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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 ABSORPTION AND MERGER OF A WHOLLY-OWNED SUBSIDIARY

The board of directors and all directors of the Company hereby warrant that there are no false information, misleading statements or material omissions in this announcement, and accept several and joint responsibilities for the truthfulness, accuracy and completeness of its contents.

In order to optimize the management and business structure of First Tractor Company Limited (the “**Company**”) and reduce the management and operation costs, the board of directors of the Company (the “**Board**”) agreed that the Company should merge all the assets, liabilities and business of its wholly-owned subsidiary, YTO Shunxing (Luoyang) Spare Parts Co., Ltd. (“**Shunxing**”) (the “**Absorption and Merger**”). Upon the completion of the Absorption and Merger, the independent legal person status of Shunxing will be de-registered and the Company will, as the surviving operating entity, proceed to manage the combined assets and business and succeed to the debts and liabilities of that company. The Absorption and Merger is subject to the approval of the Company’s shareholders at a general meeting.

I. GENERAL INFORMATION OF BOTH PARTIES TO THE MERGER

(1) Basic information of the merging party

1. Company Name: First Tractor Company Limited
2. Corporate type: Joint stock limited company
3. Date of Establishment: 28 December 1998
4. Place of registration: No. 154 Jianshe Road, Luoyang City, Henan Province

5. Registered capital: RMB1,123,645,275
6. Legal representative: Liu Jiguo
7. Whether it is a dishonest person subject to enforcement: No
8. Scope of operation:

General items: manufacturing of tractors; sales of agricultural machinery; manufacturing of agricultural machinery; sales of machinery and equipment; research and development of machinery and equipment; manufacturing of general equipment (excluding manufacturing of special equipment); manufacturing of electric generators and electric generating sets; sales of electric generators and electric generating sets; sales of special equipment; casting of ferrous metals; sales of high-quality special steel materials; manufacturing of forgings and powder metallurgy products; sales of forgings and powder metallurgy products; manufacturing of machinery parts for agriculture, forestry, animal husbandry and fishery; sales of machinery parts for agriculture, forestry, animal husbandry and fishery; technical services, technology development, technical consultation, technology exchanges, technology transfer and technology promotion; manufacturing of navigational, surveying and mapping, meteorological and marine special instruments; sales of navigational, surveying and mapping, meteorological and marine special instruments; software development; information systems integration services (except for items that require approval in accordance with the law, business activities are carried out independently with business licenses in accordance with the law). Licensed items: manufacturing of special equipment; import and export of goods; import and export of technology (for projects subject to approval according to law, business activities can only be carried out after the approval of the relevant departments. The specific business projects are subject to the approval documents or licenses of the relevant departments)

(II) Basic information of the party to be merged

1. Company Name: YTO Shunxing (Luoyang) Spare Parts Co., Ltd.
2. Corporate type: Limited liability company
3. Date of Establishment: 2 February 2007
4. Place of registration: No. 154 Jianshe Road, Jianxi District, Luoyang City
5. Registered capital: RMB30,000,000
6. Legal representative: Wang Huawei

7. Share capital structure: The Company holds 100% equity interest in Shunxing
8. Scope of operation: Processing, sales and service of parts and components
9. Whether it is a dishonest person subject to enforcement: No
10. Financial information of the Company for the most recent year and period is as follows:

Unit: RMB0'000

Item	January – December 2021 (Audited)	January – June 2022 (Unaudited)
Operating revenue	1,214	487
Net profit	11	4

Item	31 December 2021 (Audited)	30 June 2022 (Unaudited)
Total assets	2,900	2,949
Net assets	2,838	2,842

II. MANNER, SCOPE AND RELATED ARRANGEMENTS OF THE ABSORPTION AND MERGER

1. The Company will absorb and merge all of the assets, liabilities, interests and business of Shunxing, and the Company will continue to operate after the completion of the Absorption and Merger, and Shunxing's status as a separate legal entity will be de-registered. The Absorption and Merger does not involve any increase or decrease in the registered capital of the Company or any change in the scope of business.
2. Upon completion of the Absorption and Merger, all assets, liabilities and interests of Shunxing will be owned or assumed by the Company, and the business and all personnel of Shunxing will be taken over or absorbed by the Company.

3. The base date of the Absorption and Merger was 30 June 2022.
4. The merging parties shall prepare the balance sheet and property list, and perform the procedures of notifying creditors and public announcement(s).
5. The merging parties shall jointly complete the relevant matters of asset transfer, and the registration procedures for the change of ownership and industrial and commercial changes.
6. The merging parties shall perform other procedures required by laws, regulations or regulatory requirements.

III. PURPOSE OF THE ABSORPTION AND MERGER AND IMPACT ON THE COMPANY

1. The Absorption and Merger is beneficial to the Company in further improving the management structure, reducing the levels of management, improving management efficiency and reducing operating costs.
2. As a wholly-owned subsidiary of the Company, the financial statements of Shunxing have been included in the Company's consolidated financial statements. The Absorption and Merger will not have any material impact on the Company's profit and loss for the current period, and will not be prejudicial to the interests of the Company and its shareholders.

IV. THE EXTRAORDINARY GENERAL MEETING

According to relevant laws and regulations in the PRC and the Company's articles of association, the Absorption and Merger is subject to the consideration and approval of the general meeting of the Company. The 2022 third extraordinary general meeting of the Company (the "EGM") will be held at No. 154 Jianshe Road, Luoyang, Henan Province, the PRC at 2:15 p.m. on Wednesday, 12 October 2022, the Notice of EGM and a form of proxy for use at the EGM (the "**Proxy Form**") have been dispatched to H Shareholders on 16 September 2022.

No Shareholder is required to abstain from voting on the special resolution in respect of the Proposal regarding the absorption and merger of YTO Shunxing (Luoyang) Spare Parts Co., Ltd. at the EGM. The Board considers that the special resolution set out in the notice of the EGM is in the best interests of the Company and its shareholders; accordingly, the Board recommends all Shareholders to vote in favour of the special resolution set out in the notice of EGM.

Whether or not you are able to attend the EGM in person, you are requested to complete and return the Proxy Form in accordance with the instructions printed thereon. The Proxy Form shall be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time scheduled for holding the EGM or any adjourned meeting (as the case may be). Completion and deposit of the Proxy Form will not preclude you from attending and voting in person at the EGM or any adjourned meeting (as the case may be) should you so wish.

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

Luoyang, the PRC

16 September 2022

As at the date of this announcement, the Board comprises Mr. Liu Jiguo (Chairman) as executive Director; Mr. Zhang Zhiyu, Mr. Fang Xianfa and Mr. Ma Zhihui as non-executive Directors; and Mr. Edmund Sit, Mr. Wang Shumao and Mr. Xu Liyou as independent non-executive Directors.

* *For identification purposes only*