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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)

- (1) PROPOSED NON-PUBLIC ISSUANCE OF NEW A SHARES;**
- (2) CONNECTED TRANSACTION – PROPOSED SUBSCRIPTION OF A SHARES BY YTO GROUP CORPORATION;**
- (3) APPLICATION FOR WHITEWASH WAIVER;**
- AND**
- (4) PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION**

## **PROPOSED NON-PUBLIC ISSUANCE OF A SHARES**

The Board announces that on 23 April 2020, the Board approved a proposed non-public issuance of A Shares, and the Company entered into the A Shares Subscription Agreement with YTO Group Corporation, pursuant to which the Company will, subject to the satisfaction of the conditions precedent as disclosed below, issue 137,795,275 A Shares (representing not more than 30% of the total existing number of Shares in issue) to YTO Group Corporation for a cash issue price of RMB5.08 per A Share. The total funds expected to be raised (before expenses) will amount to RMB700,000,000 (subject to regulatory approval).

The issue price of the A Shares to be issued under the Proposed A Shares Issue of RMB5.08 is not less than 80% of the average trading price of the A Shares during the 20 trading days preceding the Pricing Benchmark Date (i.e. 24 April 2020, being one day after the date on which the Board approved the Proposed A Shares Issue at the 17th meeting of the 8th session of the Board). The average trading price of the A Shares during the 20 trading days preceding the Pricing Benchmark Date equals to the total trading amount of A Shares traded in the 20 trading days preceding the Pricing Benchmark Date, divided by the total volume of A Shares traded in those 20 trading days.

The number of A Shares to be issued under the Proposed A Shares Issue, being 137,795,275 A Shares, represents (i) approximately 23.20% of the existing number of A Shares in issue as at the date of this announcement, and approximately 13.98% of the existing total number of Shares in issue as at the date of this announcement; and (ii) approximately 18.83% of the number of A Shares in issue and approximately 12.26% of the total number of Shares in issue, in each case as enlarged by the number of A Shares to be issued upon completion of the Proposed A Shares Issue.

The Company will issue the A Shares under the Specific Mandate to be sought from the Independent Shareholders at the General Meeting and the Class Meetings. The Proposed A Shares Issue is subject to, among other conditions precedent, the approval of the relevant state-owned assets supervision and administration authorities and the CSRC, the grant of the Whitewash Waiver by the SFC, and the approval by the Independent Shareholders of the Whitewash Waiver at the General Meeting.

#### **IMPLICATIONS UNDER THE LISTING RULES**

YTO Group Corporation is the controlling shareholder holding approximately 41.66% of the total number of Shares of the Company in issue as at the date of this announcement, and therefore YTO Group Corporation is a connected person of the Company under the Listing Rules. The Proposed A Shares Issue constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Specific Mandate is sought from the shareholders of the Company as required under Rule 13.36 of the Listing Rules, as modified by Chapter 19A of the Listing Rules.

## **IMPLICATIONS UNDER THE TAKEOVERS CODE – APPLICATION FOR WHITEWASH WAIVER**

Upon completion of the Proposed A Shares Issue, YTO Group Corporation's shareholding of the Company is expected to increase from approximately 41.66% to approximately 48.81%. In the absence of an applicable waiver, completion of the Proposed A Shares Issue will give rise to an obligation on the part of YTO Group Corporation to make a mandatory offer for all the Shares other than those already owned or agreed to be acquired by it under Rule 26.1 of the Takeovers Code. YTO Group Corporation will apply to the Executive for the Whitewash Waiver from compliance with the obligation to make a mandatory offer under Rule 26.1 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, is expected to be subject to, among other things, the approval of the Whitewash Waiver by at least 75% of the independent votes that are cast either in person or by proxy by the Independent Shareholders at the General Meeting, and the approval of the Proposed A Shares Issue and the A Shares Subscription Agreement by more than 50% of the independent votes that are cast either in person or by proxy by the Independent Shareholders at the General Meeting as required under the Takeovers Code. Further, under the Articles, the Proposed A Shares Issue and the A Shares Subscription Agreement will have to be approved by at least two-thirds of the votes cast on a poll by the Independent Shareholders at each of the General Meeting, the A Shares Class Meeting and the H Shares Class Meeting. The Proposed A Shares Issue will not proceed if the Whitewash Waiver is not granted by the Executive or the Proposed A Shares Issue is not approved by the Independent Shareholders at the General Meeting and the Class Meetings or the Whitewash Waiver is not approved by the Independent Shareholders at the General Meeting.

## **ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee (comprising Mr. Yu Zengbiao, Ms. Yang Minli, Ms. Wang Yuru and Mr. Edmund Sit, being all the independent non-executive Directors) has been formed in accordance with Chapter 14A of the Listing Rules and Rule 2.8 of the Takeover Code to advise the Independent Shareholders on the Proposed A Shares Issue and Whitewash Waiver.

Mr. Li Hepeng, Mr. Xie Donggang and Mr. Zhou Honghai, each being a non-executive Director of the Company, is a concert party of YTO Group Corporation and is therefore not considered as independent for the purpose of giving advice or recommendations to the Independent Shareholders. Accordingly, each of Mr. Li Hepeng, Mr. Xie Donggang and Mr. Zhou Honghai has been precluded from the Independent Board Committee.

Octal Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Proposed A Shares Issue and Whitewash Waiver.

### **GENERAL MEETING AND CLASS MEETINGS**

The General Meeting will be convened to consider, and if thought fit, approve, among others, (i) the Proposed A Shares Issue; (ii) the Specific Mandate; (iii) the Whitewash Waiver; and (iv) the amendments to the Articles.

The Class Meetings will be convened to consider and, if thought fit, approve (i) the Proposed A Shares Issue; and (ii) the Specific Mandate.

YTO Group Corporation and its associates and parties acting in concert with it and those who are involved in or interested in the Proposed A Shares Issue or the Whitewash Waiver will be required to abstain from voting on the corresponding resolutions to be proposed at the General Meeting and/or the Class Meetings.

### **OTHER INFORMATION**

Shareholders' attention is also drawn to the overseas regulatory announcement dated 23 April 2020 issued by the Company in relation to the proposed non-public issuance of A Shares by the Company.

### **GENERAL**

A circular containing, among other things, (i) details of the Proposed A Shares Issue, the Specific Mandate and the Whitewash Waiver; (ii) a letter from the Independent Board Committee and a letter of advice from the Independent Financial Adviser; and (iii) the notice of General Meeting and Class Meetings expected to be despatched to the Shareholders on or before 14 May 2020 in accordance with the applicable Listing Rules and Takeovers Code.

**The completion of the Proposed A Shares Issue is subject to the satisfaction of certain conditions, including but not limited to the grant of the Whitewash Waiver by the Executive, which may or may not be granted by the Executive. The granting of the Whitewash Waiver is a non-waivable condition precedent to the A Shares Subscription Agreement. Accordingly, the Proposed A Shares Issue may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **PROPOSED NON-PUBLIC ISSUANCE OF A SHARES UNDER SPECIFIC MANDATE**

On 23 April 2020, the Board approved the Proposed A Shares Issue and the Company entered into the A Shares Subscription Agreement with YTO Group Corporation, pursuant to which the Company will, subject to the satisfaction of the conditions precedent, issue 137,795,275 A Shares (representing not more than 30% of the total existing number of Shares in issue) to YTO Group Corporation for a cash issue price of RMB5.08 per A Share. The total funds expected to be raised (before expenses) will amount to RMB700,000,000 (subject to regulatory approval).

The A Shares to be issued under the Proposed A Shares Issue will be issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the General Meeting and the Class Meetings.

The details of the Proposed A Shares Issue are set out below.

### **Structure of the Proposed A Share Issue**

Class and par value of A Shares to be issued:	A Shares with a par value of RMB1.00 each.
Number of A Shares to be issued:	Subject to the satisfaction of the conditions precedent (as disclosed below), 137,795,275 new A Shares will be issued under the Proposed A Shares Issue, which represents: <ul style="list-style-type: none"><li>(i) approximately 23.20% of the existing number of A Shares in issue as at the date of this announcement, and approximately 13.98% of the existing total number of Shares in issue as at the date of this announcement; and</li><li>(ii) approximately 18.83% of the number of A Shares in issue and approximately 12.26% of the total number of Shares in issue, in each case as enlarged by the number of A Shares to be issued upon the completion of the Proposed A Shares Issue.</li></ul>

The number of A Shares to be issued under the Proposed A Shares Issue (being 137,795,275 A Shares) is arrived at by dividing the total amount of funds to be raised by the Company thereunder (being RMB700,000,000) by the issue price per A Share to be determined based on the principles as set out in the paragraph headed “Issue price, Pricing Benchmark Date and pricing principles”. Provided that such number of A Shares to be issued shall not be more than 30% of the total existing number of Shares in issue, the final number of A Shares to be issued under the Proposed A Shares Issue will be determined by negotiation between the Board and the sponsor (lead manager) in accordance with Detailed Implementation Rules for the Non-Public Offering of Stocks of Listed Companies (上市公司非公開發行股票實施細則).

The number of A Shares to be issued under the Proposed A Shares issue will be adjusted if, during the period from the Pricing Benchmark Date to the Issuance Date, any event which may alter the total number of Shares of the Company occur, such as issue of bonus shares, conversion of capital reserve into share capital, or placings.

Target subscriber and  
method of subscription:

The target subscriber is YTO Group Corporation, which will subscribe for all the A Shares to be issued under the Proposed A Shares Issue by way of cash in RMB.

Method and time of issue:

The Proposed A Share Issue will be carried out by way of non-public issuance of A Shares to YTO Group Corporation. Subject to the satisfaction of all the conditions precedent, the Company will complete the Proposed A Shares Issue after obtaining the approval from the CSRC within its validity period.

Issue price, Pricing  
Benchmark Date and  
pricing principles:

The issue price of the A Shares to be issued under the Proposed A Shares Issue of RMB5.08 is not less than 80% of the average trading price of the A Shares during the 20 trading days preceding the Pricing Benchmark Date (i.e. 24 April 2020, being one day after the date on which the Board approved the Proposed A Shares Issue at the 17th meeting of the 8th session of the Board). The average trading price of the A Shares during the 20 trading days preceding the Pricing Benchmark Date equals to the total trading amount of A Shares traded in the 20 trading days preceding the Pricing Benchmark Date divided by the total volume of A Shares traded in those 20 trading days.

If, during the period from the Pricing Benchmark Date to the Issuance Date, any ex-right and ex-dividend event such as cash distribution, issue of bonus shares or conversion of capital reserve into share capital occurs, the issue price shall be adjusted accordingly based on the following formula:

Cash distribution:  $P_1 = P_0 - D$

Issue of bonus shares or conversion of capital reserve into share capital:  $P_1 = P_0 / (1 + N)$

Cash distribution and Issue of bonus shares or conversion of capital reserve into share capital:  $P_1 = (P_0 - D) / (1 + N)$

where:

- (i)  $P_0$  denotes the issue price before adjustment;
- (ii)  $D$  denotes the amount of cash to be distributed per Share;
- (iii)  $N$  denotes the number of Shares to be distributed as bonus or converted from the capital reserve per Share; and
- (iv)  $P_1$  denotes the new issue price after adjustment.

The above adjustment is made based on the requirement under Rule 12 of the “Implementation Rules for Non-public Issuance of Shares by Listed Companies” (《上市公司非公开发售股票实施细则》) promulgated by CSRC: The Board shall also resolve to determine whether the issue size shall be adjusted accordingly in case of ex-dividend or ex-rights activities in respect of the shares of the Company during the period from the date of resolution by the Board to the date of issuance. CSRC will consider and approve the above adjustment as a part of the proposal for Proposed A Shares Issue. In other words, CSRC will not consider and approve such adjustment on a standalone basis.

Conditions precedent for the A Shares Subscription Agreement to take effect:

The A Shares Subscription Agreement is conditional upon the following conditions and will take effect when all those conditions have been satisfied:

1. the approval from the Board for the Proposed A Shares Issue has been obtained;
2. the approval from the relevant state-owned assets supervision and administration authorities for the Proposed A Shares Issue has been obtained;
3. the passing of the requisite resolution by at least two-thirds of the votes cast on a poll by the Independent Shareholders at each of the General Meeting, the A Shares Class Meeting and the H Shares Class Meeting approving the Proposed A Shares Issue, the A Shares Subscription Agreement and all the related and ancillary resolutions;
4. the passing of the requisite resolution by at least 75% of the votes cast on a poll by the Independent Shareholders at the General Meeting approving the Whitewash Waiver and all the related and ancillary resolutions;



5. the passing of the requisite resolution by at least two-thirds of the votes cast on a poll by the Independent Shareholders at the General Meeting approving the waiver in respect of the general offer obligation over the A Shares by YTO Group Corporation to be triggered as a result of the Proposed A Shares Issue under the relevant laws and regulations in the PRC;
6. the approval from the CSRC for the Proposed A Shares Issue has been obtained; and
7. the grant of the Whitewash Waiver by the SFC in accordance with the Takeovers Code and such waiver has not been revoked prior to completion of the Proposed A Shares Issue.

All of the conditions precedent in items 1 to 7 above are non-waivable.

In relation to condition (5) above, the Proposed A Shares Issue complies with section 63 of the Measures for the Administration of the Takeover of Listed Companies(《上市公司收購管理辦法》)and the relevant rules regarding the exemptions from submitting a general offer waiver application to CSRC. Upon passing of the requisite resolution at the General Meeting approving the waiver in respect of the general offer obligation over the A Shares by YTO Group Corporation to be triggered as a result of the Proposed A Shares Issue, YTO Group Corporation is exempted from submitting an application for waiver from the general offer obligation to CSRC.

As at the date of this announcement, the approval from the Board for the Proposed A Shares Issue has been obtained. All other conditions under the A Shares Subscription Agreement have neither been waived nor fulfilled.

Under the Listing Rules, the resolutions for the approval of the Proposed A Shares Issue, the A Shares Subscription Agreement and the Specific Mandate are required to be approved by a simple majority of the votes that are cast either in person or by proxy by the Independent Shareholders at the General Meeting, the A Shares Class Meeting and the H Shares Class Meeting.

The Whitewash Waiver, if granted by the Executive, is expected to be subject to, among other things, the approval of the Whitewash Waiver by at least 75% of the independent votes that are cast either in person or by proxy at the General Meeting, and the approval of the Proposed A Shares Issue and the A Shares Subscription Agreement by more than 50% of the independent votes that are cast either in person or by proxy at the General Meeting as required under the Takeovers Code. Further, under the Articles, the Proposed A Shares Issue and the A Shares Subscription Agreement will have to be approved by at least two-thirds of the votes cast on a poll by the Independent Shareholders at each of the General Meeting, the A Shares Class Meeting and the H Shares Class Meeting.

Lock-up period:

YTO Group Corporation shall not transfer the A Shares subscribed for under the Proposed A Shares Issue within 36 months from the date of completion of the Proposed A Shares Issue.

The above lock-up arrangement shall also apply to Shares derived from the A Shares subscribed by YTO Group Corporation under the Proposed A Shares Issue due to distribution of bonus shares and conversion of capital reserves to share capital.

Total funds to be raised and used:

The total funds expected to be raised from the Proposed A Shares Issue (before issue expenses) will amount to RMB700,000,000 (subject to regulatory approval).

The proceeds from the Proposed A Shares Issue are intended to be used for general working capital use.

Termination of the A Shares Subscription Agreement:	<p>The A Shares Subscription Agreement shall be terminated under one of the following circumstances:</p> <ol style="list-style-type: none"> <li>1. both parties have performed their obligations under the A Shares Subscription Agreement;</li> <li>2. both parties mutually agree to terminate the A Shares Subscription Agreement;</li> <li>3. either party may terminate the A Shares Subscription Agreement due to force majeure;</li> <li>4. the Proposed A Shares Issue does not proceed to completion within the validity period of the approval issued by the CSRC.</li> </ol>
Place of listing:	<p>The Company will apply to the Shanghai Stock Exchange for the listing of, and permission to deal in, the A Shares to be issued pursuant to the Proposed A Shares Issue.</p> <p>The A Shares to be issued under the Proposed A Shares Issue can be traded on the Shanghai Stock Exchange upon the expiration of the lockup period.</p>
Validity period of the resolution:	<p>The resolution regarding the Proposed A Shares Issue shall be valid for 12 months from the date of the passing at the General Meeting and the Class Meetings.</p>
Specific Mandate of the issuance of A Shares:	<p>The Company will issue the A Shares under the Specific Mandate which is intended to be granted to the Board at the General Meeting and the Class Meetings.</p>
Rights of the A Shares to be issued:	<p>The A Shares to be issued pursuant to the Proposed A Shares Issue, when fully paid and issued, will rank pari passu in all respects amongst themselves and with the A Shares in issue at the time of the issue of such A Shares.</p>
Distribution of profit:	<p>The retained profits prior to the Proposed A Shares Issue will be shared by the new and existing Shareholders in proportion to the number of Shares held upon completion of the Proposed A Shares Issue.</p>

## **Undertakings of YTO Group Corporation, SINOMACH, and Directors and Senior Management of the Company**

Each of YTO Group Corporation and SINOMACH has undertaken: (1) not to act beyond its powers to interfere with the Company's operating and management activities or misappropriate the Company's interests, (2) to effectively promote the Company's implementation of the immediate remedial measures for the benefits of the Company's shareholders, and (3) effectively fulfil its commitments and is willing to compensate the Company or investors in accordance with the laws if there is any loss incurred due to breach of such undertaking.

Each of the Directors and senior management of the Company has undertaken (1) not to direct benefits to other units or individuals, and not to harm the Company's interests in any other manner, (2) to restrain duty-related spending, (3) not to utilise the assets of the Company for any investment or consumption irrelevant to the performance of his duties, (4) that the remuneration system formulated by the Board or the Remuneration Committee will be correlated to the implementation of the Company's remedial measures for the benefits of the Company's shareholders, (5) the vesting conditions for restricted share unite under incentive scheme will be correlated to the implementation of the Company's remedial measures for the benefits of the Company's shareholders, and (6) to give supplementary undertakings in accordance with any new regulations announced by the CSRC concerning remedial measures for the benefits of the Company's shareholders.

## **REASONS FOR AND BENEFITS OF THE PROPOSED A SHARES ISSUE**

### **Optimising the capital structure and improving the risk resistance capacity**

As of 31 December 2019, the Company's gearing ratio was higher than the average level of that of other companies operating in similar agricultural machinery products manufacturing industry. The relatively higher gearing ratio increases the Company's potential financial risks and is not conducive to the Company's financing. By reducing its gearing ratio, the Proposed A Shares Issue will help the Company optimise its capital structure and reduce financial risks, thereby improving the Company's capacity to resist risks and the ability to obtain future financing.

## **Reducing financial expenses and improving financial stability**

The agricultural machinery industry in which the Company is engaged is a capital and technology intensive industry, and there is a large demand for research & development, and capital investment in higher-end agricultural equipment to fulfil development of agricultural modernization in China. The Company's current interest-bearing liabilities level remains relatively high. The higher level of interest-bearing liabilities has resulted in the Company's long-term interest expense being at a relatively high level as well. The Proposed A Shares Issue will improve the Company's liquidity, ease its funding pressure, reduce the amount of short-term liabilities and reduce interest expenses.

## **Boosting market confidence**

As the controlling shareholder of the Company, YTO Group Corporation's participation in the Proposed A Shares Issue demonstrates its support for the Company's development and its confidence in the Company's future prospects, which are conducive to maintaining market stability, protecting the interests of all shareholders and establishing a positive market image for the Company.

The Directors (excluding members of the Independent Board Committee) believe that the terms of the A Shares Subscription Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

Further, the independent non-executive Directors preliminarily believe that, subject to obtaining Independent Financial Adviser's opinion:

1. the Proposed A Shares Issue complies with relevant laws, rules and other regulations such as the "Company Law of the People's Republic of China" (《中華人民共和國公司法》), "Securities Law of the People's Republic of China" (《中華人民共和國證券法》), "Administrative Measures for the Issuance of Securities by Listed Companies" (《上市公司證券發行管理辦法》) and "Implementation Rules for Non-public Issuance of Shares by Listed Companies" (《上市公司非公開發行股票實施細則》). The Proposed A Shares Issue is acceptable and feasible, and is in line with the Company's long-term development plan and in the interests of Shareholders as a whole, and there are no circumstances which may harm the interests of the Company and its Shareholders;
2. the reasons for the Proposed A Shares Issue are valid and sufficient, the pricing principles and methods are appropriate and acceptable, and all necessary internal decision-making procedures for the Proposed A Shares Issue will be complied with. The Proposed A Shares Issue does not violate the principles of openness, impartiality and equality, and there are no circumstances which may harm the interests of the Company and its Shareholders, in particular the minority Shareholders; and

3. the terms and signing procedures of the A Shares Subscription Agreement comply with the laws, rules and other regulatory documents, and there are no circumstances which may harm the interests of the Company and its Shareholders as a whole.

## EFFECT OF SHAREHOLDING STRUCTURE OF THE COMPANY

The following sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after completion of the Proposed A Shares Issue (assuming no other change in the number of issued shares in the Company):

	As at the date of this announcement		Immediately after completion of the Proposed A Shares Issue	
	Number of Shares held	Approximate percentage of the total number of Shares in issue	Number of Shares held	Approximate percentage of the total number of Shares in issue
<b>A Shares:</b>				
YTO Group Corporation	410,690,578	41.66%	548,485,853	48.81%
Public Shareholders	183,219,422	18.58%	183,219,422	16.31%
<b>Subtotal</b>	<b>593,910,000</b>	<b>60.24%</b>	<b>731,705,275</b>	<b>65.12%</b>
<b>H Shares:</b>				
YTO Group Corporation	0	0	0	0
Public Shareholders	391,940,000	39.76%	391,940,000	30.58%
<b>Subtotal</b>	<b>391,940,000</b>	<b>39.76%</b>	<b>391,940,000</b>	<b>30.58%</b>
<b>Total Issued Shares:</b>				
YTO Group Corporation	410,690,578	41.66%	548,485,853	48.81%
Public Shareholders	575,159,422	58.34%	575,159,422	51.19%
	<b>985,850,000</b>	<b>100%</b>	<b>1,123,645,275</b>	<b>100%</b>

As shown in the above table, the total shareholding interest held by YTO Group Corporation in the Company immediately before and after the Proposed A Shares Issue are approximately 41.66% and approximately 48.81% respectively.

## **SECURITIES OF THE COMPANY**

As at the date of this announcement, the Company has 985,850,000 Shares in issue, comprising 593,910,000 A Shares and 391,940,000 H Shares. Save as aforesaid, the Company has no other outstanding shares, options, warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) that carry a right to subscribe for or which are convertible into Shares.

## **FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

The Company has not carried out any fund raising exercises through issue of any equity securities during the 12 months immediately preceding the date of this announcement.

## **PROPOSED AMENDMENTS TO THE ARTICLES**

In light of the Proposed A Shares Issue, the Articles of the Company will need to be amended in accordance with the relevant laws and regulations.

The Board proposes to seek from the Shareholders at the General Meeting their relevant authorisation to the Board to make corresponding adjustments and amendments to the Articles (including but not limited to adjustments and amendments to the wordings, sections, terms, conditions of effect and others) based on the results and the actual conditions of the Proposed A Shares Issue, and to make corresponding adjustments and amendments to the content of the Articles relating to registered capital and share capital structure upon completion of the Proposed A Shares Issue.

The proposal regarding the relevant authorisation to the Articles will be submitted to the General Meeting for consideration and approval by way of special resolution.

## **IMPLICATIONS UNDER THE LISTING RULES**

YTO Group Corporation is the controlling shareholder holding approximately 41.66% of the total number of Shares of the Company in issue as at the date of this announcement, and therefore YTO Group Corporation is a connected person of the Company under the Listing Rules. The Proposed A Shares Issue constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Li Xiaoyu, Mr. Cai Jibo, Mr. Li Hepeng, Mr. Xie Donggang and Mr. Zhou Honghai, each being a Director, is a concert party of YTO Group Corporation, and is therefore considered to be materially interested in the relevant board resolutions to approve the Proposed A Shares Issue. Accordingly, Mr. Li Xiaoyu, Mr. Cai Jibo, Mr. Li Hepeng, Mr. Xie Donggang and Mr. Zhou Honghai have abstained from voting on the Board resolutions to approve the Proposed A Shares Issue. Save and except for the aforesaid, none of the Directors has any material interest in any of the Proposed A Shares Issue and hence no other Director has abstained on voting such Board resolutions.

The Specific Mandate is sought from the shareholders of the Company as required under Rule 13.36 of the Listing Rules, as modified by Chapter 19A of the Listing Rules.

### **IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER**

As at the date of this announcement, YTO Group Corporation holds 410,690,578 A Shares, representing approximately 41.66% of the total issued share capital of the Company. Upon completion of the Proposed A Shares Issue, YTO Group Corporation's shareholding in the Company is expected to increase from approximately 41.66% to approximately 48.81%. In the absence of an applicable waiver, the Proposed A Shares Issue will give rise to an obligation on the part of YTO Group Corporation to make a mandatory offer for all the Shares in issue other than those already owned or agreed to be acquired by it under Rule 26.1 of the Takeovers Code.

YTO Group Corporation will apply for the Whitewash Waiver from compliance with Rule 26.1 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, is expected to be subject to, among other things, the approval of the Whitewash Waiver by at least 75% of the independent votes that are cast either in person or by proxy at the General Meeting, and the approval of the Proposed A Shares Issue and the A Shares Subscription Agreement by more than 50% of the independent votes that are cast either in person or by proxy at the General Meeting as required under the Takeovers Code. Further, under the Articles, the Proposed A Shares Issue and the A Shares Subscription Agreement will have to be approved by at least two-thirds of the votes cast on a poll by the Independent Shareholders at each of the General Meeting, the A Shares Class Meeting and the H Shares Class Meeting. The Proposed A Shares Issue will not proceed if the Whitewash Waiver is not granted by the Executive or the Proposed A Shares Issue is not approved by the Independent Shareholders at the General Meeting and the Class Meetings, or if the Whitewash Waiver is not approved by at least 75% of the independent votes that are cast either in person or by proxy by the Independent Shareholders at the General Meeting.



As at the date of this announcement, the Company does not believe that the Proposed A Shares Issue gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the circular in respect of the Whitewash Waiver. The Company notes that the Executive may not grant the Whitewash Waiver if the Proposed A Shares Issue does not comply with other applicable rules and regulations. YTO Group Corporation and parties acting in concert with YTO Group Corporation and those who are involved in or interested in the Proposed A Shares Issue and/or the Whitewash Waiver will be required to abstain from voting in respect of the resolution(s) to approve the Proposed A Shares Issue and the Whitewash Waiver at the General Meeting and the Class Meetings (as the case may be).

Prior to the Proposed A Shares Issue, YTO Group Corporation, which is the existing controlling shareholder of the Company, holds 41.66% of the total number of Shares of the Company. Immediately upon the completion of the Proposed A Shares Issue, assuming no other change in the number of issued shares in the Company, YTO Group Corporation will remain as a controlling shareholder of the Company. The Proposed A Shares Issue will not result in the change in controlling shareholder of the Company.

#### **ADDITIONAL DISCLOSURE OF INTEREST**

As at the date of this announcement, other than the A Shares to be subscribed for by YTO Group Corporation pursuant to the A Shares Subscription Agreement and 410,690,578 A Shares currently held by YTO Group Corporation, YTO Group Corporation confirms that:

- (i) none of YTO Group Corporation or parties acting in concert with it has dealt in any Shares, acquired or entered into any agreement to acquire any voting rights in the Company within the six months immediately prior to the date of this announcement;
- (ii) none of YTO Group Corporation or parties acting in concert with it will make any acquisitions or disposals of voting rights in the Company in the period between this announcement and the completion of the Proposed A Shares Issue;
- (iii) there is no holding of voting rights in the Company or rights over any Shares which is owned, controlled or directed by YTO Group Corporation or any person acting in concert with YTO Group Corporation;

- (iv) none of YTO Group Corporation or parties acting in concert with it has received any irrevocable commitment from any person to vote for or against the resolutions to be proposed at the General Meeting to approve the Proposed A Shares Issue and/or the Whitewash Waiver;
- (v) YTO Group Corporation and parties acting in concert with it do not hold any outstanding options, warrants, derivatives or any securities that are convertible into Shares or any derivatives in respect of securities in the Company;
- (vi) there is no outstanding derivative in respect of the securities of the Company which has been entered into by any of YTO Group Corporation and parties acting in concert with it;
- (vii) save for the Proposed A Shares Issue, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or shares of any of YTO Group Corporation and parties acting in concert with it and which might be material to the transactions contemplated under the Proposed A Shares Issue or the Whitewash Waiver;
- (viii) save for the aggregate subscription price payable under the A Shares Subscription Agreement, none of YTO Group Corporation or parties acting in concert with it has paid or will pay any other considerations, compensations or benefits in whatever form to the Company or any parties acting in concert with it in relation to the A Shares Issue;
- (ix) none of YTO Group Corporation or parties acting in concert with it has entered into any understanding, arrangement, agreement which constitutes special deal (as defined under Rule 25 of the Takeovers Code) with any of the Shareholders;
- (x) none of the Company, its subsidiaries or associated companies has entered into any understanding, agreement, arrangement which constitutes special deal (as defined under Rule 25 of the Takeovers Code) with any of the Shareholders;
- (xi) save for the A Shares Subscription Agreement, there are no agreements or arrangements to which YTO Group Corporation is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition under the Proposed A Shares Issue or the Whitewash Waiver; and
- (xii) none of YTO Group Corporation or parties acting in concert with it has borrowed or lent any Shares or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

## **ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

Pursuant to Rule 2.8 of the Takeovers Code, members of the independent committee of the Board should comprise all non-executive Directors who have no interest in the Proposed A Shares Issue and Whitewash Waiver other than as a Shareholder.

The Independent Board Committee (comprising Mr. Yu Zengbiao, Ms. Yang Minli, Ms. Wang Yuru and Mr. Edmund Sit, being all the independent non-executive Directors) has been formed in accordance with Chapter 14A of the Listing Rules and Rule 2.8 of the Takeover Code to advise the Independent Shareholders on the Proposed A Shares Issue and Whitewash Waiver.

Mr. Li Hepeng, Mr. Xie Donggang and Mr. Zhou Honghai, each being a non-executive Director of the Company, is a party acting in concert with YTO Group Corporation and is therefore not considered as independent for the purpose of giving advice or recommendations to the Independent Shareholders. Accordingly, each of Mr. Li Hepeng, Mr. Xie Donggang and Mr. Zhou Honghai has been excluded from membership of the Independent Board Committee.

Octal Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Proposed A Shares Issue and Whitewash Waiver.

## **GENERAL MEETING AND CLASS MEETINGS**

The General Meeting will be convened to consider and, if thought fit, approve resolutions relating to, among others, (i) the Proposed A Shares Issue; (ii) the Specific Mandate; (iii) the Whitewash Waiver and (iv) the amendments to the Articles.

The Class Meetings will be convened to consider and, if thought fit, approve resolutions relating to (i) the Proposed A Share Issues; and (ii) the Specific Mandate.

YTO Group Corporation and its associates, parties acting in concert with it, and those who are involved in or interested in the Proposed A Share Issue and/or the Whitewash Waiver will be required to abstain from voting on the corresponding resolutions to be proposed at the General Meeting and/or the Class Meetings.

A circular containing, among others, (i) details of the Proposed A Shares Issue, the Specific Mandate, and the Whitewash Waiver; (ii) a letter from the Independent Board Committee and a letter of advice from the Independent Financial Adviser; and (iii) the notice of the General Meeting and the notices of the Class Meetings is expected to be despatched to the Shareholders on or before 14 May 2020 in accordance with the Listing Rules and the Takeovers Code.

**The completion of the Proposed A Shares Issue is subject to the satisfaction of certain conditions, including but not limited to the obtaining of the Whitewash Waiver, which may or may not be granted by the Executive and may or may not be approved by the Independent Shareholders. The granting of the Whitewash Waiver is a non-waivable condition precedent to the A Shares Subscription Agreement. Accordingly, the Proposed A Shares Issue may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **OTHER INFORMATION**

Shareholders' attention is also drawn to the overseas regulatory announcement dated 23 April 2020 issued by the Company in relation to the proposed non-public issuance of A Shares by the Company.

Reference is made to the “net profit attributable to the owner of parent company” and the “net profit attributable to the owner of parent company after deduction of non-recurring items” for the year ending 31 December 2020 under the section headed “(二) 本次發行攤薄即期回報對主要財務指標的影響分析” (“(II) Analysis of the impact of dilution of current returns by the Issuance on key financial indicators”) (the “**Relevant Information**”) in an announcement headed “2020 Plan regarding non-public issuance of A Shares” (“**A Share Announcement**”) in Chinese issued by the Company and published on the website of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) on the same day as this announcement in relation to the Proposed A Shares Issue. A copy of the A Share Announcement (together with a translation in English) also appears on the website of The Hongkong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) as an overseas regulatory announcement. Inclusion of the Relevant Information in the A Share Announcement is required under relevant laws, rules and/or regulations in the PRC. While the Relevant Information constitutes profit forecast under Rule 10 of the Takeovers Code, Shareholders and other investors should note that the Relevant Information has not been prepared to a standard required under Rule 10 of the Takeovers Code and has not been reported on in accordance with Rule 10. Therefore, the Relevant Information should not be relied upon as a forecast of any future profitability or other financial position of the Company. Shareholders and other investors should exercise caution when reading and interpreting the Relevant Information and when assessing the merits or demerits of the Proposed A Shares Issue and dealing or investing in the Shares or other securities of the Company.

An application has been made to the Executive for a waiver from the reporting on requirements set out in Rule 10 of the Takeovers Code, and the Executive has indicated that it is minded to grant such consent.

## **GENERAL**

### **Information on the Company**

The Company's principal businesses include research and development, manufacturing and sales of agricultural machinery, power machinery and their spare parts.

## **Information about YTO Group Corporation**

YTO Group Corporation, as the controlling shareholder of the Company, together with its subsidiaries, are principally engaged in the production and sales of tractors and other agricultural machinery, automobiles, engineering machinery, diesel engines, generators, forklifts, bicycles, fuel injection pumps and spare parts of the above products; manufacturing of coal mining machinery, tank trucks, moulds, machine tools, forging castings, clip aids and non-standard equipment; industrial gas; production and sale of oxygen, nitrogen, air; road transportation of general cargo and dangerous goods; import and export (according to qualification certificate); contracting overseas mechanical and electrical engineering and domestic and international bidding project; export of equipment and materials required for the above-mentioned overseas projects; dispatch of labour required for the implementation of the above-mentioned projects.

The shares in YTO Group Corporation are owned:

- (i) as to 87.9% by SINOMACH, which in turn is 100% owned by State-owned Assets Supervision and Administration Commission of State Council (國務院國有資產監督管理委員會); and
- (ii) as to 12.1% by Luoyang Guozi State-Owned Assets Management Co., Ltd.\* (洛陽市國資國有資產經營有限公司), which in turn is indirectly wholly owned by Luoyang State-owned Assets Supervision and Administration Commission (洛陽市人民政府國有資產監督管理委員會).

## **ANNOUNCEMENT PREVIOUSLY ISSUED ON ESTIMATED PROFIT IN ANNUAL RESULTS FOR THE YEAR 2019**

Reference is made to the Estimated Profit Announcement, which was published on 21 January 2020. With the publication of this announcement in relation to the Proposed A Shares Issue and the application for the Whitewash Waiver, information contained in the Estimated Profit Announcement now constitutes a profit forecast under Rule 10 of the Takeovers Code, and is required to be reported on in accordance with Rule 10.3(d) of the Takeovers Code.

As the Estimated Profit Announcement was published before the date of this announcement, the Company could not have complied with the reporting requirements as set out in Rule 10.3 of the Takeovers Code at the time of publication. As a result, the Estimated Profit Announcement was published on 21 January 2020 without fully complying with the relevant requirements under Rule 10 of the Takeovers Code, including but not limited to the requirement for the profit forecast in the Estimated Profit Announcement to be separately reported on by the Company's auditors or accountants and financial advisers.

The profit forecast as contained in the Estimated Profit Announcement will be reported on in accordance with Rule 10 of the Takeovers Code as soon as practicable and the relevant reports will be set out in the next document to be sent to the Shareholders in relation to the Proposed A Shares Issue, unless the annual report and audited financial statements of the Company for the year ended 31 December 2019 has been published prior to such next document to be sent to the Shareholders.

Shareholders and potential investors of the Company should note that the information contained in the Estimated Profit Announcement does not meet the standard required by Rule 10 of the Takeovers Code and has not been reported on in accordance with the Takeovers Code.

Therefore, the information contained in the Estimated Profit Announcement should not be relied upon as a forecast of any future profitability or other financial position of the Company. Shareholders and potential investors of the Company should therefore exercise caution when reading and interpreting the Estimated Profit Announcement and when assessing the merits and demerits of the Proposed A Shares Issue and/or when dealing in the Shares and other securities of the Company.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“A Shareholder(s)”	holders of A Shares
“A Share(s)”	ordinary shares of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange (stock code: 601038)
“A Share Announcement”	has the meaning ascribed to it in the section headed “Other Information”
“A Shares Class Meeting”	the class meeting of A Shareholders
“A Shares Subscription Agreement”	the subscription agreement entered into between the Company and YTO Group Corporation dated 23 April 2020 in relation to the issue and subscription of 137,795,275 A Shares
“acting in concert”	has the meaning as defined in the Takeovers Code; and the term “concert parties” shall be construed accordingly

“Articles”	the articles of association of the Company, as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“CSRC”	China Securities and Regulatory Commission
“Class Meetings”	A Shares Class Meeting and H Shares Class Meeting
“Company”	第一拖拉機股份有限公司 (First Tractor Company Limited*), a joint stock company incorporated in the PRC with limited liability and the shares of which are listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Estimated Profit Announcement”	the announcement of the Company dated 21 January 2020 pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) in relation to the then estimated unaudited profits of the Company for the year ended 31 December 2019
“Executive”	the Executive Director of the Corporate Finance Division of the SFC from time to time and any delegate of such Executive Director
“General Meeting”	a general meeting of the Company to be convened to consider, if thought fit, to approve, among others, the Proposed A Shares Issue and the Whitewash Waiver
“H Shareholder(s)”	holders of H Shares

“H Share(s)”	overseas listed shares of the Company with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange (stock code: 0038)
“H Shares Class Meeting”	the class meeting of H Shareholders
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising Mr. Sit Lak Pun Edmund, Ms. Wang Yu Ru, Ms. Yang Min Li and Mr. Yu Zeng Biao, being all the independent non-executive Directors, which is formed in accordance with the Listing Rules and the Takeovers Code to advise the Independent Shareholders on the Proposed A Shares Issue, the Specific Mandate and the Whitewash Waiver
“Independent Financial Adviser”	Octal Capital Limited, the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in relation to the Proposed A Shares Issue and the Whitewash Waiver
“Independent Shareholders”	the Shareholders other than (i) YTO Group Corporation and its associates and parties acting in concert with it; and (ii) the Shareholders who are involved in or interested in the Proposed A Shares Issue and/or the Whitewash Waiver
“Issuance Date”	the date of issuance of A Shares to the target subscriber pursuant to the Proposed A Shares Issue
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan



“Pricing Benchmark Date”	24 April 2020, being one day after the date on which the Board approved the Proposed A Shares Issue at the 17th meeting of the 8th session of the Board
“Proposed A Shares Issue”	the proposed non-public issuance of 137,795,275 A Shares to YTO Group Corporation
“RMB”	renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	A Shares and H Shares
“Shareholder(s)”	registered holder(s) of the Shares
“SINOMACH”	China National Machinery Industry Corporation Ltd. (中國機械工業集團有限公司), the controlling shareholder of YTO Group Corporation, which is 100% owned by State-owned Assets Supervision and Administration Commission of State Council (國務院國有資產監督管理委員會)
“Specific Mandate”	the specific mandate to be granted by the Shareholders to the Board in relation to the Proposed A Shares Issue
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligation on the part of YTO Group Corporation to make a general offer for all Shares and other equity share capital of the Company (other than those already owned or agreed to be acquired by YTO Group Corporation and its concert parties) as a result of the allotment and issue of the A Shares under the A Shares Subscription Agreement

“YTO Group Corporation” 中國一拖集團有限公司(YTO Group Corporation\*), a company incorporated in the PRC and currently holding approximately 41.66% of the total number of Shares of the Company in issue as at the date of this announcement

“%” per cent

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

Luoyang, the PRC  
23 April 2020

*As at the date of this announcement, the Board comprises Mr. Li Xiaoyu (Chairman), Mr. Cai Jibo (vice Chairman) 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.*

*As at the date of this announcement, the board of directors of YTO Group Corporation comprises Mr. Li Xiaoyu (Chairman), Mr. Cai Jibo (vice Chairman); Mr. Li Hepeng, Mr. Xie Donggang, Mr. Li Kai, Mr. Zhou Honghai and Mr. Tian Peng as worker's director.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement other than those relating to YTO Group Corporation and parties acting in concert with it, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.*

*The directors of YTO Group Corporation jointly and severally accept full responsibility for the accuracy of the information contained in this announcement other than those relating to the Company, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.*

\* For identification purposes only