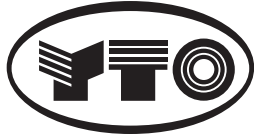


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第一拖拉机股份有限公司
FIRST TRACTOR COMPANY LIMITED*

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

(Stock Code: 0038)

**FURTHER ANNOUNCEMENT IN RESPECT OF THE
DISCLOSEABLE AND CONNECTED TRANSACTIONS IN
RELATION TO THE DISPOSALS OF 100% EQUITY INTEREST OF
TWO SUBSIDIARIES**

Reference is made to the announcement of First Tractor Company Limited* (第一拖拉机股份有限公司) (the “**Company**”) dated 11 October 2019 in respect of the discloseable and connected transactions in relation to the disposals of 100% equity interest of two subsidiaries of the Company (the “**Announcement**”). Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

The Company would like to provide further information in relation to the Disposals, which is also disclosed in the announcement published by the Company on the website of the Shanghai Stock Exchange dated 15 October 2019 as required by the Shanghai Stock Exchange, as follows:

1. Purpose of the Disposals

In recent years, as the agricultural machinery industry in China has entered a period of deep adjustment, the market demand for traditional agricultural machinery products such as tractors and harvesters remains weak. Meanwhile, the market demand structure also experienced great changes, the transformation and upgrading of agricultural machinery industry was accelerated, and the product mix adjustment was further intensified. In response to the continuous adjustment in the industry and market changes, the operating plan of the Company for 2019 is focused on gathering core resources to make its principal business stronger and better, and continue to optimise product mix, improve product quality and step up efforts to dispose of low-efficient, ineffective and non-core assets.

Affected by a combination of factors, such as the significant decrease in local market demand for agricultural machinery products and declining farmers' planting income, the business condition of Xinjiang Equipment Company has been in a decline. Since 2016, Xinjiang Equipment Company has leased idle lands and properties to compensate for the revenue shortfall in agricultural machinery business so as to maintain its operations. It has fully suspended the production and manufacturing of tractors in the second half of 2019.

Luoyang Xiyuan is principally involved in providing testing and inspection services for corporations, with services mainly covering testing and inspection of tractors and other agricultural machinery, three-wheeled vehicles, low-speed trucks, special-purpose vehicles, construction machineries and its components.

Based on the operating plan of the Company, the existing and future main businesses of the two subsidiaries above will not be part of the business expansion focus of the Company. Therefore, the Company intends to exit from such businesses and re-allocate its core resources in an efficient way to focus on its principal business, so as to achieve a transformation and upgrade whilst improving quality and efficiency.

2. Selection of valuation approach for the equity interests of Xinjiang Equipment Company

In accordance with the initial valuation report issued by the Independent Valuer, the main reason for adopting asset-based approach for the valuation of the equity interest of Xinjiang Equipment Company is as follows: according to the requirements of assets valuation standards, three approaches can be adopted in the valuation of the enterprise, namely the income approach, market approach and asset-based approach. The income approach is the quantification and capitalisation of the expected profitability of the overall assets of the enterprise, emphasising the overall expected profitability of the enterprise. The market approach assesses the current fair market value of the valuation subject with reference to similar subjects in the market. The characteristic of this approach is that the valuation data is derived directly from the market and thus the valuation results are convincing. The asset-based approach refers to the practice of determining the value of the valuation subject based on the reasonable valuation of each of the assets and liabilities of the enterprise.

From the perspective of the future business plan of Xinjiang Equipment Company, Xinjiang Equipment Company has decided to fully terminate its business of producing and sale of tractors and its business scope will thus undergo major changes. Therefore, it cannot effectively estimate its future business operations. As a result, it is not possible to make a reliable prediction of future income. Thus, it is not appropriate to adopt the income approach for the valuation.

The two methods commonly used in the market approach are listed-company comparison and transaction comparison. Since it is difficult to find enterprises or transactions similar to the appraised enterprise for reference in the current PRC capital market, there is no pre-requisite for the adoption of the market approach and it is not suitable to adopt the market approach for the valuation.

In summary, it is determined that the asset-based approach be adopted for the valuation.

3. Valuation appreciation of Luoyang Xiyuan

Based on the Valuation Date of 31 July 2019, the book value of the shareholders' equity of Luoyang Xiyuan amounted to approximately RMB91,096,100. The appraised value of the shareholders' equity at using the income approach was approximately RMB234,925,900, representing an increase of approximately 157.89%. The main reason for the significant appreciation in using the income approach for the valuation is that the operation of Luoyang Xiyuan has been stable in recent years and it is expected that it will maintain its profitability. The valuation result reflects the intrinsic value of Luoyang Xiyuan which encompasses both tangible assets and intangible assets as numerous accredited qualifications, public service platform, industrial influence and customer resources of Luoyang Xiyuan, resulting in the appreciation of the valuation.

4. Further information on the payment timing for the Disposals, recovery risk and impact on the Company

In accordance with the Agreements, the Purchaser shall pay the Company and Luoyang Tractor respectively, within 60 days of each of Agreement I and Agreement II becoming effective. This clause was agreed upon by both parties in the Agreements through negotiation based on normal commercial terms, which is in line with normal commercial practice and is fair and reasonable. As at the date of this announcement, the Purchaser has completed the approval for the Disposals. The Agreements will be effective after the approval of the Shareholders at the extraordinary general meeting of the Company to be convened on 29 November 2019 and the completion of filing of the valuation reports.

According to the publicly available financial information of the Purchaser, as at 30 June 2019, the book value of its monetary funds amounted to approximately RMB1.8 billion. The Purchaser has the capability to complete the transactions, and there is no significant risk of uncertainty in Completion performance. The Purchaser will complete the payments according to the Agreements once the Agreements become effective.

Other than as disclosed above, all information in the Announcement remains unchanged.

* *In this announcement, the English names of the PRC entities marked in asterisks are direct translations of their respective Chinese names and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.*

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

Luoyang, the PRC
15 October 2019

As at the date of this announcement, the Board comprises Mr. Li Xiaoyu (Chairman), Mr. Cai Jibo (vice Chairman) and Mr. Liu Jiguo as executive Directors; Mr. Li Hepeng, Mr. Xie Donggang 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.