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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 THE PROGRESS OF THE DISPOSAL OF TARGET ASSETS BY THE CONTROLLING SUBSIDIARY AND CONNECTED TRANSACTION

Reference is made to the announcement dated 29 March 2022 (the “**Announcement**”) and the circular dated 31 May 2022 (the “**Circular**”) published by First Tractor Company Limited (the “**Company**”, the “**First Tractor**”) in relation to, among other things, the disposal of Target Assets. Unless otherwise defined in this announcement, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement and the Circular.

I. BACKGROUND

To implement the financial regulatory requirements under the “Measures of China Banking and Insurance Regulatory Commission for the Implementation of Administrative Licensing Matters Concerning Non-banking Financial Institutions (CBIRC Order 2020 No.6) which requires only one finance company within the same corporate group. On 29 March 2022, China National Machinery Industry Corporation* (中國機械工業集團有限公司), the Company, China YTO Group Finance Company Limited (a controlled subsidiary of the Company, hereinafter referred to as “**YTO Finance**”), and Sinomach Finance Co., Ltd. (a company controlled by China National Machinery Industry Corporation, the actual controller of First Tractor, hereinafter referred to as “**Sinomach Finance**”) entered into the “Framework Agreement on Restructuring and Integration between China YTO Group Finance Company Limited and Sinomach Finance Co., Ltd.”, which intends to complete the restructuring of the relevant personnel, assets and business of YTO Finance and Sinomach Finance through a series of transaction arrangements, including the sale of assets by YTO Finance to Sinomach Finance, the capital increase by First Tractor to Sinomach Finance in cash, the termination of the operation and the implementation of liquidation of YTO Finance, and the provision of financial services by Sinomach Finance to First Tractor.

On the same day of the signing of the “Restructuring Framework Agreement” on 29 March 2022, YTO Finance and Sinomach Finance entered into the “Asset Disposal Agreement”, under which YTO Finance proposed to sell to Sinomach Finance certain credit assets it held (i.e. loans and advances to customers, non-current assets due within one year, long-term receivables with maturity date after 30 September 2022 as confirmed by valuation appraisal) and certain fixed assets and intangible assets related to its business (hereinafter collectively referred to as the “**Target Assets**”), with the appraised value confirmed by the recorded asset appraisal report as the basis for pricing.

The parties to the transaction agreed to conduct the first appraisal of the Target Assets with 31 December 2021 as the benchmark date and to take the first appraisal value of the Target Assets as the reference for the pricing of the Disposal. According to the “Asset Appraisal Report on the Value of Credit and Information Technology Related Assets of China YTO Group Finance Company Limited in relation to the Proposed Transfer of Assets by China YTO Group Finance Company Limited” issued by China Enterprise Appraisals Consultation Co., Ltd.* (北京中企華資產評估有限責任公司) by applying the asset-based method with a benchmark date of 31 December 2021, the book value of the Target Assets to be transferred by YTO Finance was RMB1,025,844,400 and the appraised value was RMB1,047,263,700, representing an appreciation of RMB21,419,300 and a 2.09% appreciation rate.

In view of the background of the restructuring and integration of YTO Finance and Sinomach Finance, YTO Finance will continue to operate until the cessation of business and there will be a change in the scope of the Target Assets. The parties agreed to conduct another appraisal of the Target Assets on the benchmark date as of the date of cessation of business of YTO Finance (30 June 2022) and to determine the final transaction price of the Target Assets based on the appraised value of the assets for filing purpose. The asset type of the Target Assets and the valuation method to be used for the final valuation will be similar to those used for the preliminary valuation.

The Disposal and other matters have been considered and approved at the 36th Meeting of the 8th Session of the Board of Directors of the Company and the 2nd Extraordinary General Meeting of the Company in 2022 (details of which are set out in the Announcement and the announcement of Resolutions of the 2nd Extraordinary General Meeting in 2022 disclosed on the website of The Stock Exchange of Hong Kong Limited).

II. PROGRESS OF THE TRANSACTION

1. Appraisal and filing of the Target Assets

Pursuant to the agreement, YTO Finance should have no new business after 30 June 2022 and the parties to the transaction have commenced the second appraisal of the Target Assets with 30 June 2022 as the benchmark date for the appraisal, and the categories of the Target Assets and the valuation method remain the same as the first appraisal. As a result of the appraisal filing process, the maturity date of certain credit assets held by YTO Finance as at 30 June 2022 with original maturity date before 30 September 2022 was extended to after 30 September 2022. According to the agreement, certain credit assets are also part of the Target Assets that should be included in the scope of the appraisal, resulting in the postponement of the filing of the asset appraisal for the Disposal. Up to now, the appraisal and filing of the assets to be disposed of have not been fully completed. Based on reasonable projection, the total amount of the transaction would remain not to exceed the previously estimated amount of RMB1,800,000,000.

2. Delivery arrangement of the Target Assets

Pursuant to the agreement, the parties agreed to commence the delivery of the assets and payment of the transfer price within 5 Business Days after the appraisal report of the Target Assets as at the date of cessation of business of YTO Finance is issued by the appraisal agency and filed. Sinomach Finance shall pay 90% of the total price of the asset disposal to YTO Finance within 2 Business Days after YTO Finance delivers the credit assets of member units sold to Sinomach Finance; the remaining balance will be paid within 2 Business Days after YTO Finance delivers the assets other than the credit assets of member units to Sinomach Finance.

As the asset appraisal filing has not yet been completed, the parties have not proceeded with the delivery of the assets and payment of the transfer price, and the settlement could not be completed before 30 September 2022. According to the current progress, it is expected that the target asset appraisal filing and asset delivery will be completed by the end of December 2022.

III. IMPACT OF THE MATTER ON THE LISTED COMPANY AND RISK WARNING

The delay in the settlement of the asset transfer is mainly affected by the progress of the asset appraisal and filing work, and there is no material obstacle to the implementation of the asset transfer, which does not involve the occupation of non-operating capital by related parties. Save for the above, there are no other matters to be disclosed in this transaction. The delay in the settlement of the asset transfer will not have an adverse impact on the financial and operating conditions of the Company. The Company will publish progress announcement(s) in a timely manner according to the progress of the transaction. Investors are advised to pay attention to the investment risks.

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

Luoyang, the PRC
10 October 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*