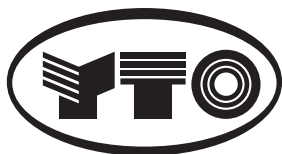


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# 第一拖拉机股份有限公司\*

## FIRST TRACTOR COMPANY LIMITED

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

(Stock Code: 0038)

### CONNECTED TRANSACTION EXTERNAL INVESTMENT BY A CONTROLLED SUBSIDIARY

On 19 June 2019, YTO, the Tractors Research Company and the Target Company entered into the Capital Increase Agreement, pursuant to which YTO and the Tractors Research Company will make capital increase to the Target Company.

As at the date of this announcement, the registered capital of the Target Company is RMB15 million with the shareholding structure as follows: YTO holding 30% of its equity interests, Luoyang Zhongkelong Network Innovation Technology Limited\* (洛陽中科龍網創新科技有限公司) holding 25% of its equity interests, each of Luoyang Advanced Manufacturing Industry R&D Base of Tsinghua University Tianjin Research Institute for Advanced Equipment\* (清華大學天津高端裝備研究院洛陽先進製造產業研發基地) and Zoomlion Heavy Machinery Co., Ltd.\* (中聯重機股份有限公司) holding 20% of its equity interests and Luoyang Institute of Information Technology Industries (洛陽中科信息產業研究院) holding 5% of its equity interests.

Based on the resolution passed at the 2019 first general meeting of the Target Company, the capital increase plan (the “**Plan on Capital Increase to the Target Company**”) is as follows: The registered capital of the Target Company will be increased to RMB120 million and five new shareholders will be introduced, including the Tractors Research Company, Chinese Academy of Agricultural Mechanization Sciences\* (中國農業機械化科學研究院), Nongxin Technology (Beijing) Co., Ltd.\* (農芯科技(北京)有限責任公司), Wuxi Kalman Navigation Technology Co., Ltd.\* (無錫卡爾曼導航技術有限公司) and Jiangsu Yueda Intelligent Agricultural Equipment Co., Ltd.\* (江蘇悅達智能農業裝備有限公司).

Pursuant to the Capital Increase Agreement, the Tractors Research Company will subscribe for the registered capital of the Target Company in an amount of RMB3,600,000.00 at a price of RMB4,839,048.00, including cash capital increase of RMB3,871,238.40 and non-cash capital increase of RMB967,809.60 (the “**Capital Increase by the Tractors Research Company**”).

Immediately after the completion of the Capital Increase by the Tractors Research Company, the Tractors Research Company will hold 3% of the enlarged equity interests in the Target Company.

YTO is the immediate controlling shareholder of the Company. Since YTO holds 30% equity interests in the Target Company as at the date of this announcement, the Target Company is an associate of YTO and a connected person of the Company. Accordingly, the Capital Increase by the Tractors Research Company constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios are more than 0.1% but less than 5%, the Capital Increase by the Tractors Research Company is subject to the reporting and announcement requirements but is exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

As at the end of May 2019, the Target Company was approved by the Ministry of Industry and Information Technology to establish the National Agricultural Machinery and Equipment Innovation Center (國家農機裝備創新中心) to participate in the research, promotion and application of the cutting-edge technology of the national agricultural machinery and equipment, which will promote the upgrading and development of the Company’s principal businesses and enhance the Company’s industry influence and competitiveness.

On 19 June 2019, YTO, the Tractors Research Company and the Target Company entered into the Capital Increase Agreement, pursuant to which YTO and the Tractors Research Company will make capital increase to the Target Company.

As at the date of this announcement, the registered capital of the Target Company is RMB15 million with the shareholding structure as follows: YTO holding 30% of its equity interests, Luoyang Zhongkelong Network Innovation Technology Limited\* (洛陽中科龍網創新科技有限公司) holding 25% of its equity interests, each of Luoyang Advanced Manufacturing Industry R&D Base of Tsinghua University Tianjin Research Institute for Advanced Equipment\* (清華大學天津高端裝備研究院洛陽先進製造產業研發基地) and Zoomlion Heavy Machinery Co., Ltd.\* (中聯重機股份有限公司) holding 20% of its equity interests and Luoyang Institute of Information Technology Industries (洛陽中科信息產業研究院) holding 5% of its equity interests.

Based on the resolution passed at the 2019 first general meeting of the Target Company, the capital increase plan (the “**Plan on Capital Increase to the Target Company**”) is as follows: The registered capital of the Target Company will be increased to RMB120 million and five new shareholders will be introduced, including the Tractors Research Company, Chinese Academy of Agricultural Mechanization Sciences\* (中國農業機械化科學研究院), Nongxin Technology (Beijing) Co., Ltd.\* (農芯科技(北京)有限責任公司), Wuxi Kalman Navigation Technology Co., Ltd.\* (無錫卡爾曼導航技術有限公司) and Jiangsu Yueda Intelligent Agricultural Equipment Co., Ltd.\* (江蘇悅達智能農業裝備有限公司).

Pursuant to the Capital Increase Agreement, the Tractors Research Company will subscribe for the registered capital of the Target Company in an amount of RMB3,600,000.00 at a price of RMB4,839,048.00, including cash capital increase of RMB3,871,238.40 and non-cash capital increase of RMB967,809.60 (the “**Capital Increase by the Tractors Research Company**”).

The principal terms of the Capital Increase Agreement are as follows:

#### **DATE**

19 June 2019

#### **PARTIES**

- 1) YTO
- 2) the Tractors Research Company
- 3) the Target Company

YTO is the immediate controlling shareholder of the Company.

## **CAPITAL INCREASE BY THE TRACTORS RESEARCH COMPANY**

Pursuant to the Capital Increase Agreement:

- A) The Tractors Research Company will subscribe for the registered capital of the Target Company in an amount of RMB3,600,000.00 at a price of RMB4,839,048.00, including cash capital increase of RMB3,871,238.40 and non-cash capital increase of RMB967,809.60; and
- B) The subjects of the non-cash capital increase shall be equipment, devices, products and/or patents and copyrights required for the production and operation of the Target Company and shall be consistent with the development strategy of the Target Company, and the value of such non-cash capital increase subjects shall be based on their appraised value.

If certain shareholders fail to complete the contribution to the subscription as agreed, YTO has the right to make supplementary subscription and corresponding adjustments shall be made to certain shareholders and their contribution amount and proportion in the Target Company after the capital increase as agreed.

## **METHOD AND TIMING OF PAYMENT FOR THE CAPITAL INCREASE BY THE TRACTORS RESEARCH COMPANY**

Pursuant to the Capital Increase Agreement:

- A) The Tractors Research Company shall pay the price for the cash capital increase in full in a lump sum to the bank account of the Target Company before 28 June 2019.
- B) The Tractors Research Company shall cooperate with the Target Company in completing the valuation on the non-cash subjects for capital increase and transfer the assets right to the Target Company within 120 Business Days after the Capital Increase Agreement takes effect.

The Tractors Research Company will pay for the cash capital increase and non-cash capital increase through its internal financial resources.

## DETERMINATION OF THE AMOUNT OF CAPITAL INCREASE BY THE TRACTORS RESEARCH COMPANY

The price under the Plan on Capital Increase to the Target Company was based on the valuation results under the Assets Valuation Report on the Project of Proposed Capital Increase to Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd. (Zhong Lian Ping Bao Zi (2019) No. [881]) (the “**Valuation Report**”) issued by China United Assets Appraisal Group Company Limited on 15 May 2019. Based on the Valuation Report and with the adoption of the asset-based approach, as at the valuation benchmark date, i.e. 31 March 2019, the book value of the net assets of the Target Company amounted to RMB13,704,800 and the appraised value was RMB20,162,700, representing an appreciation ratio of 47.12%.

### Summary of Appraisal Results on Assets of the Target Company

Valuation benchmark date: 31 March 2019

Currency: RMB Unit: RMB0'000

Item	Book value A	Appraised value B	Increase/Decrease C=B-A	Appreciation ratio % D=C/A
Current assets	1,949.90	1,954.01	4.11	0.21
Non-current assets	68.68	710.36	641.68	934.30
Including: Long-term equity investments	–	–	–	–
Investment properties	–	–	–	–
Fixed assets	64.27	63.81	-0.46	-0.72
Construction in progress	–	–	–	–
Intangible assets	1.63	643.77	642.14	39,395.09
Including: Land use right	–	–	–	–
Long-term deferred expenses	–	–	–	–
<b>Total assets</b>	<b>2,018.58</b>	<b>2,664.37</b>	<b>645.79</b>	<b>31.99</b>
Current liabilities	648.10	648.10	–	–
Non-current liabilities	–	–	–	–
<b>Total liabilities</b>	<b>648.10</b>	<b>648.10</b>	<b>–</b>	<b>–</b>
<b>Net assets (Owner's rights)</b>	<b>1,370.48</b>	<b>2,016.27</b>	<b>645.79</b>	<b>47.12</b>

The specific amount of cash capital increase and non-cash capital increase involved in the Capital Increase by the Tractors Research Company was determined by the Target Company and the Tractors Research Company through arm's length negotiations after giving consideration to the Target Company's establishment of a innovation center on a national level and future business development needs.

## SHAREHOLDERS OF AND THEIR SHAREHOLDINGS IN THE TARGET COMPANY

As at the date of this announcement, shareholders of and their shareholdings in the Target Company are as follows:

*Currency: RMB*

No.	Shareholders	Amount of capital contribution (RMB)	Shareholding
1	YTO	4,500,000	30%
2	Luoyang Zhongkelong Network Innovation Technology Limited* (洛陽中科龍網創新科技有限公司)	3,750,000	25%
3	Luoyang Advanced Manufacturing Industry R&D Base of Tsinghua University Tianjin Research Institute for Advanced Equipment* (清華大學天津高端裝備研究院洛陽先進製造產業研發基地)	3,000,000	20%
4	Zoomlion Heavy Machinery Co., Ltd.* (中聯重機股份有限公司)	3,000,000	20%
5	Luoyang Institute of Information Technology Industries (洛陽中科信息產業研究院)	750,000	5%
	<b>Total</b>	<b>15,000,000</b>	<b>100%</b>

Pursuant to the provisions of the Capital Increase Agreement, as certain shareholders failed to sign their capital increase agreements and make contribution to the subscription as scheduled, YTO and the Target Company entered into a supplementary agreement (the “**Supplementary Agreement**”) on 19 June 2019 to exercise the right to make supplementary subscription.

Immediately after the completion of the Plan on Capital Increase to the Target Company carried out pursuant to the Capital Increase Agreement and the Supplementary Agreement, shareholders of and their shareholdings in the Target Company are as follows:

*Currency: RMB*

No.	Shareholders	Amount of capital contribution (RMB)	Shareholding
1	YTO	45,450,000	37.875%
2	Luoyang Zhongkelong Network Innovation Technology Limited* (洛陽中科龍網創新科 技有限公司)	18,000,000	15%
3	Luoyang Advanced Manufacturing Industry R&D Base of Tsinghua University Tianjin Research Institute for Advanced Equipment* (清華大學天津高端裝備研究院洛陽先進製 造產業研發基地)	9,600,000	8%
4	Zoomlion Heavy Machinery Co., Ltd.* (中聯 重機股份有限公司)	3,000,000	2.5%
5	Luoyang Institute of Information Technology Industries (洛陽中科信息產業研究院)	750,000	0.625%
6	China Academy of Agricultural Mechanization	18,000,00	15%
7	Tractors Research Company	3,600,000	3%
8	Nongxin Technology (Beijing) Co., Ltd.* (農 芯科技(北京)有限責任公司)	6,000,000	5%
9	Wuxi Kalman Navigation Technology Co., Ltd.	3,600,000	3%
10	Jiangsu Yueda Intelligent Agricultural Equipment Co., Ltd.	12,000,000	10%
	<b>Total</b>	<b>120,000,000</b>	<b>100%</b>

## **REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE BY THE TRACTORS RESEARCH COMPANY AND THE EFFECTS ON THE COMPANY**

The National Agricultural Machinery and Equipment Innovation Center (國家農機裝備創新中心) to be established by the Target Company as the subject is devoted to achieving the improvement of agricultural machinery and equipment and their manufacturing technologies as well as industry incubation, shaping a virtuous innovation and entrepreneurship ecosystem and promoting the coordinated development of the integrated agricultural machinery and equipment industry chain. The Capital Increase by the Tractors Research Company is beneficial to the Company's research on cutting-edge technologies of agricultural machinery and equipment and sharing research results, and can share the benefits of the platform economy and will help enhance the competitiveness of the Company's principal businesses.

Immediately after the completion of the Capital Increase by the Tractors Research Company, the Tractors Research Company will hold 3% of the enlarged equity interests in the Target Company.

The terms of the Capital Increase Agreement and the Capital Increase by the Tractors Research Company were determined after arm's length negotiations between the parties. The Directors (including independent non-executive Directors) are of the view that the terms of the Capital Increase Agreement and the Capital Increase by the Tractors Research Company are on normal commercial terms in the ordinary course of business of the Group, fair and reasonable, and in the interests of the Group and the Shareholders as a whole.

## **INFORMATION ON THE TARGET COMPANY**

The Target Company is a limited liability company incorporated in the PRC. Its scope of business covers the research and development, design, production and sales of agricultural equipment, engineering equipment and its manufacturing materials, processes, equipment, software and components, technology transformation, promotion, testing, consulting, services, business incubator management, and import and export of goods and technologies.

As the Target Company was established on 13 December 2017, it has no financial information for the financial year ended 31 December 2017.



The consolidated financial information of the Target Company for the financial year ended 31 December 2018 and the quarter ended 31 March 2019 is as follows:

*Currency: RMB Unit: Yuan*

	<b>For the financial year ended 31 December 2018 (audited)</b>	<b>For the quarter ended 31 March 2019 (audited)</b>
Net profit/(loss) before tax	526,823.13	(1,746,286.81)
Net profit/(loss) after tax	526,823.13	(1,729,052.53)
Total assets	19,136,736.86	20,185,857.44
Net assets	15,525,804.38	13,704,876.15
Total operating revenue	1,115,830.23	663,155.44

### **INFORMATION ON THE GROUP, YTO AND YTO GROUP, AND THE 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-power, mid-power and low-power, diesel engines and tractor components.

As at the date of this announcement, YTO is the controlling shareholder of the Company, holding approximately 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.

The Tractors Research Company is a limited liability company incorporated in the PRC and is owned as to 51% equity interests by the Company and thus is a majority-owned subsidiary of the Company. Luoyang Tractors Research Company is primarily engaged in the test of tractors, automobiles, engineering machinery, internal combustion engine, agricultural machinery, agricultural transport vehicles and other machinery products as well as the components, the research and development of equipment, technology development and transfer, consultancy services and sales; the development of computer technology and services; advertisement operation, houses leasing and printing (excluding the printing of publications and only limited to the operation by qualified branches); as well as import and export businesses (excluding goods or technologies prohibited or restricted by the state to be imported or exported).

## LISTING RULES IMPLICATIONS

YTO is the immediate controlling shareholder of the Company. Since YTO holds 30% equity interests in the Target Company as at the date of this announcement, the Target Company is an associate of YTO and a connected person of the Company. Accordingly, the Capital Increase by the Tractors Research Company constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios are more than 0.1% but less than 5%, the Capital Increase by the Tractors Research Company is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The terms of the Capital Increase Agreement and the Capital Increase by the Tractors Research Company have been approved by the Board. Li Xiaoyu, Cai Jibo, Li Hepeng, Xie Donggang and Zhou Honghai, all being Directors, have abstained from voting on the Board resolution to approve the terms of the Capital Increase Agreement and the Capital Increase by the Tractors Research Company at the Board meeting, as they are connected to YTO and are regarded as being unqualified to make any independent recommendation to the Board.

## DEFINITIONS

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

“Board”	the board of Directors;
“Business Day”	a day which is not a public holiday designated by the government of the PRC;
“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 thereto under the Listing Rules;
“controlling shareholder”	has the same meaning as ascribed thereto 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 thereto 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;
“Shares”	share(s) of RMB1.00 each of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd.* (洛陽智能農業裝備研究院有限公司), a company with limited liability incorporated in the PRC;
“Tractors Research Company”	Luoyang Tractors Research Institute Company Limited* (洛陽拖拉機研究所有限公司), a company with limited liability incorporated in the PRC and a controlled subsidiary of the Company;

“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 (excluding the Group); and
“%”	per cent.

For the purpose of this announcement, the following exchange rate is used:

RMB1.00 = HK\$1.24

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

Luoyang, the PRC  
20 June 2019

*As at the date of this announcement, the Board comprises Mr. Li Xiaoyu (Chairman), Mr. Cai Jibo (vice Chairman), Mr. Wu Yong and Mr. Liu Jiguo as executive Directors; Mr. Li Hepeng, Mr. Xie Donggang 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*