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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 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 27th 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 2020 was considered and approved. The resolution is subject to consideration and approval at the 2020 annual general meeting of the Company. 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 2020, 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 RMB585.24 million for 2020. Details are as follows:

(I) IMPAIRMENT LOSSES ON CREDIT

Details of impairment losses on credit for 2020 *Unit: RMB*

Item	Amount accrued
Impairment loss on accounts receivables	243,223,289.71
Impairment loss on entrusted loans	171,000,000.00
Impairment loss on loans	-3,467,526.30
Lendings to banks and other financial institutions	30,000,000.00
Total	<u>440,755,763.41</u>

1. Impairment losses of RMB243.22 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) Shentong Engineering Machinery Co., Ltd., a subsidiary of the Company, entered into bankruptcy proceedings upon a ruling from court on 13 January 2020, and according to the situation of its assets, provisions for impairment of the entrusted loans of RMB171 million provided by the Company to the subsidiary were fully made.
3. China YTO Group Finance Company Limited, a subsidiary of the Company, is a non-banking financial institution. At the end of the year, RMB3.47 million of its credit assets were transferred back to the loan impairment loss in accordance with the risk level of the credit assets.
4. China YTO Group Finance Company Limited, a subsidiary of the Company, failed to repay its due inter-bank borrowings. According to the classification of financial assets, it was classified from secondary to suspicious, and additional impairment losses of RMB30 million were accrued for the period.

(II) IMPAIRMENT LOSSES ON ASSETS

Details of impairment losses on assets for 2020 *Unit: RMB*

Item	Amount accrued
Impairment loss on inventories	49,534,036.78
Impairment loss on fixed assets	47,127,752.39
Impairment loss on advance payments	220,332.49
Impairment loss of construction in progress	311,743.00
Impairment loss of intangible assets	792,030.00
Impairment loss of long-term equity investments	<u>46,500,046.00</u>
Total	<u><u>144,485,940.66</u></u>

1. As certain inventories showed signs of impairment, the Company accrued impairment losses on inventories in an aggregate amount of RMB49.53 million based on the difference between their book value and net realizable value.
2. Upon impairment tests on fixed assets by the Company at the end of the year, recoverable amounts of some fixed assets were lower than their book values, and impairment losses of RMB47.13 million were accrued on fixed assets based on the difference between the expected useful life and net residual value of the fixed assets and the original estimates.

3. Impairment losses of RMB220,000 were accrued on some advance payments which were unlikely to be recovered.
4. Due to the postponement of some construction in progress, impairment losses of RMB310,000 were accrued on the construction in progress with signs of impairment; upon impairment tests, book values of some intangible assets held by the Company were higher than their recoverable amounts, and impairment losses of RMB790,000 were accrued on the intangible assets based on the difference.
5. On account of its insolvency, YTO (Luoyang) Shentong Engineering Machinery Co., Ltd., a subsidiary of the Company, entered into bankruptcy proceedings upon a ruling from court on 13 January 2020, and impairment losses of RMB46.5 million were fully accrued by the Company on the long-term equity investment.

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 RMB585.24 million in its impairment losses in consolidated statements and a decrease of RMB585.24 million in its total profit in consolidated statements for 2020.

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 2020 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, without prejudice to the interests of the Company and its shareholders, 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 2021

As at the date of this notice, 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*