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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 BENEFITS TERMINATION**

On 29 March 2021, First Tractor Company Limited\* (the “**Company**”) considered and approved the Resolution in relation to the Provision for Benefits Termination for 2020 at the 27th meeting of the eighth session of the board of directors of the Company. The resolution is not subject to approval at the general meeting of the Company.

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

During the reporting period, in order to further improve the quality of corporate operation, the Company continued to optimize its staff and terminated labour contracts with certain employees after negotiation, and implemented policy-based placement for employees whose labour contracts were unable to be terminated after negotiation but who were unable to participate in the future actual production of the Company. In 2020, the Company terminated labour contracts with 133 employees through negotiation, implemented policy-based placement for 211 employees. According to the Accounting Standard for Business Enterprises and relevant requirement of the Company, the Company made provisions for benefits termination of RMB28,080,000 in total.

### **II. IMPACT OF THE PROVISIONS MADE FOR THE BENEFITS TERMINATION ON THE RESULTS OF THE COMPANY**

The provisions for benefits termination were accounted for in the profit and loss for the current period and resulted in a decrease of RMB28,080,000 in the total profit in the consolidated financial statements of the Company for 2020.

The aforesaid amount has been audited and confirmed by Da Hua Certified Public Accountants (Special General Partnership).

### **III. OPINION OF INDEPENDENT DIRECTORS**

The independent directors of the Company opine that the provisions for benefits termination comply with the requirements of the PRC Accounting Standards for Business Enterprises and the Company's accounting policy, 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 benefits termination of the Company.

### **IV. OPINION OF THE BOARD OF SUPERVISORS**

The board of supervisors of the Company opines that the provisions for benefits termination by the Company comply with the PRC Accounting Standards for Business Enterprises and the Company's relevant accounting policy, and are in line with the production and operation needs of the Company and beneficial to the Company's sustainable and healthy development; the Company has performed the corresponding decision-making procedures for the provisions for benefits termination without prejudice to the interests of the Company and the shareholders as a whole. Therefore, the board of supervisors of the Company agree with the provisions for benefits termination of the Company.

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

Luoyang, the PRC  
29 March 2021

*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 Ms. Yang Minli, Ms. Wang Yuru and Mr. Edmund Sit as independent non-executive Directors.*

\* *For identification purposes only*