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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **First Tractor Company Limited\***, you should at once hand this circular with the accompanying form(s) of proxy to the purchaser(s) or the transferee(s), or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or the transferee(s).

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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of First Tractor Company Limited\*.

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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)

**MAKING PROVISIONS FOR IMPAIRMENT OF ASSETS  
BY THE COMPANY  
AND  
NOTICE OF AGM**

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A letter from the Board is set out on pages 1 to 6 of this circular.

The notice for convening the 2020 Annual General Meeting of First Tractor Company Limited\* to be held at 2:15 p.m. on 8 June 2021 (Tuesday) at No. 154 Jianshe Road, Luoyang, Henan Province, the PRC are set out on pages 7 to 9 of this circular.

A form of proxy for use at the 2020 Annual General Meeting is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy 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, or at the registered address and principal place of business of the Company at No. 154 Jianshe Road, Luoyang, Henan Province, the PRC, as soon as possible and in any event not less than 24 hours before the time scheduled for holding the 2020 Annual General Meeting (or any adjourned meetings thereof). Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the 2020 Annual General Meeting or any adjournment if you so desire.

23 April 2021

\* For identification purposes only

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## DEFINITIONS

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*In this circular, unless the context requires otherwise, the following expressions shall have the following meanings:*

“AGM” or “2020 Annual General Meeting”	the 2020 annual general meeting of the Company to be held at No. 154 Jianshe Road, Luoyang, Henan Province, the PRC on 8 June 2021 (Tuesday) at 2:15 p.m.
“Board”	the board of Directors of the Company
“Company”	First Tractor Company Limited* (第一拖拉機股份有限公司), a joint stock company with limited liability incorporated in the PRC, the H Shares and A Shares of which are listed on the main board of the Stock Exchange (stock code: 0038) and the Shanghai Stock Exchange (stock code: 601038) respectively
“Director(s)”	the directors of the Company, including the independent non-executive directors
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Non-executive Director(s)” or “Independent Director(s)”	the independent non-executive Directors of the Company
“Latest Practicable Date”	19 April 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of RMB1.00 each of the Company

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## DEFINITIONS

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“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

\* *For identification purpose only*

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## LETTER FROM THE BOARD

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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)

*Board of Directors:*

Mr. Li Xiaoyu (*Chairman*)  
Mr. Cai Jibo (*Vice Chairman*)  
Mr. Liu Jiguo  
Mr. Li Hepeng  
Mr. Xie Donggang  
Mr. Zhou Honghai  
Ms. Yang Minli\*\*  
Ms. Wang Yuru\*\*  
Mr. Edmund Sit\*\*

*Registered and principal office:*

No. 154 Jianshe Road  
Luoyang  
Henan Province  
The PRC

\*\* *Independent non-executive Director*

23 April 2021

*To the Shareholders*

Dear Sir or Madam,

### **MAKING PROVISIONS FOR IMPAIRMENT OF ASSETS BY THE COMPANY AND NOTICE OF AGM**

#### **I. INTRODUCTION**

The purpose of this circular is to provide you with details of the captioned matter to enable you to make an informed decision on whether to vote for or against or abstain from voting on the proposed resolution(s) at the AGM.

#### **II. MAKING PROVISIONS FOR IMPAIRMENT OF ASSETS BY THE COMPANY**

Reference is made to the announcement of the Company dated 29 March 2021.

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## LETTER FROM THE BOARD

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The Resolution on Making Provisions for Impairment of Assets by the Company for 2020 has been considered and approved at the 27th meeting of the eighth session of the Board of the Company and is subject to consideration and approval at the AGM. Details of the resolution on making 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	<u>30,000,000.00</u>
Total	<u><u>440,755,763.41</u></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.

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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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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. The Company will continue to pay close attention to the receivables of the impairment losses already made, and actively organized the recovery, so as to make the best efforts to reduce the losses of the Company.

### **(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.



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## LETTER FROM THE BOARD

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### (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.

The Resolution on Making Provisions for Impairment of Assets by the Company for 2020 is subject to consideration and approval at the AGM.

### III. THE AGM

The AGM will be held at 2:15 p.m. on 8 June 2021 (Tuesday) at No. 154 Jianshe Road, Luoyang, Henan Province, the PRC.

The notice of the AGM is set out on pages 7 to 9 of this circular. The form of proxy for use at the AGM is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon. The proxy form should 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, or at the registered address and principal place of business of the Company at No. 154 Jianshe Road, Luoyang, Henan Province, the PRC, as soon as possible and in any event not less than 24 hours before the time scheduled for holding the AGM (or any adjourned meetings thereof). Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment if you so desire.

No Shareholders are required to abstain from voting in respect of all the proposed resolutions at the AGM. At the AGM, votes will be taken by poll.

### IV. RECOMMENDATION

The Directors consider that the resolution on making provisions for impairment of assets is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the said resolution and all other resolutions set out in the notice of the AGM at the AGM.

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## LETTER FROM THE BOARD

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### V. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omissions of which would make any statement herein or this circular misleading.

Yours faithfully,  
On behalf of the Board  
**First Tractor Company Limited\***  
**Yu Lina**  
*Company Secretary*

\* *For identification purposes only*

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## NOTICE OF AGM

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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)

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the 2020 annual general meeting (the “**AGM**”) of First Tractor Company Limited (the “**Company**”) will be held at 2:15 p.m. on 8 June 2021 (Tuesday) at No. 154 Jianshe Road, Luoyang, Henan Province, The People's Republic of China (the “**PRC**”) for the purpose of considering and, if thought fit, passing the following resolutions:

### ORDINARY RESOLUTIONS

1. To consider and approve the report of the board of directors (the “**Board**”) of the Company for the year 2020
2. To consider and approve the work report of the supervisory committee of the Company for the year 2020
3. To consider and approve the resolution on making provisions for impairment of assets by the Company for 2020
4. To consider and approve the audited financial report of the Company for the year 2020
5. To consider and approve the profit distribution plan of the Company for the year ended 31 December 2020

The 2020 profit distribution plan: Based on the total share capital of 1,123,645,275 shares following the designated placement of shares as the base, it is proposed that a cash dividend of RMB0.075 per share (tax included) will be distributed to all shareholders.

6. To consider and approve the re-appointment of Da Hua Certified Public Accountants (Special General Partnership) as the auditor of the Company's financial report and the internal control auditor for the year 2021, and to authorize the Board of the Company to decide its remuneration

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## NOTICE OF AGM

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(For details of the above resolutions, please refer to the announcement of the Company dated 29 March 2021 and the circular of the Company dated 23 April 2021.)

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

Luoyang, the PRC  
23 April 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.*

*Notes:*

1. The register of members of the Company will be temporarily closed from 9 May 2021 to 7 June 2021 (both days inclusive) during which no transfer of shares of the Company (the “**Shares**”) will be registered in order to determine the list of shareholders of the Company (the “**Shareholders**”) for attending the AGM. The last lodgment for the transfer of the H Shares of the Company should be made on 7 May 2021 at Hong Kong Registrars Limited by or before 4:30 p.m. The Shareholders or their proxies being registered on 7 May 2021 are entitled to attend the AGM by presenting their identity documents. The address of Hong Kong Registrars Limited, the H Shares registrar of the Company, is Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
2. Each Shareholder having the rights to attend and vote at the AGM is entitled to appoint one or more proxies (whether a Shareholder or not) to attend and vote on his behalf. Should more than one proxy be appointed by one Shareholder, such proxy shall only exercise his voting rights on a poll.
3. Shareholders can appoint a proxy by an instrument in writing (i.e. by using the Proxy Form enclosed). The Proxy Form shall be signed by the person appointing the proxy or an attorney authorized by such person in writing. If the Proxy Form is signed by an attorney, the power of attorney or other documents of authorization shall be notarially certified. To be valid, the Proxy Form and the notarially certified power of attorney or other documents of authorization must be delivered to the Company’s registered address at No. 154 Jianshe Road, Luoyang, Henan Province, the PRC, or the Company’s H Shares registrar, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by not less than 24 hours before the time scheduled for the holding of the AGM or any adjournment thereof.
4. Shareholders who intend to attend the AGM are requested to deliver the duly completed and signed reply slip for attendance to the Company’s registered and principal office in person, by post or by facsimile on or before 4:00 p.m., 19 May 2021.

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## NOTICE OF AGM

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5. Shareholders or their proxies shall present proofs of their identities upon attending the AGM.
6. The AGM is expected to last for less than one day. The Shareholders and proxies attending the AGM shall be responsible for their own travelling and accommodation expenses.

7. The Company's registered address:

No. 154 Jianshe Road, Luoyang, Henan Province, the PRC  
Postal code: 471004  
Telephone: (86379) 6497 0213 6497 0545  
Facsimile: (86379) 6496 7438  
Email: msc0038@ytogroup.com

\* *For identification purposes only*