian Peng				
Zhang Bin				
Wang Hongbin		124.73	1.43	126.16
Yang Kun		102.29	1.43	103.72

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

5. Related party transactions (Continued)

(6) Remuneration of key management personnel (Unit: RMB10 thousand) (Continued)

Currency: RMB

Personnel and duties	Amount in this period			Total
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	
Key management personnel				
Wang, Kejun <i>(Deputy general manager)</i>		18.08	1.43	19.51
Su, Wensheng <i>(Deputy general manager)</i>		18.55	1.43	19.98
Xue Wenpu <i>(Deputy general manager)</i>		17.79	1.43	19.22
Yu Lina <i>(Deputy general manager & Board Secretary)</i>		18.08	1.43	19.51
Su Ye <i>(CFO)</i>		16.87	3.88	20.75
Other key management personnel				
Cai Jibo <i>(Former Executive Director and Vice Chairman)</i>				
Total	9.43	337.89	13.89	361.21

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

5. Related party transactions (Continued)

(6) Remuneration of key management personnel (Unit: RMB10 thousand) (Continued)

Currency: RMB

Personnel and duties	Amount in last period			Total
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	
Executive directors				
Li Xiaoyu				
Cai Jibo				
Liu Jiguo		16.11	0.77	16.88
Non-executive directors				
Li, Hepeng	0.23			0.23
Xie, Donggang				
Zhou, Honghai				
Independent non-executive directors				
Yu Zengbiao	2.60			2.60
Yang, Minli	2.60			2.60
Wang Yuru	2.60			2.60
Xue Lipin	2.88			2.88
Supervisors				
Wang Hongbin		79.88	0.77	80.65
Yang Kun		24.71	0.77	25.48

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

5. Related party transactions (Continued)

(6) Remuneration of key management personnel (Unit: RMB10 thousand) (Continued)

Currency: RMB

Personnel and duties	Fees	Amount in last period		Total
		Salaries and other benefits	Retirement benefits scheme contributions	
Key management personnel				
Wang, Kejun <i>(Deputy general manager)</i>		14.31	0.77	15.08
Su, Wensheng <i>(Deputy general manager)</i>		14.31	0.77	15.08
Xue Wenpu <i>(Deputy general manager)</i>		14.31	0.77	15.08
Yu Lina <i>(Deputy general manager & Board Secretary)</i>		14.31	0.77	15.08
Zhao Junfen <i>(CFO)</i>		14.31	0.77	15.08
Total	10.91	192.25	6.16	209.32



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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments

(1) Bank deposit

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
(1) Bank deposit between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)		
SINOMACH Finance Co., Ltd.		300,000,000.00
		<u>300,000,000.00</u>
Total		<u><u>300,000,000.00</u></u>

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(2) Notes receivable and receivables financing

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
Notes receivable between the Group and SINOMACH and its subsidiaries(excluding YTO Group and its subsidiaries)	1,026,467.46	405,000.00
China National Machinery Industry Machinery Engineering Co., Ltd.		405,000.00
Jiangsu Sumida Electromechanical Technology Co., Ltd.	1,026,467.46	
Notes receivable between the Group and YTO Group and its subsidiaries	22,839,643.61	61,947,831.05
China YTO Group Co., Ltd	21,639,643.61	54,170,000.00
YTO (Luoyang) Logistics Co., Ltd	1,200,000.00	484,823.05
YTO (Luoyang) Zhongcheng Machinery Co., Ltd		1,000,000.00
Luoyang Zhongshou Machinery Equipment Co., Ltd.		6,293,008.00
Notes Receivable between the Group and Joint Venture or associates	1,020,000.00	500,000.00
ZF YTO (Luoyang) Bridge Co., Ltd.	1,020,000.00	500,000.00
Total	24,886,111.07	62,852,831.05

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(3) Accounts receivable

Unit: Yuan Currency: RMB

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
Accounts receivables between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)	7,454,640.97	2,952,724.40	5,043,513.57	1,730,409.28
Beijing Lifting and Transportation Machinery Design Research Institute Co., Ltd.	110,113.30	1,101.13	29,502.50	590.05
SINOMACH-HI (Luoyang) Building Machinery Co., Ltd	682,159.05	682,159.05	682,159.05	682,159.05
SINOMACH-HI (Luoyang) Co., Ltd	989,595.58	229,377.98	989,595.58	45,010.32
Sinomach Foundry and Metal Forming Co., Ltd.	207,116.80	103,558.40	207,116.80	31,067.52
Zheng zhou Abrasive grinding Research Institute CO., Ltd.	390,882.00	4,721.14	430,300.00	57,174.00

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(3) Accounts receivable (Continued)

Unit: Yuan Currency: RMB

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
Automotive Engineering Corporation	736,500.00	110,475.00	736,500.00	14,730.00
China HI-TECH OFF-ROAD VEHICLE Co., Ltd.	1,795,908.04	1,795,908.04	1,795,908.04	897,954.02
Jiangsu Sumida Electromechanical Technology Co., Ltd.	2,542,366.20	25,423.66	172,431.60	1,724.32
Accounts receivable between the Group and the shareholder	11,388,238.17	696,042.58	1,187,291.00	593,645.50
YTO Group Corporation	11,388,238.17	696,042.58	1,187,291.00	593,645.50
Accounts receivables between the Group and YTO Groups subsidiaries	31,247,047.85	5,939,899.54	55,000,726.86	5,839,560.68
Luoyang Zhongshou Machinery Equipment Co., Ltd.	4,371,316.57	597,178.27	9,787,752.06	97,877.52

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(3) Accounts receivable (Continued)

Unit: Yuan Currency: RMB

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
YTO (Luoyang) Huide Tooling Co., Ltd	1,086,428.64	10,864.29	361,396.37	3,613.96
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	4,475,835.96	4,475,835.96	4,475,835.96	4,475,835.96
YTO (Luoyang) Logistics Co., Ltd	9,120,225.89	96,556.71	5,295,148.11	53,092.52
YTO (Luoyang) material equipment Co., Ltd	7,252,205.04	72,522.05	33,124,498.76	331,244.98
YTO (Luoyang) Zhongcheng Machinery Co., Ltd			795,568.34	8,270.08
YTO (Luoyang) Special Purpose Vehicle Co., Ltd	860,527.26	610,763.26	1,160,527.26	869,625.66
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd	4,080,508.49	76,179.00		

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(3) Accounts receivable (Continued)

Unit: Yuan Currency: RMB

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
Accounts receivable between the group and joint venture or associates	5,649,810.24	59,399.64	3,276,245.15	35,663.98
ZF YTO (Luoyang) axle Co. Ltd.	5,646,879.39	56,468.79	3,273,314.30	32,733.13
YTO (Luoyang) Standard Parts Co., Ltd	2,930.85	2,930.85	2,930.85	2,930.85
Accounts receivable from atomic companies not included in the scope of consolidation	27,533,497.99	27,533,497.99	27,533,497.99	27,533,497.99
YTO (Luoyang) Shentong Engineering Machinery Co., Ltd.	27,533,497.99	27,533,497.99	27,533,497.99	27,533,497.99
Total	83,273,235.22	37,181,564.15	92,041,274.57	35,732,777.43

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(4) Advance to suppliers

Unit: Yuan Currency: RMB

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
(1) Advance to suppliers between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)				
	151,031.00		139,925.70	
China National Heavy Machinery Research Institute Co., Ltd.	15,000.00			
Erzhong (Deyang) Heavy Equipment Co., Ltd.	48,000.00			
Beijing Tsun Greatwall Hydraulic R&D Co., Ltd.	88,031.00		139,925.70	
(2) Advance to suppliers between the Group and the shareholder				
	5,119,240.43		93,907.99	
YTO Group Corporation	5,119,240.43		93,907.99	

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(4) Advance to suppliers (Continued)

Unit: Yuan Currency: RMB

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
(3) Advance to suppliers between the Group and YTO Group's subsidiaries	280,000.00		57,689.48	16,289.48
Luoyang Fossett Environmental Protection Technology Co., Ltd	280,000.00		41,400.00	
YTO (Luoyang) Dongchen Mold Technology Co., Ltd.			16,289.48	16,289.48
Total	5,550,271.43		291,523.17	16,289.48

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(5) Other current assets

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
(1) Other current assets between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)		50,000.00
(2) Other current assets from atomic companies not included in the scope of consolidation	171,000,000.00	171,000,000.00
SINOMACH Finance Co., Ltd. (Interest receivable)		50,000.00
YTO (Luoyang) Shentong Construction Machinery Co., Ltd.	171,000,000.00	171,000,000.00

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(6) Other receivables

Unit: Yuan Currency: RMB

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
(1) Other receivables between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)	126,579.76	126,579.73	210,472.76	210,472.70
Zhongji North Machinery Co., Ltd	30,265.70	30,265.70	30,265.70	30,265.70
YTO (Luoyang) Engineering Machinery Co., Ltd	96,314.00	96,314.00	96,314.00	96,314.00
The Sixth Design Institute Co., Ltd of the Ministry of Machinery Industry	0.06	0.03	0.06	
SINOMACH-HI (Luoyang) Construction Machinery Co., Ltd			83,893.00	83,893.00

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(6) Other receivables (Continued)

Unit: Yuan Currency: RMB

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
(2) Other receivables between the Group and the majority shareholder	2,261,058.14	46,144.58	187,200.00	5,890.00
YTO Group Corporation	2,261,058.14	46,144.58	187,200.00	5,890.00
(3) Other receivables of YTO Group's subsidiaries	17,144.00	314.00	137,069.34	1,513.25
YTO (Luoyang) Material equipment Co., Ltd	17,000.00	170.00		
Luoyang Zhongshou Machinery Equipment Co., Ltd.			136,925.34	1,369.25
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	144.00	144.00	144.00	144.00

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(6) Other receivables (Continued)

Unit: Yuan Currency: RMB

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
(4) Other receivables between the Group and other parties				
ZF YTO (Luoyang) axle Co. Ltd.			531,658.02	5,316.58
			531,658.02	5,316.58
(5) Other receivable from atomic companies not included in the scope of consolidation				
YTO (Luoyang) Shentong Engineering Machinery Co., Ltd.	82,240,000.00	82,240,000.00	82,240,000.00	82,240,000.00
	82,240,000.00	82,240,000.00	82,240,000.00	82,240,000.00
Total	84,644,781.90	82,413,038.31	83,306,400.12	82,463,192.53

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(7) Long term receivable

Unit: Yuan Currency: RMB

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
Long term receivable between the Group and YTO Group and its subsidiaries	1,689,399.18	50,681.98	2,145,874.51	64,376.24
Long term receivables between the YTO Group and its subsidiaries)	1,689,399.18	50,681.98	2,145,874.51	64,376.24
YTO (Luoyang) Huidе Tooling Co., Ltd	1,689,399.18	50,681.98	2,145,874.51	64,376.24

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(8) Right-to-use assets

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
(1) Right-to-use assets between the Group and the majority shareholder	19,145,212.63	25,141,996.66
YTO Group Corporation	19,145,212.63	25,141,996.66
(2) Right-to-use assets between the Group and YTO Group and its subsidiaries	223,051.21	446,102.42
YTO (Xinjiang) Dongfanghong Equipment Machinery Co., Ltd	83,428.57	166,857.14
YTO (Luoyang) Logistics Co., Ltd	139,622.64	279,245.28
(3) Right-to-use assets between the Group and joint venture or associates	16,737.87	
ZF YTO (Luoyang) Axle Co. Ltd.	16,737.87	
Total	19,385,001.71	25,588,099.08

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(9) Loans and advances

Unit: Yuan Currency: RMB

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
Deposit of Capital				
Discounted:				
(1) Deposit of Capital				
Discounted between the Group and YTO Group's subsidiaries	10,392,438.05	260,366.23	8,270,346.88	210,000.00
YTO (Luoyang) Huide Tooling Co., Ltd	591,750.00	15,000.00	1,395,543.41	35,000.00
Luoyang Zhongshou Machinery & Equipment Co., Ltd	99,744.62	2,500.00	6,874,803.47	175,000.00
YTO (Luoyang) Logistics Co., Ltd	9,643,999.29	241,438.73		
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	56,944.14	1,427.50		

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(9) Loans and advances (Continued)

Unit: Yuan Currency: RMB

Related parties	Ending balance		Beginning balance	
	Book value	Bad debt allowance	Book value	Bad debt allowance
Loans:				
(1) loans between the Group and the majority shareholder	790,740,360.00	19,750,000.00	890,882,472.22	22,250,000.00
YTO Group Corporation	790,000,000.00	19,750,000.00	890,000,000.00	22,250,000.00
YTO Group Corporation (Interest receivable)	740,360.00		882,472.22	
(2) loans between the Group and YTO Group's subsidiaries	2,903,157.38	72,500.00		
YTO (Luoyang) Huide Tooling Co., Ltd	2,900,000.00	72,500.00		
YTO (Luoyang) Huide Tooling Co., Ltd(Interest receivable)	3,157.38			

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(10) Short-term borrowings

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
(1) Short-term borrowings between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries) SINOMACH Finance Co., Ltd.		300,066,666.67 300,066,666.67
Total		300,066,666.67

(11) Deposit taking and interbank deposits

Unit: Yuan Currency: RMB

Company	Ending balance	Beginning balance
(1) Deposit taking and interbank deposits between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries) SINOMACH-HI (Luoyang) Co., Ltd YTO (Luoyang) Engineering Machinery Co., Ltd China National Machinery Industry Machinery Engineering Co., Ltd.	5,735.65 5,731.99 3.64 0.02	5,723.26 5,719.60 3.64 0.02

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

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(11) Deposit taking and interbank deposits (Continued)

Unit: Yuan Currency: RMB

Company	Ending balance	Beginning balance
(2) Deposit taking and interbank deposits between the Group and the majority shareholder	541,580,064.05	989,890,388.44
YTO Group Corporation	541,580,064.05	989,890,388.44
(3) Deposit taking and interbank deposits between the Group and YTO Group's subsidiaries	164,035,474.38	203,485,386.27
Dongfanghong Agricultural Service Technology (Guangxi) Co., Ltd	6,682,739.27	9,707,572.37
Luoyang Xiyuan Vehicle and Power Inspection Co., Ltd.	33,416,485.34	26,069,164.73
Luoyang Zhongshou Machinery Equipment Co., Ltd.		50,079,624.82
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd		201,007.49
YTO (Luoyang)material equipment Co., Ltd	9,085,386.81	13,401,998.86
YTO (Luoyang) Special Purpose Vehicle Co., Ltd	9,093,712.51	3,197,136.26
YTO (Luoyang) Zhongcheng Machinery Co., Ltd		14,826,573.97
YTO (Luoyang) Logistics Co., Ltd	36,019,151.12	34,399,825.67

X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(11) Deposit taking and interbank deposits (Continued)

Unit: Yuan Currency: RMB

Company	Ending balance	Beginning balance
Dongfanghong (Luoyang) Culture Communication Centre	4,213,447.83	5,799,523.41
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	438,364.72	437,435.40
YTO (Luoyang) Huide Tooling Co., Ltd	1,843,714.23	2,322,196.98
Luoyang Tianhui Energy Engineering Co., Ltd	4,286,581.30	3,699,598.96
Luoyang YTO Driver Training School Co., Ltd.	252,782.12	58,302.96
YTO (Luoyang) Dongchen Mold Technology Co., Ltd.		406.05
Luoyang Fossett Environmental Protection Technology Co., Ltd	20,905,533.25	16,750,165.39
YTO (Xinjiang) Dongfanghong equipment Machinery Co., Ltd	25,882,775.59	22,512,208.67
Dongfanghong (Henan) Agricultural Service Technology Co., Ltd.	11,877,624.23	
Shenzhen Dongfang Pengxing Trade Co., Ltd	37,176.06	22,644.28

X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(11) Deposit taking and interbank deposits (Continued)

Unit: Yuan Currency: RMB

Company	Ending balance	Beginning balance
(4) Deposit taking and interbank deposits between the group and joint venture or associates	279,436,370.64	259,096,572.43
Luoyang Tractor Research Institute Co., Ltd.	254,328,493.51	206,934,418.42
YTO (Luoyang) Fuel Injection Co., Ltd.	24,667,460.23	51,488,677.38
YTO (Luoyang) Rico Automobile Co., Ltd.	33,186.64	12,166.02
China YTO Kawei (Luoyang) Vehicle Co., Ltd.	3,094.82	3,088.27
Luoyang Oriental Printing Co., Ltd	400,702.79	654,796.98
YTO (Luoyang) Standard Parts Co., Ltd	3,157.48	3,150.78
YTO (Luoyang) New Oriental Automobile Co., Ltd.	275.17	274.58
Total	<u>985,057,644.72</u>	<u>1,452,478,070.40</u>

X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(12) Deposit taking and interbank deposits (Interest payable)

Unit: Yuan Currency: RMB

Company	Ending balance	Beginning balance
(1) Deposit taking and interbank deposits(Interest payable)between the Group and SINOMACH and its subsidiaries(excluding YTO Group and its subsidiaries)	0.60	0.90
China National Machinery Heavy Industry (Luoyang) Co., Ltd.	0.60	0.90
(2) Deposit taking and interbank deposits(Interest payable)between the Group and the majority shareholder	8,639,730.27	2,952,843.36
China YTO Group Co., Ltd.	8,639,730.27	2,952,843.36
(3) Deposit taking and interbank deposits(Interest payable)between the Group and YTO Group's subsidiaries	522,870.65	705,742.68
Luoyang Zhongshou Machinery Equipment Co., Ltd.	0.12	312,928.63
YTO (Xinjiang) Dongfanghong Equipment Machinery Co., Ltd.	104,952.20	223,407.38
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.	222,798.80	42,604.71
YTO (Luoyang) Zhongcheng Machinery Co., Ltd.		35,298.29

X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(12) Deposit taking and interbank deposits (Interest payable) (Continued)

Unit: Yuan Currency: RMB

Company	Ending balance	Beginning balance
YTO (Luoyang) Logistics Co., Ltd.	75,162.65	30,513.87
YTO (Luoyang)material equipment Co., Ltd	2,608.45	21,687.52
Dongfanghong (Luoyang) Cultural Communication Center	49,285.75	20,089.46
Luoyang Fossett Environmental Protection Technology Co., Ltd	12,605.44	12,985.52
YTO (Luoyang) Huide Tooling Co., Ltd.	4,531.39	3,172.65
Luoyang Tianhui Energy Engineering Co., Ltd.	1,273.48	1,738.31
Dongfanghong Agricultural Service Technology (Guangxi) Co., Ltd.	2,493.72	1,088.37
YTO (Luoyang) Special Purpose Vehicle Co., Ltd.	119.44	125.90
YTO (Luoyang) Kaichuang Equipment Technology Co., Ltd.	46.03	51.03
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd.		28.12
Luoyang YTO Motor Vehicle Driver Training School Co., Ltd.	78.60	20.23
Shenzhen Dongfang Pengxing Trading Co., Ltd.	2.87	2.64

X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(12) Deposit taking and interbank deposits (Interest payable) (Continued)

Unit: Yuan Currency: RMB

Company	Ending balance	Beginning balance
Dongfanghong (Henan) Agricultural Service Technology Co., Ltd.	46,911.71	
YTO (Luoyang) Dongchen Mould Technology Co., Ltd.		0.05
(4) Deposit taking and interbank deposits(Interest payable)between the group and joint venture or associates	3,458,952.09	78.68
Luoyang Tractor Research Institute Co., Ltd.	3,362,059.41	
YTO (Luoyang) Fuel Injection Co., Ltd.	96,848.06	
YTO (Luoyang) Rico Automobile Co., Ltd.	1.70	1.52
Luoyang Oriental Printing Co., Ltd.	42.24	76.41
YTO (Luoyang) Standard Parts Co., Ltd.	0.33	0.37
China YTO Kawei (Luoyang) Vehicle Co., Ltd.	0.32	0.35
YTO (Luoyang) New Oriental Motor Co., Ltd.	0.03	0.03
Total	12,621,553.61	3,658,665.62

X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(13) Accounts payable

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
(1) Accounts payable between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)	38,594,025.08	16,108,540.02
The Fourth Design Institute Co., Ltd of the Ministry of Machinery Industry	1,672,512.85	1,513,161.69
China Automobile Industrial Engineering Co., Ltd.	30,888,262.29	9,423,256.78
Changsha Gas-electric Auto Parts Co., Ltd	55,996.67	55,996.67
Fuyang Bearing Co., Ltd		311,689.28
The Sixth Design Institute Co., Ltd of the Ministry of Machinery Industry	80,000.00	80,000.00
The fifth design and Research Institute of Mechanical Industry Co., Ltd	161,600.04	161,600.04
China Machine Tools Corporation	102,871.61	102,871.61
The Fourth Construction of China Machinery Industry Co., Ltd.	2,829.68	2,829.68
China No.2 Heavy Machinery Group Deyangwan Road Transport Industry Co., Ltd.	53,139.28	



X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(13) Accounts payable (Continued)

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
Zhengzhou Branch of SINOMACH Seiko Co., Ltd.	1,641,353.39	972,604.30
SAIC Shengjia (Tianjin) Property Management Co., Ltd.	10,148.84	
Safety slide wire factory of the fourth design and Research Institute of the Ministry of machinery industry	6,096.00	6,096.00
China National Machinery Industry Machinery Engineering Co., Ltd.		-
Guangzhou Optical Sky Materials Technology Co., Ltd.	390,055.01	654,412.76
China HI-TECH OFF-ROAD VEHICLE Co., Ltd.	575,840.71	-
Sinomach Foundry and Metal Forming Co., Ltd.	1,903,333.33	1,903,333.33
Guangzhou Jetsun Lubrication Technology Co., Ltd.	266,096.63	343,687.13
China National Electrical Equipment Research Institute Co., Ltd.	777,000.00	537,000.00
Shandong Huayuan Laidong ENGINE Co., Ltd.	6,888.00	40,000.00

X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(13) Accounts payable (Continued)

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
Xi'an Heavy Machinery Research Institute Co., Ltd.	0.75	0.75
(2) Accounts payable between the Group and shareholder	44,437,842.49	11,259,880.36
YTO Group Corporation	44,437,842.49	11,259,880.36
(3) Accounts payable between the Group and YTO Group's subsidiaries	53,726,321.73	61,233,123.03
YTO (Luoyang) Logistics Co., Ltd	40,724,680.50	32,618,622.55
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	769,715.13	7,652,477.75
YTO (Luoyang) Kintra Equipment Science & Technology Co., Ltd	3,717,143.07	3,717,143.07
Luoyang Tianhui Energy Engineering Co., Ltd	1,999,582.15	2,671,775.53
YTO (Luoyang) Huide Tooling Co., Ltd	3,301,486.28	3,726,877.05
YTO (Luoyang) material equipment Co., Ltd	1,061,637.50	6,092,024.52
Luoyang Duoan Advertising Co., Ltd	19,470.00	43,620.00
Dongfanghong (Luoyang) Cultural Communication Center	32,610.00	19,700.00
Luoyang Fossett Environmental Protection Technology Co., Ltd	352,811.56	133,011.18

X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(13) Accounts payable (Continued)

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
Luoyang Zhongshou Machinery Equipment Co., Ltd.	759,585.54	541,307.94
YTO (Heilongjiang) Dongfanghong Industrial Park Co., Ltd		200,000.00
Yto (xinjiang) dongfanghong Equipment Machinery Co., Ltd.		55,500.00
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd	987,600.00	3,761,063.44
(4) Accounts payable between the group and joint venture or associates	13,031,251.48	14,730,755.81
ZF YTO (Luoyang) axle Co. Ltd.	9,913,474.33	14,156,372.64
YTO (Luoyang) Rico Automobile Co. Ltd.	44,364.39	44,364.39
YTO (Luoyang) Standard Parts Co., Ltd.	7,901.23	7,352.29
Luoyang Oriental Printing Co., Ltd.	365,663.73	522,666.49
Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd.	2,699,847.80	
Total	149,789,440.78	103,332,299.22

X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(14) Advances from customers

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
(1) Advances from customers between the Group and the majority shareholder	28,170.00	
YTO Group Corporation	28,170.00	
(2) Advances from customers between the Group and YTO Group's subsidiaries	802.29	
YTO (Luoyang) Logistics Co., Ltd	802.29	
(3) Advances from customers between the group and joint venture or associates	3,313,766.21	
ZF YTO (Luoyang) axle Co. Ltd.	3,313,766.21	
Total	3,342,738.50	

X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(15) Contractual liability

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
(1) Contractual liability between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)	420.70	22,938.68
China National Machinery Heavy Industry (LuoYang) Co., Ltd.	98.08	86.80
Nanchang Kama Co., Ltd.	320.00	283.19
Xinjiang Zhongshou Agricultural and Animal Husbandry Machinery Co., Ltd.		22,566.37
China National Machinery Industry Machinery Engineering Co., Ltd.	2.62	2.32
(2) Contractual liability between the Group and the shareholder	847,600.00	28,433.48
YTO Group Corporation	847,600.00	28,433.48
(3) Contractual liability between the Group and YTO Group's subsidiaries	45,831.19	40,558.58
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	45,831.19	40,558.58

X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(15) Contractual liability (Continued)

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
(4) Contractual liability between the group and joint venture or associates	4,444,178.98	3,920,069.90
Luoyang Yituo Light Vehicle Co., Ltd.	14,500.00	
ZF YTO (Luoyang) axle Co. Ltd.	4,429,676.26	3,920,067.49
YTO (Luoyang) Standard Parts Co., Ltd.	0.10	0.09
China YTO Kawei (Luoyang) Vehicle Co., Ltd.	2.62	2.32
	5,338,030.87	4,012,000.64
Total		

X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(16) Other payables

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
(1) Other payables between the Group and SINOMACH and its subsidiaries (excluding YTO Group and its subsidiaries)	1,076,695.20	905,750.00
CAMCE International Logistics Co., Ltd	100,000.00	100,000.00
Guangzhou Optical Sky Material Technology Co., Ltd	50,000.00	50,000.00
Sichuan Deyang Erzhong Electromechanical Equipment Co., Ltd.	255,750.00	255,750.00
Guangzhou Jisheng Lubrication Technology Co., Ltd.	300,000.00	300,000.00
Fuyang Bearing Co., Ltd.	140,945.20	150,000.00
China National Machinery Industry Corporation	30,000.00	
Sinomach Precision Industry Co., Ltd.	150,000.00	
Shandong Huayuan laidong Internal Combustion Engine Co., Ltd	50,000.00	
Luoyang Axis Research Technology Co., Ltd. Zhengzhou Branch		50,000.00

X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(16) Other payables (Continued)

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
(2) Other payables between the Group and the shareholder	53,169,835.11	56,348,077.76
YTO Group Corporation	53,169,835.11	56,348,077.76
(3) Other payables between the Group and YTO Group's subsidiaries	1,133,929.39	794,080.00
YTO (Luoyang) Logistics Co., Ltd	614,000.00	614,000.00
YTO (Luoyang) Huide Tooling Co., Ltd	2,000.00	
YTO (Luoyang) Zhongcheng Machinery Co., Ltd	472,137.38	106,170.00
Luoyang Duoen Advertising Co., Ltd		14,030.00
Luoyang Tianhui Energy Engineering Co., Ltd	22,000.00	25,000.00
YTO (Luoyang) Kaichuang Equipment Technology Co., Ltd.		30,000.00
Dongfanghong (Luoyang) Cultural Communication Center	23,792.01	3,880.00
Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd		1,000.00

X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(16) Other payables (Continued)

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
(4) Other payables between the group and joint venture or associates	219,625.00	10,000.00
Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd.	200,000.00	
Luoyang Yizhong Technology Consulting Co., Ltd.	9,625.00	
Luoyang Oriental Printing Co., Ltd.	10,000.00	10,000.00
(5) Dividends payable between the group and the majority shareholder	43,865,738.98	
YTO Group Corporation	43,865,738.98	
Total	99,465,823.68	58,057,907.76

X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(17) Non-current liabilities due within one year

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
(1) Lease liabilities between the Group and the shareholder	14,102,293.63	12,781,366.20
YTO Group Corporation	14,102,293.63	12,781,366.20
(2) Lease liabilities between the Group and YTO Group and its subsidiaries	223,051.21	446,102.42
Yto (xinjiang) dongfang Equipment Machinery Co., Ltd.	83,428.57	166,857.14
Yituo (Luoyang) Logistics Co., Ltd.	139,622.64	279,245.28
(3) Lease liabilities between the Group and YTO Group and other parties	16,737.87	
ZF YTO (Luoyang) Axle Co. Ltd.	16,737.87	
Total	14,342,082.71	13,227,468.62



X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XI. RELATED PARTIES AND RELATED PARTIES' TRANSACTION (CONTINUED)

6. Related parties payments (Continued)

(18) Lease liabilities

Unit: Yuan Currency: RMB

Related parties	Ending balance	Beginning balance
Lease liabilities between the Group and the shareholder	5,042,919.00	12,360,630.46
YTO Group Corporation	<u>5,042,919.00</u>	<u>12,360,630.46</u>
Total	<u>5,042,919.00</u>	<u>12,360,630.46</u>

XII. SHARE PAYMENT

The Group does not pay shares.

X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XIII. COMMITMENT AND CONTINGENCIES

1. Commitment

(1) Foreign investment contracts and related financial expenditures that have not yet been fulfilled or not fully fulfilled

N/A

(2) Outsourcing contract with significant amount that was signed and performing or commencing to perform and its financial impacts

N/A

(3) Leased agreement that was signed and performing or commencing to perform and its financial impact

1) As a financial lessor, the Group's future minimum rental receipts for agricultural machinery products are as follows:

Unit: Yuan Currency: RMB

Period	Amount in this period	Amount in last period
Within 1 year	76,470,370.54	41,290,051.49
1-2 years	104,912,559.18	6,426,180.00
2-3 years	2,556,000.00	
After 3 years	13,117,500.00	16,615,500.00
Total	197,056,429.72	64,331,731.49

X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XIII. COMMITMENT AND CONTINGENCIES (CONTINUED)

1. Commitment (Continued)

(3) *Leased agreement that was signed and performing or commencing to perform and its financial impact (Continued)*

- 2) On June 30, 2021 the Group, as the lessee, shall pay the following minimum future rent for the following period for the irrevocable operating lease of the premises, buildings, machinery and equipment:

Unit: Yuan Currency: RMB

Period	Amount in this period	Amount in last period
Within 1 year	10,581,115.55	10,483,315.56
1-2 years	7,833,849.71	8,110,661.98
2-3 years	968,508.28	7,419,219.98
After 3 years	2,793,508.96	3,096,190.88
Total	22,176,982.50	29,109,388.40

Note: In January 2018, the Company signed a six-year housing lease contract with ZF YTO (Luoyang) vehicle bridge Co., Ltd., which stipulates that the annual housing rent is RMB7,460,724.38. In 2019, both parties negotiated to amend the terms of the contract, reduce the rent from the original RMB7,460,724.38 to RMB6,588,624.54, and amend the lease time to five years from January 2019.

Except for the above commitments, at the end of June 30, 2021, the Group has no other major undertakings that should be disclosed.

X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XIII. COMMITMENT AND CONTINGENCIES (CONTINUED)

2. Important contingencies existed on the balance sheet date

(1) Significant contingent liabilities present at the balance sheet date

1) Pending proceeding or arbitration of contingencies and their financial implications

The Group has no major pending litigation or arbitration contingencies that need to be disclosed.

2) Contingencies resulted from external guarantees provided

As of June 30, 2021, the Group had no external debt guarantees.

3) Letter of guarantee and letter of credit

Unit: Yuan Currency: RMB

Opening bank	Beneficiary	Amount	Beginning date	Ending date
Beijing Tianning Temple Branch of China Everbright Bank Co., Ltd.	China Aviation Technology International Holding Co., Ltd.	61,942.31	2020.02.27	2021.07.28
China Everbright Bank Co., Ltd. Luoyang Xiyuan Road Branch	Horichang Production Co., Ltd	863,930.23	2020.11.15	2021.08.15
Bank of China Luoyang Chang'an Road Branch	Department of Commerce of Henan Province	200,000.00	2009.11.20	Depends on business
Total		<u>1,125,872.54</u>		



X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XIV. SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

The Group has no major subsequent events after the balance sheet date that need to be disclosed.

XV. OTHER SIGNIFICANT MATTERS

1. Segment information

(1) *The basis for the determination of the segment report and the accounting policy*

The Group is based on internal organizational structure, management requirements, and internal reporting system as the basis for determining the operating segment. The business branch of the Group refers to a component that meets the following conditions at the same time:

- 1) This component can generate income and cost in daily activities.
- 2) The management can regularly evaluate the operating results of the component in order to determine the allocation of resources to it and evaluate its performance.
- 3) The accounting information, such as the financial situation, the operating results and the cash flow of the component, can be obtained.

The Group determines the segment report on the basis of the operating segments, and the operating segments, which meets the following conditions, is determined to be a segment report:

- 1) The operating segments accounts for 10% or more of the total income of the division.
- 2) The absolute profit of the segment profit of the segment accounts for 10% or more of the total amount of the total profits of all profit segments or the total amount of all deficit segment losses.

X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XV. OTHER SIGNIFICANT MATTERS (CONTINUED)

6. Segment information (Continued)

(1) *The basis for the determination of the segment report and the accounting policy (Continued)*

Determined according to the above accounting policy report segment operating division of foreign trade total revenue accounted for the proportion of the total income of the merger does not reach 75%, increase the number of segment reporting, according to the following provisions will not report as Division operating segments into reportable range, until the proportion reached 75%:

- 1) The management department considers that the management division that disclosures the management branch information to the users of the accounting information is determined to be the reporting branch
- 2) Merge the business segment with one or more other business segments which have similar economic characteristics and meet the merger conditions of business segments as a reporting segment

Interdivisional transfer price is determined by market price, and the assets and related expenses shared by different branches are distributed among different segments according to the proportion of income.



X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XV. OTHER SIGNIFICANT MATTERS (CONTINUED)

6. Segment information (Continued)

(2) *The factors for segments' classification and the types of products and services of a segment*

Each segment is a business unit that provides different products and services. Because various business needs different technology and market strategy, the Group independently manages the production and operation activities of each report branch, evaluates its operation result separately, decides to allocate resources to it, evaluates its performance.

The Group has three reporting divisions: Agricultural Machinery, Power Machinery, Finance. The Agricultural Machinery Division is responsible for the production and sale of agricultural tractors, harvesters, etc. The power machinery division is mainly responsible for producing and selling diesel engines. The financial branch mainly for the Group subsidiary China group finance limited company, the main business is to handle the member units between the entrusted loans and investment, internal transfer settlement, absorption of member units deposits and other business.

X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XV. OTHER SIGNIFICANT MATTERS (CONTINUED)

6. Segment information (Continued)

(3) Reporting segment

Unit: Yuan Currency: RMB

Item	Agricultural machinery	Power machinery	Finance service	Elimination among segments	Total
1. Total operating revenue	5,079,527,793.93	1,248,965,781.00	78,083,289.43	774,779,054.43	5,631,797,809.93
Including: external transaction revenue	4,895,206,331.37	679,895,258.38	56,696,220.18		5,631,797,809.93
Revenue between segments	184,321,462.56	569,070,522.62	21,387,069.25	774,779,054.43	
Loss on impairment of assets	-566,391,321.26	-2,140,101.23		212,835.76	-568,744,258.25
Loss on impairment of credit	-46,081,344.01	-1,959,631.39	-9,221,182.73	762,753.22	-58,024,911.35
Depreciation and amortization fee	148,002,397.06	30,953,556.72	557,082.38		179,513,036.16
2. Total profit	411,560,889.44	80,617,318.23	28,142,508.61	-10,846,342.68	531,167,058.96
3. Income tax expenses	5,865,530.22	3,751,164.16	7,716,589.04	26,593.43	17,306,689.99
4. Net profit	405,695,359.21	76,866,154.08	20,425,919.57	-10,872,936.11	513,860,368.97
5. Total assets	8,974,941,525.32	2,685,224,249.73	4,979,505,875.42	4,252,496,985.40	12,387,174,665.07
6. Total liabilities	5,408,026,958.44	1,048,973,190.37	4,121,828,752.81	4,301,385,624.95	6,277,443,276.67
7. Other important non cash items	119,098,910.60	15,349,100.28	9,107,344.19		143,555,355.07
Non-cash expenses other than depreciation and amortization	38,175,111.58		6,079,467.70		44,254,579.28
Capital expenditure	80,923,799.02	15,349,100.28	3,027,876.49		99,300,775.79

X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Accounts receivable

(1) Classified disclosure of accounts receivable

Unit: Yuan Currency: RMB

Item	Book balance		Ending Balance		Book value
	Amount	Ratio (%)	Provision for bad debt		
			Amount	Accrual Ratio (%)	
Accounts receivable for anticipated credit losses on a portfolio basis	907,421,916.24	100.00	170,727,894.02	18.81	736,694,022.22
Including: Aging portfolio	902,976,323.07	99.51	166,282,300.85	18.41	736,694,022.22
Risk exposure portfolio such as collateral	4,445,593.17	0.49	4,445,593.17	100.00	
Total	907,421,916.24	100.00	170,727,894.02	18.81	736,694,022.22

Unit: Yuan Currency: RMB

Item	Book balance		Beginning balance		Book value
	Amount	Ratio (%)	Provision for bad debt		
			Amount	Accrual Ratio (%)	
Accounts receivable for anticipated credit losses on a portfolio basis	516,836,225.48	100.00	169,066,498.44	32.71	347,769,727.04
Including: Aging portfolio	512,390,632.31	99.13	164,620,905.27	32.13	347,769,727.04
Risk exposure portfolio such as collateral	4,445,593.17	0.87	4,445,593.17	100.00	
Total	516,836,225.48	100.00	169,066,498.44	32.05	347,769,727.04

X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

1. Accounts receivable (Continued)

(2) Accounts receivable for anticipated credit losses on a portfolio basis

① *Aging portfolio*

Unit: Yuan Currency: RMB

Aging	Ending balance		
	Book balance	Bad debt allowance	Accrual percentage (%)
Within 1 year	743,505,815.21	9,594,575.88	1.29
1-2 years	5,565,565.81	2,782,782.92	50.00
2-3 years	2,354,445.04	2,354,445.04	100.00
Over 3 years	151,550,497.01	151,550,497.01	100.00
Total	<u>902,976,323.07</u>	<u>166,282,300.85</u>	<u>18.41</u>

② *Risk exposure portfolio such as collateral*

Unit: Yuan Currency: RMB

Name of portfolio	Book value	Provision for bad debt	Accrual Ratio (%)
Risk exposure portfolio such as collateral	<u>4,445,593.17</u>	<u>4,445,593.17</u>	<u>100.00</u>
Total	<u>4,445,593.17</u>	<u>4,445,593.17</u>	<u>100.00</u>

X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

1. Accounts receivable (Continued)

(3) Age Disclosure of Accounts Receivable

Unit: Yuan Currency: RMB

Aging	Ending balance		Accrual percentage (%)
	Accounts receivable	Bad debt allowance	
Within 1 year	743,505,815.21	9,594,575.88	1.29
1-2 years	5,565,565.81	2,782,782.92	50.00
2-3 years	5,804,754.56	5,804,754.56	100.00
Over 3 years	152,545,780.66	152,545,780.66	100.00
Total	907,421,916.24	170,727,894.02	18.81

(4) Provision for bad debts charged, recovered or returned in the current period

Provision for bad debts amounted to RMB1,999,804.76 in the current period.

X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

1. Accounts receivable (Continued)

(5) Top Five Accounts Receivable on the Final Balance Collection by the Debtor

Unit: Yuan Currency: RMB

Company name	Ending balance	Proportion to the ending balance of accounts receivable (%)	Bad debt allowance
Luoyang Changxing Agricultural Machinery Co., Ltd.	449,149,741.22	49.50	4,491,497.42
YTO (Luoyang) Harvesting Machinery Co., Ltd.	74,091,864.82	8.17	74,091,864.82
YTO International Economic and Trade Co., Ltd	48,653,515.24	5.36	509,643.36
YTO (Luoyang) Diesel Engine Co., Ltd.	47,420,446.75	5.23	474,204.47
Tianrun Industry Technology Co., Ltd.	45,069,124.13	4.97	595,167.19
Total	664,384,692.16	73.23	80,162,377.26

X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other receivables

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Interest receivable	2,657,279.77	1,558,254.73
Dividends receivable	79,649,076.96	76,808,376.96
Other receivables	4,839,829.71	4,592,195.45
Total	87,146,186.44	82,958,827.14

Interest receivable

(1) Classification of interest receivable

Unit: Yuan Currency: RMB

Investee	Ending balance	Beginning balance
Entrusted loan	2,657,279.77	1,558,254.73
Total	2,657,279.77	1,558,254.73

Dividends receivable

(1) Classification of dividends receivable

Unit: Yuan Currency: RMB

Company name	Ending balance	Beginning balance
Brilliance China Machinery Holding Co., Ltd.	79,649,076.96	76,808,376.96
Total	79,649,076.96	76,808,376.96

X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other receivables (Continued)

Other receivables

(1) *Classification of other receivables*

Unit: Yuan Currency: RMB

Item	Book balance		Ending balance		Book value
	Amount	Percentage (%)	Amount	Accrual percentage (%)	
Other receivables for anticipated credit losses on a portfolio basis	14,284,986.97	100.00	9,445,157.26	66.12	4,839,829.71
Including: Aging portfolio	13,894,496.61	97.27	9,441,252.36	67.95	4,453,244.25
Low-risk portfolio	390,490.36	2.73	3,904.90	1.00	386,585.46
Total	14,284,986.97	100	9,445,157.26	66.12	4,839,829.71

Unit: Yuan Currency: RMB

Item	Book balance		Beginning balance		Book value
	Amount	Percentage (%)	Amount	Accrual percentage (%)	
Other receivables for anticipated credit losses on a portfolio basis	13,563,129.09	100.00	8,970,933.64	66.14	4,592,195.45
Including: Aging portfolio	13,345,825.61	98.40	8,968,760.60	67.92	4,377,065.01
Low-risk portfolio	217,303.48	1.60	2,173.04	1.00	215,130.44
Total	13,563,129.09	100.00	8,970,933.64	66.14	4,592,195.45

X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other receivables (Continued)

Other receivables (Continued)

(2) *Other receivables for anticipated credit losses on a portfolio basis*

1) Other receivables with expected credit risk by age combination

Unit: Yuan Currency: RMB

Aging	Ending balance		
	Book balance Amount	Percentage (%)	Book value
Within 1 year	4,467,283.22	32.15	270,586.61
1-2 years	513,095.28	3.69	256,547.64
2-3 years	1,248,986.95	8.99	1,248,986.95
Over 3 years	7,665,131.16	55.17	7,665,131.16
Total	13,894,496.61	100.00	9,441,252.36

X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other receivables (Continued)

Other receivables (Continued)

(2) *Other receivables for anticipated credit losses on a portfolio basis (Continued)*

2) Other receivables for provision for bad debts using a low-risk portfolio

Unit: Yuan Currency: RMB

Portfolio name	Ending balance		
	Book balance		Book value
	Amount	Accrual proportion (%)	
Low-risk portfolio	390,490.36	1.00	3,904.90
Total	<u>390,490.36</u>	<u>1.00</u>	<u>3,904.90</u>

(3) *No accrual, collection or reversal of bad debt allowance.*

(4) *No other receivables actually written off during the year.*

X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other receivables (Continued)

(3) Other receivables (Continued)

(5) Details of top five other receivables with the ending balance classified by the borrowers

Unit: Yuan Currency: RMB

Company name	Nature of payment	Ending balance	Aging	Percentage in the ending balance of other receivables	Ending balance of bad debt allowance (%)
Jiangsu Qingjiang Tractor Co., Ltd	Advance payment receivable	3,315,484.00	Over 5 years	23.21	3,315,484.00
Luoyang Yuchuan thermal equipment Co., Ltd	Advance payment receivable	1,470,920.47	Within 1 years, 1-2 years	10.30	315,347.67
Luoyang Jiangyang Metal Components Co., Ltd.	Advance payment receivable	1,060,000.00	Over 5 years	7.42	1,060,000.00
Zhejiang Shengnuo Fastener Co., Ltd.	Advance payment receivable	737,400.00	Over 1 year	5.16	110,610.00
Yto Group Corporation	Current account of related parties	355,535.14	Over 1 year	2.49	21,475.35
Total		6,939,339.61		48.58	4,822,917.02

X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

3. Long-term equity investments

Unit: Yuan Currency: RMB

Nature of investments	Ending balance			Beginning balance		
	Book balance	impairment	Book value	Book balance	impairment	Book value
Subsidiaries	2,106,112,790.91	97,250,000.00	2,008,862,790.91	2,665,169,191.40	656,275,468.97	2,008,893,722.43
Joint venture or associates	125,757,020.54		125,757,020.54	121,162,356.37		121,162,356.37
Total	<u>2,231,869,811.45</u>	<u>97,250,000.00</u>	<u>2,134,619,811.45</u>	<u>2,786,331,547.77</u>	<u>656,275,468.97</u>	<u>2,130,056,078.80</u>

X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

3. Long-term equity investments (Continued)

(1) Investments in subsidiaries

Unit: Yuan Currency: RMB

Name of the subsidiary	Beginning balance	Increase in this period	Decrease in this period	Ending balance	Provision for impairment	Provision for impairment ending balance
YTO France SAS	559,025,468.97		559,025,468.97			
Luoyang Changxing Agricultural Machinery Co., Ltd	3,000,000.00			3,000,000.00		3,000,000.00
Yangdong Co., Ltd.	76,000,000.00			76,000,000.00		
Brilliance China Machinery Holding Co., Ltd.	27,869,301.63		30,931.52	27,838,370.11		
YTO Group Finance Co., Ltd	485,040,302.00			485,040,302.00		
China-Africa Heavy Industry Investment Co., Ltd	55,022,000.00			55,022,000.00		
Luoyang Tractor Research Institute Co., Ltd.	281,414,966.36			281,414,966.36		
YTO (Luoyang) Diesel Engine Co., Ltd	392,257,881.14			392,257,881.14		
YTO (Luoyang) Flag Auto-body Co., Ltd	77,192,767.62			77,192,767.62		
YTO (Luoyang) Fuel Injection Co., Ltd	152,989,481.32			152,989,481.32		
YTO (Luoyang) Foundry Company Limited	300,391,996.60			300,391,996.60		
YTO International Economic and Trade Co., Ltd	75,668,335.13			75,668,335.13		
ChangTuo Agricultural Machinery Equipment Group Co., Ltd	94,250,000.00			94,250,000.00		94,250,000.00
YTO Shunxing (Luoyang) Spare Parts Co., Ltd	33,670,762.32			33,670,762.32		
YTO Belarus Technology Co. Ltd.	51,375,928.31			51,375,928.31		
Total	<u>2,665,169,191.40</u>	<u> </u>	<u>559,056,400.49</u>	<u>2,106,112,790.91</u>	<u> </u>	<u>97,250,000.00</u>

X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

3. Long-term equity investments (Continued)

(2) Investments in joint venture and associates

Unit: Yuan Currency: RMB

Invested company	Beginning balance	Additional investment	Changes in this period		
			Reduce investment	Profit and loss on investments by rights and interests law	Adjusted other comprehensive income
Associates					
YTO Sichuan Agricultural Equipment Co., Ltd.	617,842.97			-13,247.67	
ZF YTO (Luoyang) axle Co. Ltd.	120,544,513.40			2,807,911.84	
Jiangxi Dongfanghong Agricultural Machinery Co. LTD		1,800,000.00			
Total	121,162,356.37	1,800,000.00		2,794,664.17	

Unit: Yuan Currency: RMB

Invested company	Changes in other interests	Changes in this period			Ending balance	Provision for impairment ending balance
		Declaration of cash dividends or profits	Provision for impairment	Others		
Associates						
YTO Sichuan Agricultural Equipment Co., Ltd					604,595.30	
ZF YTO (Luoyang) Axle Co. Ltd.					123,352,425.24	
Jiangxi Dongfanghong Agricultural Machinery Co. LTD					1,800,000.00	
Total					125,757,020.54	

X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

4. Operating revenue and operating costs

(1) Operating revenue and operating costs

Unit: Yuan Currency: RMB

Item	Amount incurred in this period		Amount incurred in last period	
	Income	Cost	Income	Cost
Main business	4,401,354,259.86	3,724,334,949.99	3,031,512,433.60	2,586,000,579.86
Other business	20,296,417.82	7,785,804.87	32,893,182.69	5,569,984.61
Total	4,421,650,677.68	3,732,120,754.86	3,064,405,616.29	2,591,570,564.47

X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

5. Investment income

Unit: Yuan Currency: RMB

Item	Amount incurred in this period	Amount incurred in last period
Investment income from long-term equity investment by cost method	5,681,400.00	81,600,000.00
Investment income from long-term equity investments by equity method	2,794,664.17	413,344.83
Investment income from disposal of long-term equity investments	-1,798.52	
Investment income of trading financial assets during the holding period		17,600,000.00
Investment income generated by maturity of trading financial assets	5,589,890.40	
Total	14,064,156.05	99,613,344.83

X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XVII. SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

1. Schedule of gain or loss from extraordinary items in this period

Unit: Yuan Currency: RMB

Item	Amount in this period	Explanation
Gain or loss on disposal of non-current assets	3,388,682.05	
Government subsidy recognized in current profit or loss (except for government subsidies which related to company business that are fixed or quantified based on the national standard)	17,264,604.55	
In addition to the effective hedging business related to the normal business operation of the company, the fair value change profit and loss of held trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities, as well as the investment income from the disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other debt investment	11,474,045.71	
Other non-operating income and expenses except for mentioned above	5,445,870.66	
Gain or loss from other extraordinary items	-6,656,530.68	Mainly affected by the bankruptcy and liquidation of French Co, Ltd
Less: Income tax	-1,873,473.93	
Effects on non-controlling interests (after tax)	-2,432,331.17	
Total	26,610,867.19	

X FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CONTINUED)

XVII. SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Return on equity and earnings per share

Unit: Yuan Currency: RMB

Profit in reporting period	Earnings per share		
	Weighted average rate of return on net assets (%)	Basic earnings per share	Diluted earnings per share
Net profit attributable to common shareholders of the Group	9.90	0.4646	0.4646
Net profit attributable to common shareholders of the Group after non-operating profit or loss	<u>9.38</u>	<u>0.4404</u>	<u>0.4404</u>

Chairman: Li Xiaoyu

The date of approval by the Board for submission: 25 April 2021