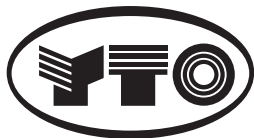


*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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 TRANSACTION COMMON RESOURCE SERVICES AGREEMENT**

On 21 December 2018, YTO, on behalf of YTO Group, as the supplier and/or the supplying agent, and the Company, on behalf of the Group, as the purchaser and/or the purchasing agent, entered into the Common Resource Services Agreement, pursuant to which YTO Group agreed to provide the Common Resource Services to the Group.

As at the date of this announcement, YTO beneficially owns approximately 41.66% equity interest in the Company and is the immediate controlling shareholder of the Company. Accordingly, YTO is a connected person of the Company and the transactions contemplated under the Common Resource Services Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As the applicable percentage ratios for the Common Resource Services Agreement are more than 0.1% but less than 5%, the provision of services under the Common Resource Services Agreement is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

### **INTRODUCTION**

On 21 December 2018, YTO, on behalf of YTO Group, as the supplier and/or the supplying agent, and the Company, on behalf of the Group, as the purchaser and/or the purchasing agent, entered into the Common Resource Services Agreement, pursuant to which YTO Group agreed to provide the Common Resource Services to the Group.

## **THE COMMON RESOURCE SERVICES AGREEMENT**

Details of the principal terms of the Common Resource Services Agreement and its proposed Annual Cap amount are set out below:

### **Date**

21 December 2018

### **Parties**

- (a) YTO, on behalf of YTO Group, as the supplier and/or the supplying agent; and
- (b) The Company, on behalf of the Group, as the purchaser and/or the purchasing agent.

### **Services to be provided**

Pursuant to the Common Resource Services Agreement, YTO Group agreed to provide Common Resource Services to the Group, including:

- (1) Greening services: provision of greening services within the land area of the Group, including the planting, cultivation and daily maintenance of a variety of plants;
- (2) Road maintenance services: provision of maintenance and care services to the road traffic;
- (3) Cleaning services: responsible for maintaining the cleanliness and sanitation of plants and other buildings in the production area of the Group; and
- (4) Logistic support services: provision of conference venues and reception services for the Group, and provision of collective apartments for employees and related services.

### **Term**

From 1 January 2019 to 31 December 2019.

### **Payment Terms**

Pursuant to the Common Resource Services Agreement, fees incurred during each quarter shall be paid by the Group in cash by the end of that quarter.

## Pricing Standard for the Transaction

Pursuant to the Common Resource Services Agreement, the price of the services shall be determined according to the following criteria, which are set out in order of importance, starting from the most important:

- (1) the transaction prices of the transactions for the same or similar services between YTO Group and independent third parties; and
- (2) if the above is not applicable, costs plus a percentage mark-up, which is not more than 10% (i.e. price = costs x (1 + percentage mark-up)).

*(whereas the 10% mark-up was determined based on (i) the profit margin of the transactions for the same or similar services between YTO Group and independent third parties; and (ii) the profit margin of the historical transactions of the parties to the Common Resource Services Agreement.)*

YTO Group undertakes that the applicable price for the provision of the services to the Group shall not be higher than the price charged for the provision of the same services to independent third party customers of YTO Group.

## Historical Figures and the Proposed Annual Cap Amount for the Transaction under the Common Resource Services Agreement

The following table sets out the historical service fees of the Common Resource Services of the Company for the three years ended 31 December 2018, and the proposed Annual Cap amount for the year ending 31 December 2019 under the Common Resource Services Agreement:

Historical service fee for the year ended 31 December 2016 (audited) RMB '000 (Approximately)	Historical service fee for the year ended 31 December 2017 (audited) RMB '000 (Approximately)	Historical service fee for the year ended 31 December 2018 (unaudited) RMB '000 (Approximately)	Proposed Annual Cap amount for the year ending 31 December 2019 RMB '000
9,630	12,330	13,000	6,000

## Basis for the Proposed Annual Cap Amount under the Common Resource Services Agreement

The proposed Annual Cap amount for the year ending 31 December 2019 for the Common Resource Services Agreement was determined with reference to the following factors:

- (1) the historical service fees for the three years ended 31 December 2018; and
- (2) the Company has cut down certain demands for logistics services, such as landscaping, which are not closely related to its business operations.

## MEASURES OF INTERNAL CONTROL

To ensure the Group's conformity with the pricing policies of the Common Resource Services Agreement 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 Directors (including the independent non-executive Directors) and audit department of the Company:

- (1) the general manager's office having approved the Common Resource Services Agreement according to the internal rules of the Company;
- (2) the office to the Board and finance department of the Company, which shall be responsible for the calculation, supervision and management of the implementation of the cap amount for the transactions, having reviewed the reasonableness and fairness of the terms of the Common Resource Services Agreement (in particular, the pricing terms);
- (3) the Company's management policies for connected transactions clearly state the principle for determining the prices for connected transactions. When each unit of business enters into contracts in accordance with the Common Resource Services Agreement, the price must be determined in accordance with the pricing standards as agreed in the Common Resource Services Agreement;
- (4) the internal audit department of the Company shall conduct regular supervision and evaluation on whether procedures to conduct connected transactions of the Company comply with internal control requirements of the Company; and
- (5) the finance department of the Company will request YTO Group to provide the relevant documents including invoices for its transactions with independent third parties, so as to confirm the price for the provision of the same or similar type of service(s) by YTO Group to the Group is not higher than the price charged for the provision of such service(s) by YTO Group to independent third parties. If the above is not applicable, the financial department of the Company will request YTO Group to provide the cost breakdown (including but not limited to purchase invoices, list of labor cost and other related fees) for its transactions with the Group, so as to calculate whether the profit margin is within the agreed range of 10%, and determine the reasonableness of the prices charged by YTO Group.

The Directors are of the view that the above internal control measures can ensure that the transactions under the Common Resource Services Agreement 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 TRANSACTION UNDER THE COMMON RESOURCE SERVICES AGREEMENT**

In light of the extensive land area of the Group and the complexity of maintenance and care services to road facilities, so far as the Directors are aware, it is convenient for YTO Group to provide relevant services to the Group, and YTO Group possesses the relevant capability and sufficient capital back-ups to provide the Common Resource Services.

The terms of the Common Resource Services Agreement were determined after arm's length negotiations between the parties thereto. The Directors (including the independent non-executive Directors) consider that the terms of the Common Resource Services Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Group and the Shareholders as a whole.

## **INFORMATION OF THE GROUP, YTO AND YTO GROUP**

The Group is principally engaged in the production and sale 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.

As at the date of this announcement, YTO is the immediate controlling shareholder of the Company, holding 410,690,578 A Shares of the Company. YTO Group is principally engaged in the production and sales of transporting machineries, vehicle products, industrial equipment and components.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, YTO beneficially owns approximately 41.66% equity interest in the Company and is the immediate controlling shareholder of the Company. Accordingly, YTO is a connected person of the Company and the transactions contemplated under the Common Resource Services Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As the applicable percentage ratios for the Common Resource Services Agreement are more than 0.1% but less than 5%, the provision of services under the Common Resource Services Agreement is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

According to the internal rules of the Company, the Common Resource Services Agreement and the transactions contemplated thereunder shall be reviewed and approved by the general manager's office of the Company instead of the Board. Therefore, none of the Directors is required to abstain from voting at any board meeting.

## DEFINITIONS

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

“Annual Cap”	the maximum aggregate annual value payable by the Group for the transactions under the Common Resource Services Agreement;
“Board”	the board of Directors;
“Common Resource Services”	services including greening services, road maintenance services, cleaning services and logistic support services;
“Common Resource Services Agreement”	the agreement dated 21 December 2018 entered into between YTO, on behalf of YTO Group, as the supplier and/or the supplying agent and the Company, on behalf of the Group, as the purchaser and/or the purchasing agent, pursuant to which YTO Group agreed to provide the Common Resource Services to the Group;
“Company”	First Tractor Company Limited* (第一拖拉機股份有限公司), a joint stock company with limited liability incorporated in the PRC, the H Shares and A Shares of which are listed on the main board of the Stock Exchange (Stock Code: 0038) and the Shanghai Stock Exchange (Stock Code: 601038) respectively;
“connected person(s)”	has the same meaning as ascribed to this term under the Listing Rules;
“controlling shareholder”	has the same meaning as ascribed to this term under the Listing Rules;
“Directors”	the directors of the Company, including the independent non-executive directors;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“percentage ratio(s)”	has the same meaning as ascribed to this term under the Listing Rules, as applicable to a transaction;
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	the shareholder(s) of the Company;
“Share(s)”	share(s) of RMB1.00 each of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“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 Group”	YTO and its subsidiaries (other than the Group); and
“%”	per cent.

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

Luoyang, the PRC  
21 December 2018

*As at the date of this announcement, the Board comprises Mr. Zhao Yanshui (Chairman), Mr. Wu Yong (vice Chairman) and Mr. Zhu Weijiang as executive Directors; Mr. Li Hepeng, Mr. Xie Donggang, Mr. Li Kai and Mr. Zhou Honghai as non-executive Directors; and Mr. Yu Zengbiao, Ms. Yang Minli, Ms. Wang Yuru and Mr. Edmund Sit as independent non-executive Directors.*

\* *For identification purposes only*