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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 APPLICATION FOR JUDICIAL LIQUIDATION BY A WHOLLY-OWNED SUBSIDIARY

As a result of the continuous operating losses, YTO France SAS (hereinafter referred to as “**YTO France**”), a wholly-owned subsidiary of First Tractor Company Limited (hereinafter referred to as the “**Company**”) became insolvent and had difficulty in paying off the due debts, and following the consideration and approval at the 29th meeting of the eighth session of the board of directors of the Company, the filing of application by YTO France to local court in France for judicial liquidation was approved. Details are as follows:

I. BASIC INFORMATION ON YTO FRANCE

Company name: YTO France SAS (一拖(法國)農業裝備有限公司)

Registered capital: 10 million Euros, 100% equity held by the Company

Registered address: Clos Saint-Jean 52115 Saint-Dizier Cedex

Principal business: being mainly engaged in the manufacture and sale of components and parts of tractors

Key financial indicators for the latest year and period:

(Unit: Ten Thousand Euros)

Financial indicator	31 December	
	2020 (Audited)	31 March 2021 (Unaudited)
Total assets	235	217
Total liabilities	321	533
Net assets	-86	-316
	2020	January – March 2021
Revenue	937	-205
Net profit	32	-234

II. REASONS FOR JUDICIAL LIQUIDATION

In 2011, in order to realize the technological upgrading of its tractor products, the Company established YTO France, acquired part of the assets of McCormick France SAS, and commenced the manufacture and sale of power-shift driveline system and other components, which mainly served the Company.

In recent years, due to the continuous depression and profound adjustment in domestic agricultural machinery market, there was a lack of demand in tractor market and YTO France suffered continuous loss. Since 2018, in order to improve the condition of operation of YTO France, the Company made adjustment to the development orientation, business, personnel and other aspects of YTO France. However, the loss-making situation has not been improved fundamentally. What is more, the pandemic adds further difficulty to the resumption of its normal operation and the implementation of its future development plan. As at the end of March 2021, YTO France had total assets of 2.17 million Euros, liabilities of 5.33 million Euros, net assets of -3.16 million Euros, making it insolvent and difficult to pay off the due debts. Under local laws in France, YTO France shall file an application to local courts for judicial liquidation.

III. IMPACT OF THE JUDICIAL LIQUIDATION OF YTO FRANCE ON THE COMPANY

1. According to the relevant provisions under the Accounting Standards, YTO France, after entering into the procedure of judicial liquidation, will no longer be included into the scope of the consolidated statements of the Company. As at the date of this announcement, there was no provision of guarantee, borrowings and others by the Company to YTO France. Given that the previous losses of YTO France have been reflected in the consolidated statements, and the Company has made full provision for impairment on the long-term equity investments in YTO France, approximately RMB10 million of the consolidated statements of the Company for the period is expected to be reduced by the judicial liquidation mainly due to the impact of differences on translation of foreign currency statements, and the final figure will be subject to the results of the judicial liquidation and assets realization of YTO France.
2. With years of increase in the investment in research and development as well as technological reform, the Company has mastered the technologies of power shift products and its manufacturing, thus, the judicial liquidation of YTO France will have no adverse impact on the components supply of the Company. In addition, the application for judicial liquidation by YTO France will have no impact on the Company's international business operation and its established strategic objective of expanding its overseas business.
3. After YTO France files an application for judicial liquidation to the local commercial court, the court should issue a ruling over the relevant conditions upon verification, therefore, the matter is subject to certain uncertainties.

IV. RISKS WARNING

The Company will disclose relevant information in a timely manner based on the development of the judicial liquidation of YTO France. Investors are advised to be aware of the investment risks involved.

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

Luoyang, the PRC
13 May 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*