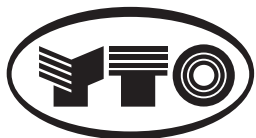


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**第一拖拉机股份有限公司**  
**FIRST TRACTOR COMPANY LIMITED**\*

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

(Stock Code: 0038)

## **ANNOUNCEMENT ON PROVISIONS FOR TERMINATION BENEFITS**

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).

In order to improve business performance, the Company implemented the simplification of organization structure and workforce downsizing in 2018, and made relevant provisions for termination benefits according to the PRC Accounting Standards for Business Enterprises and the accounting policy of the Company. The Resolution in relation to Provisions for Termination Benefits by the Company was 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.

### **I. REASONS FOR AND BASIS OF THE PROVISIONS**

During the reporting period, the headquarters of the Company and the subordinate units, based on their respective actual production and operation, terminated labour contracts with certain redundant employees after negotiation, and implemented policy-based placement for employees whose labour contracts were unable to be terminated after negotiation but who are unable to participate in the future actual production of the Company.

Pursuant to the PRC Accounting Standards for Business Enterprises and relevant requirements under the Company's accounting policy, termination benefits are compensations provided by the Company to employees for early termination of the labour relationship with the employees prior to expiry of their labour contracts, or to encourage employees to voluntarily accept lay-offs. In relation to the internal retirement scheme implemented by the enterprise, although such employees have not terminated their labour contracts with the Company, they will no longer provide services to the Company and will not be able to generate economic benefits for the enterprise. Where the Company has undertaken to provide economic compensation which substantively bear the nature of termination benefits, such cases will be handled in accordance with such termination benefits prior to the respective dates of formal retirement of the relevant employees.

Where any provision of termination benefits is made by the Company to employees, employee remuneration liabilities arising from such termination benefits shall be recognized and accounted for in the profit and loss for the current period based on the provision of termination benefits due to the scheme for the termination of labour relationships or lay-off proposal which cannot be unilaterally withdrawn by the Company, or the Company's payment of relevant restructuring costs or expenses relating to the termination benefits, whichever is earlier.

For termination schemes where the termination benefits are expected not to be able to be fully paid off within twelve months after the end of the reporting period, and substantial termination work is completed within one year but compensation payables are paid over a period exceeding one year, the Company shall select appropriate discounted rates, and account for such provisions of discounted amounts in the profit and loss for the current period.

## **II. PROVISIONS MADE FOR THE TERMINATION BENEFITS**

During the reporting period, the Company terminated labour contracts with 513 employees through negotiation, implemented policy-based placements for 1,741 employees and made provisions for termination benefits of RMB201,431,500. In addition, YTO (France) SAS made provisions of RMB47,083,800 for employee severance pay due to its adjustment of strategic positioning. As such, aggregate provisions of RMB248,515,300 were made.

## **III. IMPACT OF THE PROVISIONS ON THE OPERATING RESULTS OF THE COMPANY**

The provisions for termination benefits resulted in a decrease of RMB248,515,300 in the total profit in the consolidated financial statements of the Company for 2018.

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

The independent directors of the Company opine that the provisions for termination benefits comply with the requirements of the PRC Accounting Standards for Business Enterprises and the Company's accounting policy, provide appropriate arrangements for the redundant personnel of the Company, and are in line with the current production and operation actualities of the Company without prejudice to the interests of the Company and its shareholders. Therefore, the independent directors of the Company agree with the provisions for termination benefits of the Company.

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

The board of supervisors of the Company opines that the provisions for termination benefits by the Company are in line with the PRC Accounting Standards for Business Enterprises and the relevant accounting policy of the Company, and that the Company has performed the corresponding decision-making procedures without prejudice to the interests of the Company and the shareholders as a whole. Therefore, the board of supervisors of the Company agrees with the provisions for termination benefits.

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*