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**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  
IN RELATION TO  
MAKING PROVISIONS FOR IMPAIRMENT OF ASSETS**

The board of directors (the “**Board**”) of First Tractor Company Limited\* (the “**Company**”) and all members of the Board warrant that there are no false representations, misleading statements or material omissions in this announcement, and are severally and jointly responsible for the truthfulness, accuracy and completeness of the content herein.

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 (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Resolution on Making Provisions for Impairment of Assets of the Company has been considered and approved at the fifth meeting of the eighth session of the Board of the Company and is subject to consideration and approval at the 2018 annual general meeting of the Company. Details of the making of provisions for impairment of assets are announced 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, following the principle of prudence, the Company conducted impairment test for the accounts receivables, inventories, fixed assets with signs of impairment, construction in progress and other assets of the Company and its subsidiaries in 2018, performed analysis for the expected credit losses of receivables, net realizable value of various inventories, recoverable amount of fixed assets, etc. and made provisions for impairment for the assets with impairment. The Company made provisions for impairment of various assets in an amount of RMB231.85 million in 2018. Details are as follows:

- (I) As the debtors of Guo Yu Logistics bonds held by the Company had no executable properties, the Company made provisions for impairment of debt investments in an amount of RMB37.48 million based on the expected losses. Provisions for impairment of trade receivables and other receivables were made in an amount of RMB21.97 million based on the expected credit losses.
- (II) As certain inventories had signs of impairment, the Company made provisions for impairment of inventories in an aggregate amount of RMB123.65 million based on the difference between the book value and net realizable value.
- (III) The Company conducted impairment test on long-term assets with signs of impairment at the end of the year. As the recoverable amount of certain assets is lower than their book value, the Company made provisions for impairment of fixed assets and the construction in progress in an amount of RMB21.03 million and RMB9.62 million, respectively. The Company made provisions for impairment of intangible assets in an amount of RMB1.11 million based on the difference between the abovementioned book value and recoverable amount.
- (IV) The Company made provisions for impairment of certain other current assets, which are expected to bring no inflow of economic benefits for the Company in the future, in an amount of RMB12.41 million. The Company made provisions for impairment of certain advances to suppliers which are likely to be unrecoverable in an amount of RMB4.58 million.

## **II. IMPACT OF PROVISIONS FOR IMPAIRMENT OF ASSETS ON THE COMPANY'S FINANCIAL POSITION**

The impact of the provisions for impairment of assets reduced the total profit in the 2018 consolidated statements of the Company by RMB231.85 million.

## **III. OPINIONS OF THE BOARD**

The making of provisions for impairment of assets by the Company is in compliance with the provisions of the Accounting Standards for Business Enterprises and relevant accounting policies of the Company and is beneficial for reflecting the financial position and operating situation of the Company in 2018 in a more objective and fairer way. Therefore, the Board agrees with the making of provisions for impairment of assets.

## **IV. OPINIONS OF INDEPENDENT DIRECTORS**

The making of provisions for impairment of assets by the Company is in compliance with the provisions of the Accounting Standards for Business Enterprises and relevant accounting policies of the Company and will reflect the assets and operating results of the Company in a fair way. Besides, the Company has performed the corresponding decision-making procedures for the making of provisions for impairment of assets without prejudice to the interests of the Company and the shareholders. Therefore, the independent directors agree with the making of provisions for impairment of assets by the Company.

## **V. OPINIONS OF THE BOARD OF SUPERVISORS**

The making of provisions for impairment of assets by the Company is in compliance with the provisions of the Accounting Standards for Business Enterprises and relevant accounting policies of the Company and reflects the actual conditions of relevant assets and the financial position of the Company. Therefore, the Board of Supervisors agrees with the making of provisions for impairment of assets by the Company.

By Order of the Board  
**First Tractor Company Limited\***  
**YU Lina**  
*Company Secretary*

Luoyang, the PRC  
29 March 2019

*As at the date of this announcement, the Board comprises Mr. Wu Yong (vice*

*Chairman) as executive Director; Mr. Li Hepeng, Mr. Xie Donggang, Mr. Li Kai and Mr. Zhou Honghai as non-executive Directors; and Mr. Yu Zengbiao, Ms. Yang Minli, Ms. Wang Yuru and Mr. Edmund Sit as independent non-executive Directors.*

*\* For identification purposes only*