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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 ASSETS
BY THE CONTROLLING SUBSIDIARY AND
CONNECTED TRANSACTION**

The Board 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.

I. OVERVIEW OF THE TRANSACTION

To implement the financial regulatory requirements under the Implementation Measures of the China Banking Regulatory Commission for Administrative Licensing Matters relating to Non-banking Financial Institutions (Order of CBRC 2020 No.6) which requires only one finance company within the same corporate group, on 29 March 2022, First Tractor Company Limited* (hereafter, “**First Tractor**” or the “**Company**”), China YTO Group Finance Company Limited (a controlled subsidiary of the Company, hereinafter referred to as “**YTO Finance**”), SINOMACH Finance Co., Ltd. (a controlled company of China National Machinery Industry Corporation* (中國機械工業集團有限公司), the de facto controller of the Company, hereafter, “**SINOMACH Finance**”) and China National Machinery Industry Corporation* entered into the “Framework Agreement on Restructuring and Integration between China YTO Group Finance Company Limited and SINOMACH Finance Co., Ltd.” to carry out assets, business and personnel restructuring of YTO Finance and SINOMACH Finance through a series of transaction arrangements, including the disposal of assets of YTO Finance to SINOMACH Finance, the capital increase by First Tractor in SINOMACH Finance in cash, the cessation of operations and implementation of liquidation and cancellation 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 “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) 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.

In order to determine the scope of the assets to be transferred, the valuation method and the estimated transaction amount, the parties to the transaction agreed to conduct the first appraisal of the Target Assets on the base date of 31 December 2021, and the first appraisal of the Target Assets will be used as the reference for pricing the transaction. According to the appraisal report issued by China Enterprise Appraisals Consultation Co., Ltd. (hereafter, “**China Enterprise Appraisals**”) on the base date of 31 December 2021 and adopting the asset-based method, the book value of the Target Assets proposed to be transferred by YTO Finance was RMB1,025,844,400 and the appraisal 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 its business and the scope of the Target Assets will continue to change. Therefore, the parties agreed to conduct another appraisal of the Target Assets on the base date ending on 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 on file by then.

The aforementioned matter was considered and approved at the Thirty-sixth Meeting of the Eighth Session of the Board and the 2022 Second Extraordinary General Meeting of the Company (For details, please refer to the relevant announcements of the Company as disclosed on the website of the Hong Kong Stock Exchange on 29 March 2022 and 16 June 2022).

II. APPRAISAL AND FILING

The filing of 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” (Zhong Qi Hua Ping Bao Zi (2022) No. 1535) issued by China Enterprise Appraisals has been completed with the state-owned assets supervision department. Based on the business cessation date of YTO Finance (30 June 2022) as the base date, the book value of the Target Assets was RMB457,812,100 and the appraised value was RMB459,091,600, representing an appreciation of RMB1,279,400 and a 0.28% appreciation rate. The asset-based approach was adopted in this evaluation, and the specific evaluation results are as follows:

SUMMARY OF APPRAISAL RESULTS

Appraisal base date: 30 June 2022

Amount unit: RMB ten thousand

Items	Book value A	Appraised value B	Appreciation/ Depreciation C=B-A	Appreciation rate % D=C/A*100%
1 Assets:				
In which: Loans and advances				
2 to customers	12,107.46	12,297.46	190.00	1.57
3 Investment in receivables	33,147.85	33,150.08	2.23	0.01
4 Fixed assets	158.41	217.33	58.92	37.20
5 Intangible assets	357.00	233.16	-123.84	-34.69
6 Other assets	10.49	11.11	0.63	6.00
7 Total assets	45,781.21	45,909.16	127.94	0.28

The filed Appraisal of the Target Assets decreased by RMB588,172,100 as compared to the first appraisal, mainly due to the following reasons:

Amount unit: RMB ten thousand

Items	Book value			Appraised value			Change	Reason for change
	31 December 2021	30 June 2022	Change	31 December 2021	30 June 2022	Change		
1 Assets:								
2 In which: Loans and advances to customers	85,914.31	12,107.46	-73,806.85	88,173.17	12,297.46	-75,875.71		The loan amount disbursed decreased due to the early repayment of loans by some member units, resulting in a lower appreciation rate
3 Investment in receivables	16,134.77	33,147.85	17,013.08	16,138.44	33,150.08	17,011.64		Commencement of new business in the first half of 2022
4 Fixed assets	191.83	158.41	-33.42	208.56	217.33	8.77		
5 Intangible assets	324.82	357	32.18	187.49	233.16	45.67		
6 Other assets	18.70	10.49	-8.21	18.70	11.11	-7.59		
7 Total assets	102,584.44	45,781.21	-56,803.23	104,726.37	45,909.16	-58,817.21		

III. ABOUT THE SUPPLEMENTAL AGREEMENT TO THE DISPOSAL AGREEMENT OF CHINA YTO GROUP FINANCE COMPANY LIMITED

On 10 December 2022, First Tractor and SINOMACH Finance entered into the Supplemental Agreement to the Disposal Agreement of China YTO Group Finance Company Limited (hereafter, the “**Supplemental Agreement**”).

(1) Parties to the Agreement

Party A (seller): YTO Finance;

Party B (purchaser): SINOMACH Finance.

(2) Transaction Price and Pricing Basis

According to the asset appraisal report issued and filed by China Enterprise Appraisals, as of the business cessation date of YTO Finance (30 June 2022), the parties confirmed that the disposal price of the Target Assets is RMB459,091,600.

During the period from the business cessation date of YTO Finance to the delivery date of the Target Assets, the principal of the Target Assets such as loan and long-term receivables received by YTO Finance will be deducted from the asset disposal price. Both parties confirmed that SINOMACH Finance shall pay YTO Finance the final disposal price of the Target Assets amounting to RMB339,369,200, that is, the disposal price of the Target Assets of RMB459,091,600 deducting the principal of the Target Assets received by YTO Finance during the period from 30 June 2022 to 10 December 2022 amounting to RMB119,722,400.

(3) Delivery of the Target Assets

YTO Finance shall deliver the Target Assets to SINOMACH Finance within 5 Business Days after filing of the appraisal report of the Target Assets is completed. 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.

YTO Finance shall own all the interest, handling fees and other yields of the Target Assets generated from the business cessation date of YTO Finance to the date of delivery amounting to RMB1,350,400. At the time of the remaining payment, the parties will complete the settlement of the interest, handling fees and other yields generated by the Target Assets during the period from the business cessation date of YTO Finance to the delivery date.

- (4) The Supplementary Agreement is an integral part of the Disposal Agreement and has the same legal effect as the Disposal Agreement. Relevant contents that have not been revised in the Supplementary Agreement shall still be implemented in accordance with the Disposal Agreement.

IV. IMPLEMENTATION OF THE SUPPLEMENTAL AGREEMENT

As of the date of this announcement, both parties have completed the delivery of the Target Assets in accordance with the Supplemental Agreement, and SINOMACH Finance has paid the transfer price and accruals in full in the total sum of RMB340,719,600, and the asset disposal transaction has been fully completed.

This transaction will not have an adverse impact on the Company's financial and operating conditions, and there will be no damage to the interests of the Company and the shareholders as a whole. The cash received will be used in the repayment of debts (mainly the deposits of member companies) and cash distribution to shareholders including YTO Group Corporation, First Tractor and its subsidiaries during cancellation and liquidation.

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

Luoyang, the PRC
13 December 2022

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

* *For identification purposes only*