

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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)

ANNOUNCEMENT ON MAKING PROVISIONS FOR IMPAIRMENT OF ASSETS

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

At the 36th meeting of the eighth session of the Board of First Tractor Company Limited* (the “**Company**”), the Resolution on Making Provisions for Impairment of Assets of the Company for 2021 was considered and approved. Details of the making of provisions for impairment of assets are as follows:

I. MAKING PROVISIONS FOR IMPAIRMENT OF ASSETS

In accordance with the Accounting Standards for Business Enterprises and the accounting policies of the Company, adhering to the principle of prudence, the Company conducted impairment tests on relevant assets of the Company and its subsidiaries in 2021, and made corresponding provisions for impairment of the assets with signs of impairment. The Company made provisions for impairment of various assets in an amount of RMB816.36 million for 2021. Details are as follows:

(I) IMPAIRMENT LOSSES ON CREDIT

Details of impairment losses on credit for 2021 *Unit: RMB*

Item	Amount accrued
Impairment loss on receivables	213,021,152.12
Lendings to Banks and Other Financial Institutions	16,180,000.00
Impairment loss on loan assets	<u>-343,825.57</u>
Total	<u><u>228,857,326.55</u></u>

1. Impairment losses of RMB138.93 million on receivables, which were classified into groups based on their credit risk characteristics, were accrued according to the expected loss rates.
2. YTO (Luoyang) Harvesting Machinery Co., Ltd. (“**Harvesting Machinery**”), a subsidiary of the Company, entered into bankruptcy proceedings upon a ruling from court on October 2021, and according to the situation of its assets, provisions for impairment of accounts receivables of RMB74.09 million provided by the Company to the subsidiary were fully made.
3. China YTO Group Finance Company Limited, a subsidiary of the Company, failed to repay its due inter-bank borrowings. The Company made the provision for impairment during the period based on the difference between their recoverable values of assets and the book value, and increased the provision for impairment of RMB16.18 million.
4. China YTO Group Finance Company Limited, a subsidiary of the Company, is a non-banking financial institution. At the end of the year, RMB0.34 million of its credit assets were transferred back to the loan impairment loss in accordance with the risk level of the credit assets.

(II) IMPAIRMENT LOSSES ON ASSETS

Details of impairment losses on assets for 2021 *Unit: RMB*

Item	Amount accrued
Impairment loss of long-term equity investments	559,035,468.97
Impairment loss on inventories	26,786,452.13
Impairment loss on fixed assets	1,388,112.06
Impairment loss on advance payments	291,012.51
	<hr/>
Total	<u><u>587,501,045.67</u></u>

1. YTO France SAS (“YTO France”), a subsidiary of the Company, entered into the judicial liquidation proceedings in June 2021 after being adjudicated and approved by local court, and the Company made full provision for impairment losses of RMB559.03 million on the long-term equity investment.
2. Harvesting Machinery, a subsidiary of the Company, entered into the bankruptcy proceedings in October 2021 after being adjudicated and approved by court, and the Company made full provision for impairment losses of RMB0.01 million on the long-term equity investment.

3. As certain inventories showed the indicators of impairment, the Company made provision for impairment losses on inventories in an aggregate amount of RMB26.79 million based on the difference between their book value and net realizable value.
4. Zhengzhou Sanzhen Machinery Equipment Co., Ltd.* (鄭州三真機械設備有限公司), a subsidiary of the Company, made assessment on its assets due to the equity transfer and made provision of RMB1.39 million for impairment losses on fixed assets based on the appraised results.
5. Impairment losses of RMB0.29 million were provided on some advance payments which were unlikely to be recovered.

II. EFFECT OF MAKING PROVISIONS FOR IMPAIRMENT OF ASSETS ON THE FINANCIAL POSITION OF THE COMPANY

The Company's provisions for impairment of assets resulted in an increase of RMB816.36 million in its impairment losses in consolidated statements and a decrease of RMB816.36 million in its total profit in consolidated statements for 2021, among which, RMB633.13 million in total due to the influence of the liquidation and bankruptcy. YTO France and Harvesting Machinery were no longer included in the scope of consolidation of the financial statement as a result of the judicial liquidation and bankruptcy proceedings, respectively, and the Company reversed the over losses of the merger of YTO France and Harvester Company in the previous period, and confirmed the income from the investment. Three items include comprehensive income from investment, loss on impairment of assets and loss on impairment of credit. the actual impact of judicial liquidation of YTO France and the bankruptcy of Harvester Company on the Company's profits in 2021 was RMB-6.8 million, RMB-4.63 million, respectively.

III. OPINION OF THE BOARD OF DIRECTORS

The Company's provisions for impairment of assets were in compliance with the Accounting Standards for Business Enterprises and its accounting policies, and reflected its assets position and operating conditions for 2021 in an objective and fair manner, and the Board of Directors agreed the provisions for impairment of assets.

IV. OPINION OF THE INDEPENDENT DIRECTORS

The Company's provisions for impairment of assets were in compliance with the Accounting Standards for Business Enterprises and its accounting policies, and could reflect its assets position and operating results in a fair manner, and corresponding decision-making procedures had been performed for the provisions for impairment of assets, and the independent Directors agreed the Company's provision for impairment of assets.

V. OPINION OF THE BOARD OF SUPERVISORS

The Company's provisions for impairment of assets were in compliance with the Accounting Standards for Business Enterprises and its accounting policies, and reflected the actual situation of its assets and its financial position, and the Board of Supervisors agreed the Company's provision for impairment of assets.

By order of the Board
FIRST TRACTOR COMPANY LIMITED*
YU Lina
Company Secretary

Luoyang, the PRC
29 March 2022

As at the date of this notice, the Board comprises Mr. Li Xiaoyu (Chairman), and Mr. Liu Jiguo as executive Directors; Mr. Li Hepeng, Mr. Xie Donggang and Mr. Zhou Honghai as non-executive Directors; and Ms. Yang Minli, Ms. Wang Yuru and Mr. Edmund Sit as independent non-executive Directors.

* *For identification purposes only*