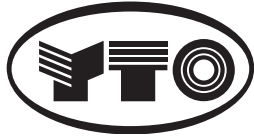


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第一拖拉机股份有限公司
FIRST TRACTOR COMPANY LIMITED*

(a joint stock company incorporated in The People's Republic of China with limited liability)

(Stock Code: 0038)

CONTINUING CONNECTED TRANSACTIONS

BACKGROUND

References are made to the announcements of the Company dated 25 August 2015, 15 September 2015, 28 February 2017, 20 March 2017 and 20 April 2017, and the circulars of the Company dated 10 October 2015 and 22 May 2017, in respect of, among other things, the existing continuing connected transactions under the Old Agreements and their respective Annual Cap amounts.

The Old Agreements will expire on 31 December 2018. The Board wishes to ensure the continuation of the on-going transactions of goods and services under the Old Agreements.

Accordingly, on 29 August 2018, the Company (on behalf of the Group) and/or its subsidiary, YTO Finance, entered into the New Agreements with YTO (for itself) and/or YTO (on behalf of YTO Group and/or Sinomach and/or the subsidiaries of Sinomach and/or associates of YTO and/or YTO Extended Group) and/or its controlled subsidiary, Tractors Research Company (on behalf of Tractors Research Group) and/or Sinomach Finance for a term of three years commencing from 1 January 2019. Save for (i) the change in the effective period and Annual Cap amounts of each of the New Agreements; (ii) the change in scope of services to be provided under the Composite Services Agreement and the Energy Procurement Agreement; and (iii) the change in aggregate gross floor area to be leased by the Company and over which the Company has pre-emptive rights under the Properties Lease Agreement and Land Lease Agreement, the terms and conditions of each of the New Agreements are similar to those in the respective Old Agreements.

The Directors (including the independent non-executive Directors) are of the view that (i) the continuing connected transactions contemplated under the New Agreements will be carried out in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole; (ii) the terms of the New Agreements are on normal commercial terms or on terms not less favourable than those of similar transactions with independent third parties and are fair and reasonable; and (iii) the proposed Annual Cap amounts of the transactions contemplated under the New Agreements for the three years ending 31 December 2019, 2020 and 2021 are fair and reasonable.

HONG KONG LISTING RULES IMPLICATIONS

As YTO, Sinomach, Sinomach Finance and Tractors Research Company are connected persons of the Company under Chapter 14A of the Hong Kong Listing Rules, the transactions contemplated under the New Agreements constitute continuing connected transactions of the Company.

As the applicable percentage ratios under each of the Non-exempt CCT Agreements, on an annual basis, are more than 5%, the Non-exempt CCT Transactions are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. In addition, the Company is required to comply with the annual review requirements under the Hong Kong Listing Rules in respect of each of the Non-exempt CCT Transactions.

As the applicable percentage ratios under each of the Other CCT Agreements, on an annual basis, are more than 0.1% but less than 5%, the transactions contemplated under the Other CCT Agreements are subject to the reporting, annual review and announcement requirements and exempt from Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The deposit services to be provided under the Deposit Service Agreement constitute financial assistance provided by YTO Group, for the benefit of YTO Finance on normal commercial terms where no security over the assets of the Group is granted in respect of such financial assistance. The transactions contemplated under the Deposit Service Agreement are exempted from the reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.90 of the Hong Kong Listing Rules. Announcement on the Deposit Service Agreement is made voluntarily by the Company.

SHANGHAI LISTING RULES IMPLICATIONS

As the A Shares of the Company are listed on the Shanghai Stock Exchange, the Company is also required to comply with relevant requirements of the Shanghai Listing Rules. Pursuant to the Shanghai Listing Rules, the Annual Cap amounts of all the New Agreements should be aggregated and are subject to the Independent Shareholders' approval at the EGM.

GENERAL INFORMATION

A circular containing, among other things, (i) the information relating to each of the New Agreements, (ii) the advice from the Independent Board Committee to the Independent Shareholders in respect of the Non-exempt CCT Agreements, (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee in respect of the Non-exempt CCT Agreements, and (iv) a notice of the EGM to be convened for the Independent Shareholders, to approve the transactions contemplated under the New Agreements and their respective proposed Annual Cap amounts for the three years ending 31 December 2019, 2020 and 2021, is expected to be despatched to the Shareholders on or before 19 September 2018.

BACKGROUND FOR THE CONTINUING CONNECTED TRANSACTIONS

References are made to the announcements of the Company dated 25 August 2015, 15 September 2015, 28 February 2017, 20 March 2017 and 20 April 2017, and the circulars of the Company dated 10 October 2015 and 22 May 2017, in respect of, among other things, the existing continuing connected transactions under the Old Agreements and their respective Annual Cap amounts.

The Old Agreements will expire on 31 December 2018. The Board wishes to ensure the continuation of the on-going transactions of goods and services under the Old Agreements.

Accordingly, on 29 August 2018, the Company (on behalf of the Group) and/or its subsidiary, YTO Finance, entered into the New Agreements with YTO (for itself) and/or YTO (on behalf of YTO Group and/or Sinomach and/or the subsidiaries of Sinomach and/or associates of YTO and/or YTO Extended Group) and/or its controlled subsidiary, Tractors Research Company (on behalf of Tractors Research Group) and/or Sinomach Finance for a term of three years commencing from 1 January 2019. Save for (i) the change in the effective period and Annual Cap amounts of each of the New Agreements; (ii) the change in scope of services to be provided under the Composite Services Agreement and the Energy Procurement Agreement; and (iii) the change in aggregate gross floor area to be leased by the Company and over which the Company has pre-emptive rights under the Properties Lease Agreement and Land Lease Agreement, the terms and conditions of each of the New Agreements are similar to those in the respective Old Agreements.

Details of each of the New Agreements and their corresponding Annual Cap amounts are set out below:

NON-EXEMPT CCT TRANSACTIONS SUBJECT TO THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

(A) Material Procurement Agreement

- Date** : 29 August 2018
- Parties** :
 - YTO, on behalf of YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach, as supplier and/or supplying agent; and
 - The Company, on behalf of the Group, as purchaser and/or purchasing agent.
- Goods to be provided** : Goods required for the production and operation of the Group, including but not limited to raw materials (including steel, pig iron, waste steel, coke, nonferrous metals and lubricating oil), other industrial equipment (including machine tools), components (including clamping apparatus and moulds) and spare parts (including oil injection pumps).
- Term** : From 1 January 2019 to 31 December 2021.
- Payment terms** : Shall be principally settled within three months from the date of confirmation of receiving the goods by the purchaser. Subject to negotiations between the parties, prepayments by the purchaser of no more than six months from the estimated date of delivery of the goods are acceptable.

These payment terms were usually adopted by the Company in its transactions with independent third parties or YTO. Such terms are on normal commercial terms and not less favourable than those offered to the Company by independent third parties.

Pricing Standards of the Transactions contemplated under the Material Procurement Agreement

Under the Material Procurement Agreement, the price of the goods to be provided will be determined based on the following:

- (1) the market price of an independent third party obtained through prices quoted on websites for the industry or enquiries in the market (i.e. the price of the same or similar product provided to independent third parties by suppliers other than YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach in the same region during the ordinary course of business on normal commercial terms);
- (2) if there is no market price determined by an independent third party, the transaction price between YTO Group, associates of YTO, Sinomach or the subsidiaries of Sinomach and an independent third party; and
- (3) if none of the above is applicable, costs plus a percentage mark-up (tax-inclusive), which is not more than 30% (i.e. price = cost x (1 + percentage mark-up)), whereas the 30% mark-up is determined based on (i) the average gross profit margin of listed companies engaged in manufacturing of special purpose equipment (this industry classification is according to the “Guidelines for the Industry Classification of Listed Companies* (上市公司行業分類指引)” (Revised in 2017) and the industry classification results of listed companies issued by the China Securities Regulatory Commission, and the Company is within this classification) for the three years ended 31 December 2017 and the six months ended 30 June 2018; and (ii) the gross profit margin of the historical transactions of procurement of the same or similar products by the Group from YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach.

YTO undertakes that the applicable price of the goods offered to the Group shall not be less favourable than that offered to independent third party customers of YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach for the same goods.

When adopting the above pricing standards, the Company's:

- (1) procurement department, in relation to the price determination based on the market price of an independent third party (i.e. pricing standard no.(1)), shall make reference to one to two price quotations of the same or similar goods through relevant industry website or market enquiry. Such quotations shall be obtained by procurement department;
- (2) finance department, in relation to price determination based on the transaction price between the suppliers and an independent third party (i.e. pricing standard no.(2)), shall make reference to one to two signed agreement(s) entered between the suppliers and an independent third party in relation to the procurement of the same or similar goods. The finance department shall obtain the cost analysis of goods (including cost breakdown and gross profit margin) from the suppliers to ensure that the transaction price under the Material Procurement Agreement is fair and reasonable and not higher than the price of the same or similar goods offered by the suppliers to independent third party; and
- (3) finance department, in relation to price determination based on costs plus a percentage mark-up (i.e. pricing standard no. (3)), shall obtain cost analysis of goods from the suppliers and finalise the price in accordance with the cost analysis and the percentage mark-up. The finance department shall also perform quarterly update and review on the average gross profit margin of listed companies engaged in the related industry and the gross profit margin of the historical transactions.

Historical Figures and the Proposed Annual Cap Amounts for the Transactions under the Material Procurement Agreement

In respect of the material procurement agreement dated 25 August 2015, the following table sets out the historical transaction amounts for the years ended 31 December 2016 and 2017, and for the six months ended 30 June 2018. The table also sets out the proposed Annual Cap amounts for each of the three years ending 31 December 2019, 2020 and 2021 under the Material Procurement Agreement:

	Historical transaction amounts			Proposed Annual Caps amounts		
	For the year ended		For the six	For the year ending 31 December		
	31 December		months ended			
	2016	2017	30 June	2019	2020	2021
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Material Procurement Agreement	498,770	724,520	381,620	860,000	950,000	1,040,000

Basis for the Proposed Annual Cap Amounts under the Material Procurement Agreement

The proposed Annual Cap amounts for the years of 2019, 2020 and 2021 for the Material Procurement Agreement are based on:

- (1) the historical transaction amounts and the estimated transaction amount in 2018 (approximately RMB763 million) ;
- (2) Development trend of the tractor industry. With the end of the adjustment period of the industry, the tractor industry will maintain its existing market share from the original incremental market, and under the relatively stable volume in the market in the later period, the sales volume of the industry will be mainly subject to demand for replacement and the annual volume of tractors to be replaced will be relatively steady, as a result, the Company's tractor business will remain stable;

- (3) Growth of Whole-set Business. In June 2018, the National Bureau of Statistics of China published the “producer price indices for agricultural products” for the major grain crops of China including wheat, corn and rice which were 104.4, 97.1 and 100.5, respectively, representing an increase of 10.3, 10.3 and 8.3 basis points as compared with 2017. The rise of producer prices of agricultural products will drive the demand for harvest machinery to rise. In 2017 and the first half of 2018, the sales of harvest machinery and agricultural machinery of the Whole-set Business showed a rising trend, demonstrating the growth potentials of the business. It is expected that the Whole-set Business will continue to grow during 2019 to 2012.

(B) Sale of Goods Agreement

- Date** : 29 August 2018
- Parties** :
 - The Company, on behalf of the Group, as supplier and/or supplying agent; and
 - YTO, on behalf of YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach, as purchaser and/or purchasing agent.
- Goods to be provided** : Products to be used in the production and in the ordinary course of business of the purchasers, including but not limited to raw materials, spare parts (including casting parts), components (including semi-finished parts and finished parts) and equipment (including diesel engines and tractors).
- Term** : From 1 January 2019 to 31 December 2021.
- Payment terms** : Shall be principally settled within three months after the date of delivery of goods by the supplier. Subject to negotiations between the parties, prepayments by the purchaser of no more than six months from the estimated date of delivery of the goods are acceptable.

These payment terms were usually adopted by the Company in its transactions with independent third parties or YTO. Such terms are on normal commercial terms and not more favourable than those offered by the Company to independent third parties.

Pricing Standards of the Transactions Contemplated under the Sale of Goods Agreement

Under the Sale of Goods Agreement, the applicable price of the goods to be provided will be determined based on the following:

- (1) the market price of an independent third party obtained through prices quoted on websites for the industry or enquiries in the market (i.e. the price of the same or similar product provided to independent third parties by suppliers other than the Group in the same region during the ordinary course of business on normal commercial terms);
- (2) if there is no market price determined by an independent third party, the transaction price between the Group and an independent third party; and
- (3) if none of the above is applicable, costs plus a percentage mark-up (tax-inclusive), which is not more than 30% (i.e. price = cost x (1 + percentage mark-up)), whereas the 30% mark-up is determined based on (i) the average gross profit margin of listed companies engaged in manufacturing of special purpose equipment (this industry classification is according to the “Guidelines for the Industry Classification of Listed Companies* (上市公司行業分類指引)” (Revised in 2017) and the industry classification results of listed companies issued by the China Securities Regulatory Commission, and the Company is within this classification) for the three years ended 31 December 2017 and the six months ended 30 June 2018; and (ii) the gross profit margin of the historical transactions of sales of the same or similar products by the Group to YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach.

In any event, the applicable price of the goods offered to YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach by the Group shall not be more favourable than that offered to independent third party customers of the Group.

When adopting the above pricing standards, the Company’s:

- (1) sales department, in relation to the price determination based on the market price of an independent third party (i.e. pricing standard no.(1)), shall make reference to one to two price quotation(s) of the same or similar goods through relevant industry website or market enquiry. Such quotations shall be obtained by sales department;

- (2) finance department, in relation to price determination based on the transaction price between the Group and an independent third party (i.e. pricing standard no. (2)), shall formulate unified sales prices (the “**Unified Sales Prices**”) of general generic products of the Company according to the Company’s cost and gross profit margin, which will be adopted uniformly in transactions of the Company with the purchaser or with an independent third party. The finance department shall also perform quarterly update and review on the Unified Sales Prices.
- (3) finance department, in relation to price determination based on costs plus a percentage mark-up (i.e. pricing standard no. (3)), shall formulate cost analysis of goods and finalise the price in accordance with the cost analysis and the percentage mark-up. The finance department shall also perform quarterly update and review on the average gross profit margin of listed companies engaged in the related industry and the gross profit margin of the historical transactions.

Historical Figures and the Proposed Annual Cap Amounts for the Transactions under the Sale of Goods Agreement

In respect of the sale of goods agreement dated 25 August 2015, the following table sets out the historical transaction amounts for the years ended 31 December 2016 and 2017, and for the six months ended 30 June 2018. The table also sets out the proposed Annual Cap amounts for each of the three years ending 31 December 2019, 2020 and 2021 under the Sale of Goods Agreement:

	Historical transaction amounts			Proposed Annual Cap amounts		
	For the year ended		For the six	For the year ending 31 December		
	31 December		months ended			
	2016	2017	30 June	2019	2020	2021
<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	
Sale of Goods Agreement	<u>343,550</u>	<u>362,840</u>	<u>131,740</u>	<u>345,000</u>	<u>370,000</u>	<u>395,000</u>

Basis for the Proposed Annual Cap Amounts under the Sale of Goods Agreement

The proposed Annual Cap amounts for the years of 2019, 2020 and 2021 for the Sale of Goods Agreement are based on:

- (1) the historical transaction amounts and the estimated transaction amount in 2018 (approximately RMB763 million);
- (2) It is expected that YTO will make more purchases of raw materials and spare parts through the procurement platform of the Company. The Company's sales of diesel engine products and other components and spare parts to YTO will maintain a certain growth rate in the coming three years.

(C) Loan Service Agreement

Date	:	29 August 2018
Parties	:	<ul style="list-style-type: none">• YTO Finance, a subsidiary of the Company; and• YTO, on behalf of YTO Extended Group.
Financial services to be provided	:	Provision of loan services by YTO Finance to the YTO Group.
Term	:	From 1 January 2019 to 31 December 2021.
Payment terms	:	Shall be specified on each separate loan contract to be agreed by the parties.
Security	:	YTO Finance may request YTO Extended Group to provide pledge of assets or other guarantees to secure YTO Extended Group's liabilities arising from the performance of the Loan Service Agreement.
Undertaking	:	YTO undertakes that the deposit maintained by YTO Extended Group with YTO Finance should be greater than the loan balance at all time. If YTO Extended Group breaches such undertaking, YTO Finance has the right to restrict payment to any third parties by YTO Extended Group from its deposit maintained with YTO Finance, or request YTO Extended Group to increase its deposit balance with YTO Finance.

Rights to demand for early repayment : YTO Finance shall first satisfy the funding needs of the Group. Depending on the condition of shortfall of funding of the Group, YTO Finance has the right to issue a termination or terms amendment notice to YTO Extended Group, requesting for termination or amendments to the terms of the loans granted to YTO Extended Group so as to collect the money to support the production operation of the Group.

Pricing Standards of the Transactions contemplated under the Loan Service Agreement

The service fees to be charged by YTO Finance for any loan services will be determined based on the following:

- (1) the rate prescribed by CBRC or PBOC (including the benchmark interest rate prescribed by the PBOC from time to time and published on PBOC's website for the same type and same period of loans (PBOC will also notify all relevant institutions of any updates of such interest rate in writing));
- (2) if the above rate is not applicable (e.g. in the event that the rate prescribed by CBRC or PBOC cannot compensate the lending risk of YTO Finance after its evaluation on the creditability of the borrowers and the market condition), the rate charged in the same industry in the PRC for the same type and same period of loans by enquiries in the market; and
- (3) if none of the above is applicable, determined after arm's length negotiation between YTO Finance and YTO Extended Group.

YTO Finance undertakes that the applicable service fees offered to YTO Extended Group by YTO Finance shall not be more favourable than those offered to independent third party customers of YTO Finance for the same services.

When adopting the above pricing standards, the Company's:

1. finance department, in relation to price determination based on the rate prescribed by CBRC or PBOC (i.e. pricing standard no. (1)), shall check the rate published on the PBOC's website for the same type and same period of loans;
2. finance department, in relation to price determination based on market rate (i.e. pricing standard no. (2)), shall obtain and make reference to one to two rate(s) of the same or similar loans quoted through relevant industry website or market enquiry; and

3. finance department, in relation to price determined after arm's length negotiation (i.e. pricing standard no. (3)), shall formulate a unified rate by considering the fair rate offered by the third party on comparable transactions in the same industry, their financial positions and terms and size of the transactions as the main factors, which will be adopted uniformly in transactions of YTO Finance with the purchaser or with a third party. YTO Finance shall also perform quarterly update and review on the rate.

Historical Figures and the Proposed Annual Cap Amounts for the Transaction under the Loan Service Agreement

In respect of the loan service agreement dated 25 August 2015, the following table sets out the historical maximum outstanding amounts for the years ended 31 December 2016 and 2017, and for the six months ended 30 June 2018. The table also sets out the maximum outstanding Annual Cap amounts for each of the three years ending 31 December 2019, 2020 and 2021 under the Loan Service Agreement:

	Historical transaction amounts			Proposed Annual Cap amounts		
	For the year ended		For the six	For the year ending 31 December		
	31 December		months ended			
	2016	2017	30 June	2019	2020	2021
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Loan Service Agreement	644,400	849,400	896,400	1,150,000	1,300,000	1,450,000

Basis for the Proposed Annual Cap Amounts under the Loan Service Agreement

The proposed Annual Cap amounts for the loan services provided under the Loan Service Agreement are determined with reference to the following factors:

- (1) the maximum historical amount;
- (2) YTO Finance's historical average financial resources at the end of each month (2016: approximately RMB4.8 billion; 2017: approximately RMB4.8 billion; 31 January 2018 to 30 June 2018: approximately RMB4.9 billion) and expected average financial resources at the end of each month (2018: approximately RMB4.9 billion; 2019: approximately RMB5.8 billion; 2020: approximately RMB6.0 billion; and 2021: approximately RMB6.2 billion);

- (3) YTO guarantees that the amount of deposit with the YTO Finance at any time will be no less than the size of loan. According to the data in recent years, the actual annual loan amount on average is approximately 50% of the deposit amount. YTO Finance will make full use of relevant financial resources to increase capital gains; and
- (4) The proportion of loans issued by domestic financial institutions to their total assets has been on the rise. The “proportion of loans to total assets” of 26 major listed banks in mainland China as at the end of 2016, the end of 2017, and the first quarter of 2018 were approximately 43.67%, 45.34%, and 46.27%, respectively, and the proportion of the total loans to total assets of relevant financial institutions as published on the website of China Banking Association is on the rise. The estimated amount of the Loan Service Agreement for 2019–2021 will account for 19.83%, 21.67% and 23.39% of the total average assets of YTO Finance for each corresponding year, respectively, which is in line with the development trends of the industry.

(D) Bills Discounting Service Agreement

- Date** : 29 August 2018
- Parties** : • YTO Finance, a subsidiary of the Company as supplier; and
 • YTO, on behalf of YTO Extended Group as purchaser
- Financial services to be provided** : Provision of bills discounting services by YTO Finance to the YTO Extended Group, whereby YTO Finance will pay the face value of undue bills presented by YTO Extended Group net of the discount interests.
- Term** : From 1 January 2019 to 31 December 2021.
- Payment terms** : Shall be specified on each separate contract to be agreed by the parties.

Pricing Standards of the Transactions contemplated under the Bills Discounting Service Agreement

The service fees charged by YTO Finance for any bills discounting services will be determined based on the following:

- (1) the rate in relation to the same type and same period of bills discounting services prescribed by CBRC or PBOC;

- (2) if the above rate is not applicable (as the rate prescribed by CBRC or PBOC currently it is a bills rediscounting rate), the rate charged in the same industry in the PRC for the same type and same period of bills discounting services by enquiries in the market; and
- (3) if none of the above is applicable, determined after arm's length negotiation between YTO Finance and YTO Extended Group.

When adopting the above pricing standards, the Company's:

1. finance department, in relation to price determination based on rate prescribed by CBRC or PBOC (i.e. pricing standard no.(1)), shall check the rate published on the PBOC's website for the same type and same period of services;
2. finance department, in relation to price determination based on market rate (i.e. pricing standard no.(2)), shall obtain and make reference to one to two rate(s) of the same or similar services quoted through relevant industry website or market enquiry; and
3. finance department, in relation to price determined after arm's length negotiation (i.e. pricing standard no.(3)), shall formulate a unified rate by considering the fair rate offered by the third party on comparable transactions in the same industry, their financial positions and terms and size of the transactions as the main factors, which will be adopted uniformly in transactions of YTO Finance with the purchaser or with a third party. YTO Finance shall also perform quarterly update and review on the rate.

YTO Finance undertakes that the applicable service fees charged to YTO Extended Group by YTO Finance shall not be more favourable than those charged to independent third party customers of YTO Finance for the same services.

Historical Figures and the Proposed Annual Cap Amounts for the Transactions under the Bills Discounting Service Agreement

In respect of the bills discounting service agreement dated 25 August 2015, the following table sets out the historical maximum outstanding amounts for the years ended 31 December 2016 and 2017, and for the six months ended 30 June 2018. The table also sets out the maximum outstanding Annual Cap amounts for each of the three years ending 31 December 2019, 2020 and 2021 under the Bills Discounting Service Agreement:

	Historical transaction amounts			Proposed Annual Cap amounts		
	For the year ended		For the six	For the year ending 31 December		
	31 December		months ended	31 December		
	2016	2017	30 June	2019	2020	2021
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Bills Discounting Service Agreement	324,540	127,870	139,290	250,000	300,000	350,000

Basis for the Proposed Annual Cap Amounts under the Bills Discounting Service Agreement

The proposed Annual Cap amounts for the bills discounting services provided under the Bills Discounting Service Agreement are determined with reference to the following factors:

- (1) the maximum historical amount;
- (2) YTO Finance's historical average financial resources at the end of each month (2016: approximately RMB4.8 billion; 2017: approximately RMB4.8 billion; January 2018 to June 2018: approximately RMB4.9 billion) and expected average financial resources at the end of each month (2018: approximately RMB4.9 billion; 2019: approximately RMB5.8 billion; 2020: approximately RMB6.0 billion; and 2021: approximately RMB6.2 billion); and
- (3) Since the People's Bank of China has strict regulations on loan interest rates and the discount rate is based on market demand, customers will focus on financing with lower interest rates. In 2017, the one-year loan benchmark interest rate announced by the People's Bank of China was 4.35%, while the discount rate for loans of more than RMB1 million of the same term in the market was in the range of 5.4%-5.6%. Therefore, the Group was more inclined to use loan service financing. In view of the expansionary monetary policy published by the Chinese government in 2018, the current market discount rate is lower than the loan interest rate stipulated by the People's Bank of China. Therefore, the Company expects that the discount amount of the bill will gradually recover.

(E) Bills Acceptance Service Agreement

- Date** : 29 August 2018
- Parties** :
 - YTO Finance, a subsidiary of the Company as supplier; and
 - YTO, on behalf of YTO Extended Group as purchaser.
- Financial services to be provided** : Provision of bills acceptance services by YTO Finance to the YTO Extended Group, whereby YTO Finance guarantees the payment of bills issued by YTO Extended Group. In return, YTO Extended Group shall pay the service fees.
- Term** : From 1 January 2019 to 31 December 2021.
- Payment terms** : Shall be specified on each separate contract to be agreed by the parties.
- Security** : YTO Finance may request YTO Extended Group to provide pledge of assets or other guarantees to secure the liabilities of YTO Extended Group arising from its performance under the Bills Acceptance Service Agreement.

Pricing Standards of the Transactions contemplated under the Bills Acceptance Service Agreement

The service fees charged by YTO Finance for any bills acceptance services will be determined based on the following:

- (1) the rate in relation to the same type and same period of bills acceptance services prescribed by CBRC or PBOC;
- (2) if the above rate is not applicable, the rate charged in the same industry in the PRC for the same type and same period of bills acceptance services by enquiries in the market; and
- (3) if none of the above is applicable, determined after arm's length negotiation between YTO Finance and YTO Extended Group.

YTO Finance undertakes that the applicable service fees charged to YTO Extended Group by YTO Finance shall not be more favourable than those charged to independent third party customers of YTO Finance for the same services.

When adopting the above pricing standards, the Company's:

1. finance department, in relation to price determination based on rate prescribed by CBRC or PBOC (i.e. pricing standard no.(1)), shall check the rate published on the PBOC's website for the same type and same period of services;
2. finance department, in relation to price determination based on market rate (i.e. pricing standard no.(2)), shall obtain and make reference to one to two rate(s) of the same or similar services quoted through relevant industry website or market enquiry; and
3. finance department, in relation to price determination after arm's length negotiation (i.e. pricing standard no.(3)), shall formulate a unified rate by considering the fair rate offered by the third party on comparable transactions in the same industry, their financial positions and terms and size of the transactions as the main factors, which will be adopted uniformly in transactions of YTO Finance with the purchaser or with a third party. YTO Finance shall also perform quarterly update and review on the rate.

Historical Figures and the Proposed Annual Cap Amounts for the Transactions under the Bills Acceptance Service Agreement

In respect of the bills acceptance service Agreement dated 25 August 2015, the following table sets out the historical maximum outstanding amounts for the years ended 31 December 2016 and 2017, and for the six months ended 30 June 2018. The table also sets out the maximum outstanding Annual Cap amounts for each of the three years ending 31 December 2019, 2020 and 2021 under the Bills Acceptance Service Agreement:

	Historical transaction amounts			Proposed Annual Cap amounts		
	For the year ended 31 December 2016 <i>RMB'000</i>	For the year ended 31 December 2017 <i>RMB'000</i>	For the six months ended 30 June 2018 <i>RMB'000</i>	For the year ending 31 December		
				2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>
Bills Acceptance Service Agreement	<u>214,550</u>	<u>266,180</u>	<u>160,750</u>	<u>336,000</u>	<u>376,000</u>	<u>420,000</u>

Basis for the Proposed Annual Cap Amounts under the Bills Acceptance Service Agreement

The proposed Annual Cap amounts for the services provided under the Bills Acceptance Service Agreement are determined with reference to the following factors:

- (1) the historical figures of the average and maximum amounts of bills acceptance provided by YTO Finance to YTO Extended Group between January 2016 and June 2018; and
- (2) YTO Finance's historical average financial resources at the end of each month (2016: approximately RMB4.8 billion; 2017: approximately RMB4.8 billion; January to June 2018: approximately RMB4.9 billion) and expected average financial resources at the end of each month (2019: approximately RMB5.8 billion; 2020: approximately RMB6.0 billion; and 2021: approximately RMB6.2 billion); Considering that the financial resources of YTO Finance can meet the future demand of the business, the annual transaction cap is estimated to increase by approximately 12% per annum.

(F) Interbank Business Services Agreement

Date	:	29 August 2018
Parties	:	<ul style="list-style-type: none">• YTO Finance, a subsidiary of the Company as supplier; and• Sinomach Finance, a subsidiary of Sinomach as purchaser.
Financial services to be provided	:	Mutual provision of financing services between YTO Finance and Sinomach Finance including interbank deposit, lending, credit assets transfer (fund borrowing from other financial institutions by transferring ownership of undue credit assets) and bond transactions conducted between financial institutions.
Term	:	From 1 January 2019 to 31 December 2021.
Payment terms	:	Shall be specified on each separate contract to be agreed by the parties whereas the party with capital inflow from another party shall pay the service fees.
Security	:	YTO Finance may request Sinomach Finance to provide pledge of assets or other guarantees to secure the liabilities of Sinomach Finance arising from its performance under the Interbank Business Services Agreement.

Pricing Standards of the Transactions contemplated under the Interbank Business Services Agreement

The service fees charged by YTO Finance and Sinomach Finance to each other for different financing services will be determined based on the following:

- (1) based on the SHIBOR announced by Shanghai Interbank Offered Market in the same type and same period of transaction for interbank lending and interbank bond transactions rate for bond transactions conducted between financial institutions (including state-owned commercial banks, joint-equity banks and urban commercial banks);
- (2) if the above rate is not applicable, with reference to the price for deposits of the same type and same period of funds announced by other financial institution for interbank deposit (including state-owned commercial banks, joint-equity banks and urban commercial banks);
- (3) if the above rates are not applicable, with reference to the market price for capital financing in respect of target matter announced by other financial institutions (including state-owned commercial banks, joint-equity banks and urban commercial banks) in the case of capital financing where financial assets are subject to sale and purchase or pledge; and
- (4) if none of the above is applicable, after arm's length negotiation between the counterparties after considering their financial positions and terms, size and quality of the financial assets.

Sinomach Finance undertakes that the applicable price of the capital inflow service offered to YTO Finance, being the party with capital inflow from the other party, by Sinomach Finance shall not be less favourable than those offered to independent third party customers of Sinomach Finance for the same services. On the other hand, YTO Finance undertakes that the applicable price of the capital outflow service offered from YTO Finance to Sinomach Finance, being the party with capital inflow from the other party, shall not be more favourable than those offered to independent third party customers of YTO Finance for the same services.

When adopting the pricing standards for Interbank services, the Company's:

1. finance department, in relation to price determination based on SHIBOR (i.e. pricing standard no.(1)), shall check the rate announced by Shanghai Interbank Offered Market in the same type and same period of transactions;

2. finance department, in relation to price determination based on market rate (i.e. pricing standards no.(2) and (3)), shall check one to two deposit rate(s) of the same type and same period of funds announced by other financial institution for interbank deposit or market price for capital financing in respect of target matter announced by other financial institutions in the case of capital financing where financial assets are subject to sale and purchase or pledge; and
3. finance department, in relation to price determined after arm's length negotiation (i.e. pricing standard no.(4)), shall formulate a unified fee by considering the fair fee offered by the third party on comparable transactions in the same industry, their financial positions and terms and size of the transactions as the main factors, which will be adopted uniformly in transactions of YTO Finance with the purchaser or with a third party. YTO Finance shall also perform quarterly update and review on the fee.

Proposed Annual Cap Amounts for the Transactions under the Interbank Business Services Agreement

The following table sets out the maximum outstanding Annual Cap amounts under the Interbank Business Services Agreement for each of the three years ending 31 December 2019, 2020 and 2021 under the Interbank Business Services Agreement:

	Historical transaction amounts			Proposed Annual Cap amounts		
	For the year ended		For the six	For the year ending 31 December		
	31 December		months ended	31 December		
	2016	2017	30 June	2019	2020	2021
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Interbank Business						
Services Agreement	600,000	700,000	700,000	1,000,000	1,000,000	1,000,000

The Company confirms that there is no historical transaction for mutual provision of financing services between YTO Finance and Sinomach Finance including credit assets transfer and other interbank business services.

Basis for the Proposed Annual Cap Amounts under the Interbank Business Services Agreement

The proposed Annual Cap amounts for the services provided under the Interbank Business Services Agreement are determined with reference to the following factors:

- (1) The historical figures of the transaction amount of interbank business services conducted in 2016, 2017 and the six months ended 30 June 2018;
- (2) The financial resources of YTO Finance can meet the demand of the business and regulatory requirements. The use of funds for interbank business mainly involves interbank lending, bond repurchase, repurchase type transfer discount purchase of bills, etc. The income from this part of business funds shall be higher than that from the daily interbank current deposits. When the available funds are more than the daily reserve funds, YTO Finance will invest the excess funds in higher-yielding interbank businesses; and
- (3) YTO Finance has a registered capital of RMB500 million. In accordance with the Measures for Management of Interbank Borrowings* (《同業拆借管理辦法》), the interbank borrowing cap and lending cap of the finance company of enterprise group shall not be more than 100% of the entity's paid-in capital. Therefore, the maximum transaction amount under the business regulation requirement is RMB1 billion, i.e. interbank lending of RMB500 million and interbank borrowing of RMB500 million.

(G) Technology Services Agreement

Date	:	29 August 2018
Parties	:	<ul style="list-style-type: none">• Tractors Research Company, on behalf of Tractors Research Group, as supplier and/or supplying agent; and• The Company, on behalf of the Group (excluding Tractors Research Group), as purchaser and/or purchasing agent.
Services to be provided	:	Technology research and development, technology consultation and other technology services and other special services (including inspection services) in connection with the tractors and diesel engines related products.

The parties further agree that the Group may engage other technology research and development centers for the services to be provided under the Technology Services Agreement.

- Term** : From 1 January 2019 to 31 December 2021.
- Payment terms** : Shall be specified on each separate contract to be agreed by the parties.
- Undertaking** : Tractors Research Company undertakes:
- (1) to procure Tractors Research Group not to provide the same or similar services under the Technology Services Agreement to other corporate legal persons or institutions which operate business in competition with the Group; and
 - (2) save and except for the state's research or development project(s) of the PRC government, to procure Tractors Research Group to give priority to the Group's research and development projects over other third parties' projects.
- Intellectual Property derived** : Unless otherwise agreed by the parties, all the Intellectual Property derived from the technology services provided under the Technology Services Agreement as well as the application rights of and the rights to use such Intellectual Property shall belong to the Group. With the written consent obtained from the Group, Tractors Research Group is entitled to use such Intellectual Property at nil consideration but shall not by any means transfer the rights to use such Intellectual Property to any third parties.

Where it is agreed between the parties that any Intellectual Property derived from the technology services provided under the Technology Services Agreement belongs to Tractors Research Group, the Group shall be entitled to use such Intellectual Property at nil consideration during and after the term of the Technology Services Agreement.

Pricing Standards of the Transactions under the Technology Services Agreement

Under the Technology Services Agreement, the service fees will be determined based on the following:

- (1) the transaction price between Tractor Research Group and an independent third party (for technology consultation and other technology services and other special services (including inspection services) in connection with the tractors and diesel engines related products); and
- (2) if the above is not applicable, determined after arm's length negotiation between the parties based on costs plus a percentage mark-up (tax inclusive), which is not more than 18% (i.e. price = cost x (1 + percentage mark-up)), after considering the depreciation of research and development equipment, research and development staff costs, testing expenses and other costs incurred in research and development. The 18% mark-up is determined based on (i) the average gross profit margin of listed companies engaged in technology services (this industry classification is according to the "Guidelines for the Industry Classification of Listed Companies* (上市公司行業分類指引)" (Revised in 2017) and the industry classification results of listed companies issued by the China Securities Regulatory Commission) for the three years ended 31 December 2017 and the six months ended 30 June 2018; and (ii) the gross profit margin of the historical transactions of procurement of the same or similar services by the Group from Tractor Research Group.

Tractors Research Company undertakes that the service fees offered to the Group by Tractor Research Group shall not be less favourable than those offered to other independent third parties of Tractor Research Group for the same services.

When adopting the above pricing standards, the Company's:

1. finance department, in relation to price determination based on transaction price between Tractor Research Group and an independent third party (i.e. pricing standard no.(1)), shall obtain and make reference to one to two agreement(s) of Tractor Research Group providing the same services to its independent third parties, Meanwhile, the finance department shall request Tractor Research Group to provide cost analysis of services (including cost breakdown and gross profit margin) to ensure that the prices are fair and reasonable and not higher than the price of the same service offered by the Tractor Research Group to independent third party; and

2. finance department, in relation to price determination based on costs plus a percentage mark-up (i.e. pricing standard no.(2)), shall obtain cost analysis of services provided by Tractor Research Group and finalise the final price in accordance with the cost analysis and the percentage mark-up. The finance department shall also perform quarterly update and review on the average gross profit margin of listed companies engaged in the related industry and the gross profit margin of the historical transactions.

Historical Figures and the Proposed Annual Cap Amounts for the Transactions under the Technology Services Agreement

In respect of the technology services agreement dated 25 August 2015, the following table sets out the historical transaction amounts for the years ended 31 December 2016 and 2017, and for the six months ended 30 June 2018. The table also sets out the proposed Annual Cap amounts for each of the three years ending 31 December 2019, 2020 and 2021 under the Technology Services Agreement:

	Historical transaction amounts			Proposed Annual Cap amounts		
	For the year ended		For the six	For the year ending 31 December		
	31 December		months ended			
	2016	2017	30 June	2019	2020	2021
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Technology Services Agreement	100,260	109,880	43,970	116,000	125,000	135,000

Basis for the Proposed Annual Cap Amounts under the Technology Services Agreement

The proposed Annual Cap amounts for the services to be provided under the Technology Services Agreement are based on:

- (1) the historical transaction amounts (approximately RMB100.26 million, approximately RMB109.88 million and approximately RMB43.97 million in 2016, 2017 and the six months ended 30 June 2018 respectively) and the estimated transaction amount in 2018; and

- (2) The Company will accelerate the research and development of engines meeting National IV and National V emission standards; meanwhile, the Company will adopt the “innovation driving” strategy to accommodate the domestic development trend of large and intelligent agricultural machinery and will implement “development of whole series tractors equipped with National IV engine”, “development of infinitely variable speed tractors”, and other projects. In this regard, the Company will keep an increase of 5%–10% in investment in research and development on a yearly basis to promote technological upgrade and satisfaction of environmental protection requirements for products.

(H) Composite Services Agreement

- Date** : 29 August 2018
- Parties** :
 - YTO, on behalf of YTO, its controlled companies and their associates, as supplier and/or supplying agent; and
 - The Company, on behalf of the Group, as purchaser and/or purchasing agent.
- Services to be provided** : Transportation and transportation ancillary services.
- Term** : From 1 January 2019 to 31 December 2021.
- Payment terms** : Transportation services: shall be principally settled within three months after confirmation by the Company (on behalf of the Group) from the date of delivering or receiving the goods.

Transportation ancillary services: shall be billed quarterly and paid in the following month.

These payment terms were usually adopted by YTO in its transactions with independent third parties or the Company. Such terms are on normal commercial terms and not less favourable than those offered to independent third parties by YTO.

Pricing Standards of the Transactions contemplated under the Composite Services Agreement

Under the Composite Services Agreement, the price of the services to be provided thereunder will be determined based on the following:

- (1) the market price of an independent third party obtained through prices quoted on websites for the industry or enquiries in the market (i.e. the price of the same or similar services provided to independent third parties by suppliers other than YTO, its controlled companies and their associates in the same region during the ordinary course of business on normal commercial terms);
- (2) if there is no market price determined by an independent third party, the transaction price between YTO, its controlled companies and their associates and an independent third party; and
- (3) if none of the above is applicable, costs plus a percentage mark-up (tax-inclusive), which is not more than 10% (i.e. price = cost x (1 + percentage mark-up)), whereas the 10% mark-up is determined based on (i) the average gross profit margin of listed companies engaged in stevedoring and handling services and other transportation services (the industry classification is according to the “Guidelines for the Industry Classification of Listed Companies* (上市公司行業分類指引)” (Revised in 2017) and the industry classification results of listed companies issued by the China Securities Regulatory Commission) for the three years ended 31 December 2017 and the six months ended 30 June 2018; and (ii) the gross profit margin of the historical transactions of provision of the same or similar service to the Group by YTO, its controlled companies and their associates.

YTO undertakes that the applicable price of the services offered to the Group shall not be less favourable than that offered to independent third party customers of YTO, its controlled companies and their associates for the same services.

When adopting the above pricing standards, the Company’s:

- (1) procurement department, in relation to the price determination based on the market price of an independent third party (i.e. pricing standard no.(1)), shall make reference to one to two price quotations of the same or similar services through relevant industry website or market enquiry. Such quotations shall be obtained by procurement department;

- (2) finance department, in relation to price determination based on the transaction price between the suppliers and an independent third party (i.e. pricing standard no.(2)), shall make reference to one to two signed agreement(s) entered between the suppliers and an independent third party in relation to the procurement of the same or similar services. The finance department shall obtain the cost analysis of services (including cost breakdown and gross profit margin) from the suppliers to ensure that the transaction price under the Composite Services Agreement is fair and reasonable and not higher than the price of the same or similar service offered by the suppliers to independent third party; and
- (3) finance department, in relation to price determination based on costs plus a percentage mark-up (i.e. pricing standard no. (3)), shall obtain cost analysis of services from the suppliers and finalise the price in accordance with the cost analysis and the percentage mark-up. The finance department shall also perform quarterly update and review on the average gross profit margin of listed companies engaged in the related industry and the gross profit margin of the historical transactions.

Historical Figures and the Proposed Annual Cap Amounts for the Transactions under the Composite Services Agreement

In respect of provision of the transportation and transportation ancillary services under the composite services agreement dated 25 August 2015, the following table sets out the historical transaction amounts of the transportation and transportation ancillary services for the years ended 31 December 2016 and 2017, and for the six months ended 30 June 2018. The table also sets out the proposed Annual Cap amounts for each of the three years ending 31 December 2019, 2020 and 2021 under the Composite Services Agreement:

	Historical transaction amounts			Proposed Annual Cap amounts		
	For the year ended		For the six	For the year ending 31 December		
	31 December		months ended	31 December		
	2016	2017	30 June	2019	2020	2021
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Composite Services Agreement	147,170	158,920	75,490	185,000	200,000	220,000

Basis for the Proposed Annual Cap Amounts under the Composite Services Agreement

The basis for determining the proposed Annual Cap amounts for the services to be provided under the Composite Services Agreement is as follows:

- (1) the historical transaction amount in 2016, 2017 and the six months ended 30 June 2018; and
- (2) Given that the Company's Whole-set Business is expected to maintain growth in 2019–2021, and in light of the optimisation of tractor sales structure, increase in the proportion of sales volume of hi-powered tractors, and the growth of sales volume of the casting and forging business (as mentioned above), the transportation volume will increase.

Domestic fuel prices and labor costs have been on an upward trend. The increase of transportation costs will lead to increase in the transportation fee to be paid by the Company.

(I) Energy Procurement Agreement

Date	:	29 August 2018
Parties	:	<ul style="list-style-type: none">• YTO as supplier and/or supplying agent; and• The Company, on behalf of the Group, as purchaser and/or purchasing agent.
Energy to be provided	:	Energy to be used in the production of the Group, including but not limited to electricity, natural gas, oxygen, water, compressed air, acetylene, steam and nitrogen.
Term	:	From 1 January 2019 to 31 December 2021.
Payment terms	:	Shall be billed and paid monthly or latest in the following month. Subject to negotiation between the parties, prepayments by purchaser of no more than six months are acceptable.

Pricing Standards of the Transaction contemplated under the Energy Procurement Agreement

Under the Energy Procurement Agreement, the price of the energies to be provided will be determined based on:

- (1) the governmental guidance price (any pricing guidelines or recommended price set by the PRC government or any regulatory authorities);
- (2) if there is no governmental guidance price, the market price or the transaction price between the Group and an independent third party;
- (3) if none of the above is applicable, the transaction price between YTO and an independent third party; or
- (4) if none of the above is applicable, costs plus a percentage mark-up (tax-inclusive), which is not more than 16% (i.e. price = cost x (1 + percentage mark-up)), whereas the 16% mark-up is determined based on (i) the average gross profit margin of listed companies engaged in electricity, heat, gas and water production (the industry classification is according to the “Guidelines for the Industry Classification of Listed Companies* (上市公司行業分類指引)” (Revised in 2017) and the industry classification results of listed companies issued by the China Securities Regulatory Commission) for the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018; and (ii) the gross profit margin of the historical transactions with the parties to the Energy Procurement Agreement.

YTO undertakes that the applicable price of the energy offered to the Group shall not be less favourable than that offered to independent third party customers of YTO for the same energy.

When adopting the above pricing standards, the Company’s:

1. finance department, in relation to price determination based on the governmental guidance price (i.e. pricing standard no.(1)), shall check the rate or price published on the relevant government authority;
2. procurement department, in relation to price determination based on market price of independent third party (i.e. pricing standard no. (2)), shall make reference to one to two price(s) of the same or similar goods or services quoted through relevant industry website or market enquiry. Such quotations shall be obtained by procurement department;

3. finance department in relation to price determination based on transaction price between the suppliers and an independent third party (i.e. pricing standard no.(3)), shall make reference to one to two signed agreement(s) entered between the suppliers and an independent third party in relation to the procurement of the same or similar goods. The finance department shall obtain the cost analysis of goods (including cost breakdown and gross profit margin) from the suppliers to ensure that the transaction price under the Energy Procurement Agreement is fair and reasonable and not higher than the price of the same or similar goods offered by the supplier to independent third party; and
4. finance department, in relation to price determination based on costs plus a percentage mark-up (i.e. pricing standard no. (4)), shall obtain cost analysis of services from the suppliers and finalise the price in accordance with the cost analysis and the percentage mark-up. The finance department shall also perform quarterly update and review on the average gross profit margin of listed companies engaged in the related industry and the gross profit margin of the historical transactions.

Historical Figures and the Proposed Annual Cap Amounts for the Transactions under the Energy Procurement Agreement

In respect of the energy procurement agreement dated 25 August 2015, the following table sets out the historical transaction amounts for the years ended 31 December 2016 and 2017 and for the six months ended 30 June 2018. The table also sets out the proposed Annual Cap amounts for each of the three years ending 31 December 2019, 2020 and 2021 under the Energy Procurement Agreement:

	Historical transaction amounts			Proposed Annual Cap amounts		
	For the year ended 31 December 2016 RMB'000	2017 RMB'000	For the six months ended 30 June 2018 RMB'000	For the year ending 31 December		
				2019 RMB'000	2020 RMB'000	2021 RMB'000
Energy Procurement Agreement	169,930	153,170	93,920	205,000	220,000	235,000

Basis for the Proposed Annual Cap Amounts under the Energy Procurement Agreement

The proposed Annual Cap amounts for the energies to be provided under the Energy Procurement Agreement are determined with reference to:

- (1) The historical transaction amounts of the energy procurement fee;
- (2) In light of the tightening environmental regulation, the Company implemented environmental production upgrading and green technology transformation for the casting business, bringing its production lines in compliance with the environmental protection requirements. Thanks to these efforts, the casting business has been showing a growth trend since the second half of 2017. The Company expects that the growth will continue in 2019–2021 but at a slower pace;
- (3) As the natural gas price has continued to rise, the related transaction amount will also increase.

OTHER CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT BUT SUBJECT TO THE REPORTING, ANNUAL REVIEW AND ANNOUNCEMENT REQUIREMENTS

(J) Properties Lease Agreement

Date	:	29 August 2018
Parties	:	<ul style="list-style-type: none">• YTO, on behalf of YTO, its controlled companies and other associates, as lessor; and• The Company, on behalf of the Group, as lessee.
Properties to be leased	:	The properties located in No. 154 Jianshe Road, Luoyang City, Henan Province, the PRC, with an aggregate gross floor area of approximately 117,000 sq.m., inclusive of the electric and water facilities and industrial rooms and the properties under the pre-emptive rights as mentioned below.
Term	:	From 1 January 2019 to 31 December 2021.

Pre-emptive rights : The Group has the pre-emptive rights to lease from YTO, its controlled companies or entities and their associates, including but not limited to, additional properties with gross floor area of no more than 6,500 sq.m. at No. 154 Jianshe Road, Luoyang City, Henan Province, the PRC, in accordance with the terms and conditions of the Properties Lease Agreement.

Payment terms The Group shall pay the annual rent in cash by the end of each financial year which is from 1 January to 31 December.

Pricing Standards of the Transaction under the Properties Lease Agreement

Under the Properties Lease Agreement, the annual rent will be determined based on the following:

- (1) the transaction price between the lessor and an independent third party; and
- (2) if the above is not applicable, determined after arm's length negotiation between the parties with reference to the market rent of similar properties.

YTO undertakes that the rent offered to the Group by YTO, its controlled companies or entities and their associates shall not be less favourable than that offered to independent third party customers of YTO, its controlled companies or entities and their associates for the same property.

When adopting the above pricing standards, the Company's:

1. finance department, in relation to price determination based on transaction price between the lessor and an independent third party (i.e. pricing standard no. (1)), shall obtain one to two agreement(s) of the lessor to its independent third parties, to ensure that the price of the same properties offered by the lessor to the Company shall not be higher than that offered to independent third parties; and
2. finance department, in relation to price determined after arm's length negotiation (i.e. pricing standard no. (2)), shall formulate the rental after considering one or two fair rate(s) offered by the third parties on similar properties in similar locations and areas.

Historical Figures and the Proposed Annual Cap Amounts for the Transactions under the Properties Lease Agreement

In respect of the properties lease agreement dated 25 August 2015, the following table sets out the historical transaction amounts for the years ended 31 December 2016 and 2017, and for the six months ended 30 June 2018. The table also sets out the proposed Annual Cap amounts for each of the three years ending 31 December 2019, 2020 and 2021 under the Properties Lease Agreement:

	Historical transaction amounts			Proposed Annual Cap amounts		
	For the year ended		For the six	For the year ending 31 December		
	31 December		months ended			
	2016	2017	30 June	2019	2020	2021
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Properties Lease Agreement	7,800	9,330	3,860	9,500	9,500	9,500

Basis for the Proposed Annual Cap Amounts under the Properties Lease Agreement

The Annual Cap amounts for the Properties Lease Agreement are based on:

- (1) The amount incurred in 2018 and the gross floor area of approximately 117,000 square meters currently leased by the Company from YTO, the companies or entities controlled by it and their associates; and
- (2) In light of the Company's possible future business expansion, YTO will offer priority to the Company and its subsidiaries for lease of approximately 6,500 square meters. The Company will determine whether to increase the lease area based on the business development needs and the area available for lease provided by YTO.

(K) Land Lease Agreement

Date	:	29 August 2018
Parties	:	<ul style="list-style-type: none">• YTO, on behalf of YTO, its controlled companies and other associates, as lessor; and• The Company, on behalf of the Group, as lessee
Land use rights to be leased	:	The land use rights of the land located at No. 154 Jianshe Road, Luoyang City, Henan Province, the PRC, with an aggregate gross land area of approximately 415,000 sq.m. and the land use rights under the pre-emptive rights as mentioned below.
Term	:	From 1 January 2019 to 31 December 2021.
Pre-emptive rights	:	The Group has the pre-emptive rights to lease from YTO, its controlled companies or other associates additional land use rights with a gross land area of no more than 16,000 sq.m. located at No. 154 Jianshe Road, Luoyang City, Henan Province, the PRC from YTO, its controlled companies or other associates in accordance with the terms and conditions of the Land Lease Agreement.
Payment terms	:	The Group shall pay the annual rent in cash for the year by the end of each year.

Pricing Standards of the Transactions under the Land Lease Agreement

Under the Land Lease Agreement, the annual rent will be determined based on the following:

- (1) the transaction price between the lessor and an independent third party; and
- (2) if the above is not applicable, determined after arm's length negotiation between the parties with reference to the market rent of similar land use rights.

YTO undertakes that the rent offered to the Group by YTO, its controlled companies or other associates shall not be less favourable than that offered to independent third party lessee of YTO, its controlled companies or other associates.

When adopting the above pricing standards, the Company's:

1. finance department, in relation to price determination based on transaction price between the lessor and an independent third party (i.e. pricing standard no.(1)), shall obtain one to two agreement(s) of the lessor to its independent third parties, to ensure that the price of the same land offered by the lessor to the Company shall not be higher than that offered to independent third parties; and
2. finance department, in relation to price determined after arm's length negotiation (i.e. pricing standard no.(2)), shall formulate the rental after considering one or two fair rate(s) offered by the third party(ies) on similar land in similar locations and areas.

Historical Figures and the Proposed Annual Cap Amounts for the Transactions under the Land Lease Agreement

In respect of the land lease agreement dated 25 August 2015, the following table sets out the historical transaction amounts for the years ended 31 December 2016 and 2017, and for the six months ended 30 June 2018. The table also sets out the proposed Annual Cap amounts for each of the three years ending 31 December 2019, 2020 and 2021 under the Land Lease Agreement:

	Historical transaction amounts			Proposed Annual Cap amounts		
	For the year ended 31 December		For the six months ended 30 June	For the year ending 31 December		
	2016	2017	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Land Lease Agreement	12,630	12,670	5,870	13,500	13,500	13,500

Basis for the Proposed Annual Cap Amounts under the Land Lease Agreement

The Proposed Annual Cap amounts for the Land Lease Agreement are based on:

- (1) The amount incurred in 2018 and the gross floor area of approximately 415,000 square meters currently leased by the Company from YTO, the companies or entities controlled by it and their associates; and
- (2) In light of the Company's possible future business expansion, YTO will offer priority to the Company and its subsidiaries for lease of approximately 16,000 square meters. The Company will determine whether to increase the lease area based on the business development needs and the area available for lease provided by YTO.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTION

(L) Deposit Service Agreement

Date	:	29 August 2018
Parties	:	<ul style="list-style-type: none">• YTO Finance, a subsidiary of the Company; and• YTO, on behalf of YTO Extended Group.
Financial services to be provided	:	Provision of depository services by YTO Finance to YTO Extended Group.
Term	:	From 1 January 2019 to 31 December 2021.
Payment terms	:	Shall be specified on each contract to be agreed by the parties.
Undertaking	:	YTO undertakes: <ol style="list-style-type: none">(1) to procure YTO Extended Group to give priority in depositing their fund with YTO Finance; and

- (2) that the deposit maintained by YTO Extended Group with YTO Finance should be greater than the loan balance at all time. If YTO Extended Group breaches such undertaking, YTO Finance has the right to restrict payment to any third parties by YTO Extended Group from its deposit maintained with YTO Finance, or request YTO Extended Group to increase its deposit balance with YTO Finance.

Right to offset : YTO irrevocably grants, and procures YTO Extended Group to irrevocably grant, to YTO Finance a right to offset all liabilities arising from the performance of the Loan Service Agreement and/or the Bills Acceptance Service Agreement by YTO Extended Group from the relevant deposit accounts of that defaulting member entity under YTO Extended Group.

Pricing Standards of the Transactions contemplated under the Deposit Service Agreement

Under the Deposit Service Agreement, the interest rates for all amount deposited by YTO Extended Group will be subject to the requirements of the CBRC or PBOC.

When adopting the above pricing standards, the Company's finance department shall check the rate published on the PBOC's website and CBRC's website for the same type and same period of deposit.

Historical Figures and the Proposed Annual Cap Amounts for the Transactions under the Deposit Service Agreement

In respect of the deposit service agreement dated 25 August 2015 entered into between YTO Finance and YTO Extended Group, the following table sets out the historical maximum outstanding amounts for the years ended 31 December 2016 and 2017, and for the six months ended 30 June 2018. The table also sets out the maximum outstanding Annual Cap amounts for each of the three years ending 31 December 2019, 2020 and 2021 under the Deposit Service Agreement:

	Historical transaction amounts			Proposed Annual Cap amounts		
	For the year ended		For the six	For the year ending 31 December		
	31 December		months ended	31 December		
	2016	2017	30 June	2019	2020	2021
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Deposit Service Agreement	<u>1,251,060</u>	<u>1,441,630</u>	<u>1,106,610</u>	<u>2,300,000</u>	<u>2,800,000</u>	<u>2,800,000</u>

Basis for the Proposed Annual Cap Amounts under the Deposit Service Agreement

The proposed Annual Cap amounts for the deposit services provided under the Deposit Service Agreement are determined with reference to the following factors:

- (1) the historical transaction amounts and the highest amount of deposits in 2017 and from January to June 2018; and
- (2) YTO is preparing for the issuance of financing products. The issuance, upon successful realisation, is expected to increase the amount of deposits with YTO Finance.

CONDITION PRECEDENT

Except for the Deposit Service Agreement, all the New Agreements shall be subject to the Independent Shareholders' approval at the EGM.

MEASURES OF INTERNAL CONTROL

To ensure the Group's conformity with the pricing policies of the New Agreements from time to time, the Group adopts a series of internal control policies on its daily operation. Such internal control policies are conducted and supervised by the finance department, office of the Board, the independent non-executive Directors and audit department of the Company and the relevant committee of YTO Finance:

- (1) the Board, the audit committee of the Board and the independent non-executive Directors have approved the New Agreements and the Deposit Service Agreement according to the connected transaction decision policy;
- (2) the Company's management policies for connected transactions clearly stated the principle for determining the prices for connected transactions. When each unit of business enters into contracts in accordance with the framework agreements of the continuing connected transactions, the price must be determined in accordance with the pricing standards as agreed in the continuing connected transaction agreements;
- (3) the agreement for procurement together with the negotiation memo between the relevant staff of the Company and the suppliers are first delivered to the head of operation department for review and approval. The operation department is responsible for assessing the suppliers' products qualities, production capacities, etc. Upon obtaining the approval of the head of the operation department, the finance department would review and compare the price and terms of the procurement agreement among two to three suppliers, subject to the type of the products to be procured under the Material Procurement Agreement to make sure the prices and terms offered by YTO Group are fair and reasonable that they are no less favourable than those offered by the independent suppliers. For those products to be procured under the Material Procurement Agreement, that there is no independent suppliers, the finance department of the Company would request YTO Group to provide the cost breakdown and analysis and the finance department will evaluate reasonableness of the price charged. The agreement would then be reviewed and approved by the legal department to ensure legality and if necessary, technical department of the Company would review the agreement as well. The agreement can be executed upon obtaining the approvals from all of the above mentioned departments of the Company;
- (4) the agreement for the composite services (including transportation and transportation ancillary services), energy procurement and technology services and the leasing agreement for properties and land use rights together with the negotiation memo between the relevant staff of the Company and the counterparties in the transactions are first delivered to the head of operation department for review and approval. The operation department is responsible for assessing production capacities or service abilities of the counterparties and

the quality of the products or the services (if applicable), etc. Upon obtaining the approval of the head of the operation department, the finance department would review and compare the price and terms of the agreement among two to three counterparties to make sure the prices and terms offered by YTO Group are fair and reasonable that they are no less favourable than those offered by the independent third parties. If there is no market price, the finance department of the Company would request YTO Group to provide the cost breakdown and analysis and the finance department will evaluate reasonableness of the price charged. The agreement would then be reviewed and approved by the legal department to ensure legality. The agreement can be executed upon obtaining the approvals from all of the above mentioned departments of the Company;

- (5) the agreement for sales together with the negotiation memo between the relevant staff of the Company and the purchaser are first delivered to the head of operation department for review and approval. The operation department is responsible for assessing the production capacities of the Company and the credibility of the purchaser, etc. Upon obtaining the approval of the head of the operation department, the finance department would review and analyse the cost breakdown of the products to be provided under the Sale of Goods Agreement and compare the price to be charged with the aforesaid price list, to make sure the prices and terms offered to YTO Group are fair and reasonable that they are no more favourable than those offered to independent purchasers. The agreement would then be reviewed and approved by the legal department to ensure legality and if necessary, technical department of the Company would review the agreement as well. The agreement can be executed upon obtaining the approvals from all of the above mentioned departments of the Company;
- (6) Loan related services are provided prudently on the basis of unified credit extension to member units at the beginning of the year.

Loan services: After a borrower submits loan application, the credit business department of YTO Finance shall collect the customer's information in a timely manner and conduct a loan investigation to proposes a preliminary evaluation on the type, amount, duration and interest rate of the loan, and put forward the same for deliberation of the loan review committee; if such loan business is without objections and meet the terms of loan, it shall be registered on a loan business approval form and be submitted to manager and vice president of the credit department, manager and vice president of the risk control department, general manager, and chairman (according to the corresponding authorization quota) for approval.

Bills discounting services: When applying for bills discounting business, the applicant shall submit such paper commercial bill that has not expired and is completed as required (for electronic commercial bills, the applicant shall apply through the corresponding online system); after verification, YTO Finance shall calculate the discounting interests and amount payable, and then fill in an approval form, make the discounting contract and voucher, and ultimately submit them to manager of the business department, manager of the risk control department, vice president of the business department and general manager for approval.

Bills acceptance services: When applying for bills acceptance services to YTO Finance, the applicant shall complete an acceptance confirmation letter. After depositing the full margin into the account in YTO Finance according to credit requirements, such application will be approved subject to the signing of the Company's management.

- (7) Interbank business Services: According to the company's fund management plan and needs, inter-bank business traders of YTO Finance shall make inquiries about the trading methods, direction, amount, term, interest rate and other trading elements with commercial banks or other financial institutions in the financial interbank market, collect and collate relevant data and fill out the Deliberation Opinion Form of the Assets and Liabilities Management Committee, and ultimately submit such Deliberation Opinion Form to YTO Finance's Assets and Liabilities Management Committee. After consideration and approval, contractual elements such as the transaction method, direction, amount, term, interest rate, payment and default liability are to be agreed with the counterparty, pursuant to which, a completed Financial Inter-bank Business Approval Form, together with the customer's information and business information, shall be submitted to manager and vice president of the business department, manager and vice president of the risk control department, the risk control department leader, and general manager for approval; and
- (8) all client for deposit service should first open an account by submitting an opening form. The opening form is then approved by the officer, department manager, the risk control department, vice president and general manager of YTO Finance to assess the qualification of the client. The client can make deposit after the account is opened successfully. The interest rates for the deposit services provided by YTO Finance to its clients (including connect persons and other member units) are determined by the internal control committee of YTO Finance in accordance with the requirements of PBOC.

The Directors are of the view that the above internal control measures can ensure that the transactions under the New Agreements will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and the Shareholders.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS CONTEMPLATED UNDER THE NEW AGREEMENTS

The Group and YTO Extended Group have been carrying out transactions with each other to facilitate their productions and operations since 1997. In view of the long-established relationship between the Group and YTO Extended Group, the geographical convenience between the Group and YTO Extended Group provides a reliable supply of raw material and provision of services, which are favourable to (i) the Company's effective control over the product performance and quality and (ii) the after-sales services as it offers fast, convenient and timely communication and coordination between the transaction parties. The entering into of the New Agreements can effectively lower the operation risk of both the Group and YTO Extended Group, and is favourable to the Company's daily operation and management of production.

The entering into of the New Agreements is to renew the Old Agreements. Furthermore, in considering the reasons and benefits for entering into the financial services agreements (including the Loan Service Agreement, Bills Discounting Service Agreement, Bills Acceptance Service Agreement, Deposit Service Agreement and the Interbank Business Services Agreement) between YTO Finance and YTO, the Directors have also considered the following key factors:

- (1) there are continuing connected transactions related to production between YTO Extended Group and the Group, including the mutual supply of certain materials and provision of various services, hence daily settlement services are needed. YTO Finance is the key platform for business settlement between the Group and YTO Extended Group. The settlement services offered by YTO Finance provide timely settlement in internal capital, and hence foster the settlement efficiency, accelerate the Company's cash flow, and increase the liquidity of the Company. Comparing with external financial institutions, the settlement services offered by YTO Finance under the financial services agreements can save time of settlement of at least one day. Thus there is a significant advantage of YTO Finance in business efficiency over other commercial banks;
- (2) due to the long-term business relationship between YTO Extended Group and YTO Finance, there are lower risks in transactions with strict compliance with the loan credit rating requirements according to a credit rating policy approved by the internal control committee (the credit rating is determined based on the customer's solvency, profitability, compliance and future prospects and other indicators with reference to the international industry practice) and loan approval procedures (a pre-lending investigation report with information including client's credit rating status, credit limit and conditions of usage prepared by the officer from credit department will be approved by manager of the credit department and the loan review committee) in all transactions as YTO Finance fully understands the credibility and financial position of YTO Extended Group; and

- (3) due to an increase in financial resources of YTO Finance and the seasonal characteristics in sales of agricultural machinery products, YTO Finance will have excess capital reserves in certain period. And in recent year, YTO Extended Group has a sound operation and good progresses in its business development including industrial equipment, tobacco machineries, special vehicle manufacturing, etc. Providing financial services to YTO Extended Group could effectively increase the Company's capital efficiency, enhance liquidity and will benefit the Group.

The Group's production and sales of agricultural machinery products has significant seasonal characteristics, which imposes pressure to the liquidity of YTO Finance in certain period. In order to ensure sufficient funds required for the production operation of the Group, YTO Finance is currently using interbank business services to deal with short-term liquidity problem. Meanwhile, in the case of excess reserves, interbank business services can improve capital efficiency and profitability of YTO Finance. The main purpose of entering into the Interbank Business Services Agreement is to further expand the choices in selecting counterparties of YTO Finance and to improve its bargaining power.

Accordingly, the Directors (including the independent non-executive Directors) are of the view that (i) the continuing connected transactions contemplated under the New Agreements will be carried out in the ordinary and usual course of business of the Group and in the interest of the Company and its Shareholders as a whole; (ii) the terms of the New Agreements are on normal commercial terms or on terms not less favorable than those of similar transactions with independent third parties and are fair and reasonable; and (iii) the proposed Annual Cap amounts of the transactions contemplated under the New Agreements for the three years ending 31 December 2019, 2020 and 2021 are fair and reasonable.

INFORMATION OF THE GROUP, YTO, YTO GROUP, SINOMACH, SINOMACH FINANCE, YTO FINANCE AND TRACTORS RESEARCH COMPANY

The Group is principally engaged in the production and sales of agricultural machineries and power machineries. The principal products include tractors of hi-powered, mid-powered and low-powered, diesel engines and other accessories of tractors.

YTO is the immediate controlling Shareholder of the Company, holding 410,690,578 A Shares of the Company, and is principally engaged in the production of specific transporting machineries, vehicles products and components, etc.

YTO Group is principally engaged in the production of transporting machineries, vehicles products, industrial equipments and components.

Sinomach is principally engaged in the business of research and development and manufacturing of machinery equipment, heavy machineries and engineering projects domestically and internationally, sales of automotive and parts, contracting of international projects and tendering of domestic and international projects, and import and export business.

Sinomach Finance is principally engaged in the provision of financial services including deposits taking, provision of loans, underwriting of corporate bonds, as well as finance leasing, financial and financing consultation, credit certification and related consultation and agency services, settlement services, provision of letters of guarantee and letters of credit, entrusted loan, handling bills acceptance and discounting, and other financial services that may be approved by the CBRC, to members of the Sinomach group.

YTO Finance, a subsidiary of the Company, is a non-banking financial institution approved and regulated by the relevant PRC regulatory authorities. Its principal activities include the provision of non-banking financial services to members of the Group as well as members of YTO Group. It has a registered capital of RMB500 million.

Tractors Research Company is a company incorporated with limited liability in the PRC. Its principal activities include research and development as well as examination and testing of products such as tractors, engines, construction machineries and agricultural transporters; research and development of equipment as well as technology development, transfer, consultancy services and sales.

LISTING RULES IMPLICATIONS

Connected Persons

As at the date of this announcement, YTO beneficially owns approximately 41.66% of the issued share capital of the Company and is the controlling shareholder of the Company. As Sinomach holds approximately 87.9% of the shareholding interest in YTO, Sinomach is a controlling shareholder of YTO. Therefore, Sinomach and its subsidiaries are deemed as connected persons of the Company according to the Hong Kong Listing Rules.

Tractors Research Company, which is owned as to 51% by the Company and 49% by YTO, is not only a non-wholly-owned subsidiary of the Company, but also an associate of YTO. Thus, Tractors Research Company is a connected person of the Company under the Hong Kong Listing Rules.

YTO Finance is a non-wholly-owned subsidiary of the Company, which is owned as to approximately 99.4% by the Company, including its controlled subsidiaries, and approximately 0.6% by YTO.

Accordingly, the transactions contemplated under the New Agreements entered into between the Company and YTO, YTO Finance and YTO, YTO Finance and Sinomach Finance, and the Company and Tractors Research Company, constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

Hong Kong Listing Rules Implications

(1) *Non-exempt CCT Agreements*

As the applicable percentage ratios under each of the Non-exempt CCT Agreements, on an annual basis, are more than 5%, the Non-exempt CCT Transactions are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. In addition, the Company is required to comply with the annual review requirements under the Hong Kong Listing Rules in respect of each of the Non-exempt CCT Transactions.

(2) *Other CCT Agreements*

As the applicable percentage ratios under each of the Other CCT Agreements, on an annual basis, are more than 0.1% but less than 5%, the transactions contemplated under the Other CCT Agreements are subject to the reporting, annual review and announcement requirements and exempt from Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

(3) *Fully-exempt CCT Agreement*

The deposit services to be provided under the Deposit Service Agreement constitute financial assistance provided by YTO Group, for the benefit of YTO Finance on normal commercial terms where no security over the assets of the Group is granted in respect of such financial assistance. The transactions contemplated under the Deposit Service Agreement are exempted from the reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.90 of the Hong Kong Listing Rules. Announcement on the Deposit Service Agreement is made voluntarily by the Company.

Shanghai Listing Rules Implications

As the A Shares of the Company are listed on the Shanghai Stock Exchange, the Company is also required to comply with relevant requirements of the Shanghai Listing Rules. Pursuant to the Shanghai Listing Rules, the Annual Cap amounts of all the New Agreements should be aggregated and are subject to the Independent Shareholders' approval at the EGM.

GENERAL INFORMATION

The EGM will be convened at which, among other things, ordinary resolutions will be proposed to seek Independent Shareholders' approval for each of the New Agreements and their respective proposed Annual Cap amounts. In view of the interests of YTO and its associates in the transactions contemplated under each of the New Agreements, YTO and its associates will abstain from voting on the resolutions in relation to each of the New Agreements and their respective proposed Annual Cap amounts at the EGM. Voting on such resolutions shall be taken by poll.

Pursuant to the Hong Kong Listing Rules, the Independent Board Committee will be formed to consider the transactions contemplated under each of the Non-exempt CCT Agreements and their respective proposed Annual Cap amounts for the three years ending 31 December 2019, 2020 and 2021, and to advise the Independent Shareholders as to whether each of the Non-exempt CCT Agreements and their respective proposed Annual Cap amounts for the three years ending 31 December 2019, 2020 and 2021 are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) the information relating to each of the New Agreements, (ii) the advice from the Independent Board Committee to the Independent Shareholders in respect of the Non-exempt CCT Agreements, (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee in respect of the Non-exempt CCT Agreements, and (iv) a notice of the EGM to be convened for the Independent Shareholders to approve the transactions contemplated under the New Agreements and their respective proposed Annual Cap amounts for the three years ending 31 December 2019, 2020 and 2021, is expected to be despatched to the Shareholders on or before 19 September 2018.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“A Share(s)”	the domestic ordinary share(s) of RMB1.00 each in the share capital of the Company, which are listed on the Shanghai Stock Exchange and subscribed for and traded in RMB;
“Annual Cap(s)”	the maximum aggregate annual value(s) or outstanding amounts for each of the transactions contemplated under the Old Agreements and the New Agreements;
“associate(s)”	has the same meaning as ascribed to this term under the Hong Kong Listing Rules;
“Bills Acceptance Service Agreement”	the agreement dated 29 August 2018 entered into between YTO Finance and YTO on behalf of YTO Extended Group for the provision of the bills acceptance services by YTO Finance to YTO Extended Group;
“Bills Discounting Service Agreement”	the agreement dated 29 August 2018 entered into between YTO Finance and YTO on behalf of YTO Extended Group for the provision of the bills discounting services by YTO Finance to YTO Extended Group;
“Board”	the board of Directors;
“CBRC”	China Banking Insurance Regulatory Commission;
“Company”	First Tractor Company Limited* (第一拖拉机股份有限公司), 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 and the Shanghai Stock Exchange respectively;
“Composite Services Agreement”	the agreement dated 29 August 2018 entered into between YTO, on behalf of YTO, its controlled companies and their associates, as supplier and/or supplying agent and the Company, on behalf of the Group, as purchaser and/or purchasing agent pursuant to which YTO Group agreed to provide transportation and transportation ancillary services to the Group;

“connected person(s)”	has the same meaning as ascribed to this term under the Hong Kong Listing Rules;
“controlling shareholder”	has the same meaning as ascribed to this term under the Hong Kong Listing Rules;
“Deposit Service Agreement”	the agreement dated 29 August 2018 entered into between YTO Finance and YTO, on behalf of YTO Extended Group, for the provision of the depository services by YTO Finance to YTO Extended Group;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened for the purposes of considering and approving, among other things, each of the New Agreements and their respective proposed Annual Cap amounts;
“Energy Procurement Agreement”	the agreement dated 29 August 2018 entered into between YTO as supplier and/or supplying agent and the Company, on behalf of the Group, as purchaser and/or purchasing agent pursuant to which YTO agreed to supply various kind of energy to the Group;
“Fully-exempt CCT Agreement”	the Deposit Service Agreement;
“Group”	the Company and its subsidiaries;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time);
“Independent Board Committee”	an independent committee of the Board comprising the independent non-executive Directors;
“Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt CCT Transactions and their respective Annual Cap amounts;

“Independent Shareholder(s)”	Shareholder(s) other than YTO and its associate(s);
“Intellectual Property”	any forms of intellectual property derived or created from the technology services or labour or intellectual results under the Technology Services Agreement, including but not limited to any patents, copyrights, trademarks, trade secrets, and other technical knowhow;
“Interbank Business Services Agreement”	the agreement dated 29 August 2018 entered into between YTO Finance and Sinomach Finance pursuant to which both parties agreed to provide financial supporting services to each other;
“Land Lease Agreement”	the agreement dated 29 August 2018 entered into between YTO, on behalf of YTO, its controlled companies or other associates, as lessor and the Company, on behalf of the Group, as lessee, pursuant to which YTO, its controlled companies or other associates agreed to lease land use rights with a gross land area of approximately 415,000 sq.m. to the Group, as well as give the Company pre-emptive rights to lease additional land use rights with a gross land area of no more than 16,000 sq.m.;
“Loan Service Agreement”	the agreement dated 29 August 2018 entered into between YTO Finance and YTO on behalf of YTO Extended Group for the provision of the loan services by YTO Finance to YTO Extended Group;
“Material Procurement Agreement”	the agreement dated 29 August 2018 entered into between YTO, on behalf of YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach, as supplier and/or supplying agent and the Company, on behalf of the Group, as purchaser and/or purchasing agent pursuant to which YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach agreed to supply certain materials to the Group;
“New Agreements”	Non-exempt CCT Agreements, Other CCT Agreements and the Fully-exempt CCT Agreement;

“Non-exempt CCT Agreements”	the Material Procurement Agreement, the Sale of Goods Agreement, the Loan Service Agreement, the Bills Discounting Service Agreement, the Bills Acceptance Service Agreement, the Interbank Business Services Agreement, the Technology Services Agreement, the Composite Services Agreement and the Energy Procurement Agreement;
“Non-exempt CCT Transactions”	the transactions contemplated under the Non-exempt CCT Agreements;
“Old Agreements”	(i) the material procurement agreement dated 25 August 2015 entered into between YTO, on behalf of YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach and the Company, on behalf of the Group; (ii) the sale of goods agreement dated 25 August 2015 entered into between the Company, on behalf of the Group and YTO, on behalf of YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach; (iii) the loan service agreement, bills discounting service agreement, bills acceptance service agreement and deposit service agreement, all dated 25 August 2015, entered into between YTO Finance and YTO, on behalf of YTO Extended Group (excluding Tractors Research Group); (iv) the interbank business services agreement dated 25 August 2015 entered into between YTO Finance and Sinomach Finance; (v) the technology services agreement dated 25 August 2015 entered into between Tractors Research Company, on behalf of Tractors Research Group, and the Company, on behalf of the Group; (vi) the composite services agreement dated 25 August 2015 entered into between YTO, on behalf of YTO, its controlled Companies and their associates and the Company, on behalf of the Group; (vii) the energy procurement agreement dated 25 August 2015 entered into between YTO (YTO Extended Group) and the Company, on behalf of the Group; (viii) the properties lease agreement dated 25 August 2015 entered into between YTO, on behalf of YTO, its controlled companies and other associates as lessor and the Company, on behalf of the Group as lessee; and (ix) the land lease agreement dated 25 August 2015 entered into between YTO, on behalf of YTO, its controlled companies and other associates as lessor and the Company, on behalf of the Group as lessee;

“Other CCT Agreements”	the Properties Lease Agreement and the Land Lease Agreement;
“PBOC”	the People’s Bank of China;
“percentage ratios”	has the same meaning as ascribed to it under the Hong Kong Listing Rules, as applicable to a transaction;
“PRC”	The People’s Republic of China which, for the purpose of this announcement only, does not include the Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan Province;
“Properties Lease Agreement”	the agreement dated 29 August 2018 entered into between YTO, on behalf of YTO, its controlled companies or entities and their associates, as lessor and the Company, on behalf of the Group, as lessee, pursuant to which YTO, its controlled companies or entities and their associates agreed to lease to the Group premises with a gross floor area of approximately 117,000 sq.m. and give the Company pre-emptive rights of leasing additional premises with a gross floor area of no more than 6,500 sq.m.;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale of Goods Agreement”	the agreement dated 29 August 2018 entered into between the Company, on behalf of the Group, as supplier and/or supplying agent and YTO, on behalf of YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach, as purchaser and/or purchasing agent pursuant to which the Group agreed to supply certain materials to YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach;
“Shanghai Listing Rules”	Shanghai Stock Exchange Share Listing Rules;
“Shareholder(s)”	shareholder(s) of the Company;
“SHIBOR”	Shanghai Interbank Offered Rate;

“Sinomach”	China National Machinery Industry Corporation* (中國機械工業集團有限公司), a limited liability company incorporated in the PRC and a controlling shareholder of YTO having 87.90% shareholding interest in YTO;
“Sinomach Finance”	Sinomach Finance Co., Ltd.* (國機財務有限責任公司), a company approved to be established in the PRC by the CBRC as a non-bank financial institution in September 2003, and a non-wholly-owned subsidiary of Sinomach;
“sq.m.”	square metre;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Technology Services Agreement”	the agreement dated 29 August 2018 entered into between Tractors Research Company, on behalf of Tractors Research Group, and the Company, on behalf of the Group (excluding Tractor Research Group), pursuant to which Tractors Research Group has agreed to provide certain technology services to the Group (excluding Tractor Research Group);
“Tractors Research Company”	Luoyang Tractors Research Company Limited*(洛陽拖拉機研究所有限公司), a limited liability company incorporated in the PRC, a non-wholly-owned subsidiary of the Company and an associate of YTO;
“Tractors Research Group”	Tractors Research Company and its two wholly-owned subsidiaries, namely Luoyang Xiyuan Motor Power Inspection Institution Company Limited* (洛陽西苑車輛動力檢驗所有限公司) and Luoyang Tuoqi Engineering Motor Technology Company Limited* (洛陽拖汽工程車輛科技有限公司), being the service providers who provide technology services under the Technology Services Agreement to the Group (excluding Tractor Research Group);

Whole-set Business	The business for which YTO Group, in accordance with the operating principles of providing the customers with the most valuable whole-set solutions in respect of agricultural equipment, procures such products as harvest machinery and other agricultural machinery by taking advantage of the Company' own channels with a view to provide customers with machinery unit sales and whole-set solutions for agricultural machinery products to meet the needs of the customers for full-process mechanisation in operation;
“YTO”	YTO Group Corporation* (中國一拖集團有限公司), a limited liability company incorporated in the PRC and the controlling shareholder of the Company, holding approximately 41.66% equity interest in the Company;
“YTO Extended Group”	(i) YTO; (ii) its controlling companies or entities; (iii) non-wholly-owned subsidiaries of the Company that companies or entities in (i) and (ii) above held 10% or more voting rights respectively or collectively; and (iv) associates of YTO;
“YTO Finance”	China First Tractor Group Finance Company Limited* (中國一拖集團財務有限責任公司), a company incorporated in the PRC with limited liability and a subsidiary of the Company owned as to 99.4% by the Company;
“YTO Group”	YTO and its subsidiary; and
“%”	per cent.

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

Luoyang, the PRC
29 August 2018

As at the date of this announcement, the Board comprises Mr. Zhao Yanshui (Chairman) and Mr. Wu Yong (vice Chairman) as executive Directors; Mr. Li Hepeng, Mr. Xie Donggang, Mr. Li Kai and Mr. Yin Dongfang as non-executive Directors; and Ms. Yang Minli, Mr. Xing Min, Mr. Wu Tak Lung and Mr. Yu Zengbiao as independent non-executive Directors.

* for identification purposes only