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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)

**MAJOR AND CONNECTED TRANSACTION
SUPPLEMENTAL AGREEMENT TO THE INVESTMENT
AGREEMENT IN RELATION TO
CAPITAL INCREASE IN SINOMACH FINANCE**

Financial Adviser to the Company



Reference is made to the announcement of First Tractor Company Limited* dated 29 March 2022 (the “**Announcement**”) in relation to the Restructuring Transactions. Capitalised terms used in this announcement shall have the same meanings as the terms defined in the Announcement unless otherwise defined herein.

Background

On 29 March 2022 (after trading hours), the Company and Sinomach Finance entered into, inter alia, the Investment Agreement.

Pursuant to the Investment Agreement, the Company has conditionally agreed to make a capital increase of RMB558,168,900 in cash to Sinomach Finance to subscribe for additional registered capital of RMB250,000,000 in Sinomach Finance, representing approximately 14.29% of the enlarged share capital of Sinomach Finance after the Capital Increase.

The contribution amount of the Capital Increase was determined based on the valuation of the entire shareholders' equity of Sinomach Finance as at 31 December 2021 appraised by the Independent Valuer (“**Sinomach Valuation**”), subject to the filing of the valuation report with the relevant state-owned regulatory authorities. The initial appraised value of the Sinomach Valuation based on the market approach was RMB3,349,013,300. In the event there are further changes to the Sinomach Valuation after the valuation report has been filed with the relevant state-owned regulatory authorities, the final contribution amount for the Capital Increase to be payable by the Company shall be adjusted accordingly, on condition that the Company's shareholding in Sinomach Finance remains unchanged at approximately 14.29% upon completion of the Capital Increase.

On 26 May 2022, the filing process of the Sinomach Valuation with the relevant state-owned regulatory authorities has been completed (the “**Final Sinomach Valuation Report**”).

The Final Sinomach Valuation Report indicated the appraised value of Sinomach Finance as at 31 December 2021 was RMB3,328,656,600, which was lower than the appraised value of RMB3,349,013,300 by RMB20,356,700. It also represented an appreciation of approximately 1.38% to the net asset value of Sinomach Finance of RMB3,283,346,400 as at 31 December 2021.

As such, on 27 May 2022 (after trading hours), the Company and Sinomach Finance entered into a supplemental agreement to the Investment Agreement (the “**Supplemental Investment Agreement**”) to confirm and adjust the final contribution amount for the Capital Increase.

The Supplemental Investment Agreement

Material terms of the Supplement Investment Agreement are set out below:

Date: 27 May 2022

Parties: (1) Company
(2) Sinomach Finance

Basis of contribution amount

Pursuant to the Supplement Investment Agreement and the Final Sinomach Valuation Report as filed with the relevant state-owned regulatory authorities, both parties agreed and confirmed that the contribution amount shall be adjusted from RMB558,168,900 to RMB554,776,100, of which RMB250,000,000 will be credited as registered capital and RMB304,776,100 will be credited as contributed surplus in Sinomach Finance. The Company's shareholding in Sinomach Finance remains unchanged at approximately 14.29% upon completion of the Capital Increase.

Save as disclosed the above, all other terms and conditions of the Investment Agreement shall remain unchanged and continue to be in full force and effect in all respects.

Effective date of the Supplemental Investment Agreement

The Supplemental Investment Agreement will become effective upon the following conditions having been met:

- (i) the Supplemental Investment Agreement has been signed and affixed with the company chop by the parties; and
- (ii) the conditions set out in the Investment Agreement have been fulfilled and the Investment Agreement becomes effective.

Although the Capital Increase is not conducted in the ordinary and usual course of business of the Group, the Board (excluding the independent non-executive Directors who will express their views after taking into consideration the advice of Gram Capital) is of the view that the terms of the Investment Agreement and the Supplemental Investment Agreement are fair and reasonable, the transaction contemplated under the Investment Agreement and the Supplemental Investment Agreement are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

As one or more of the applicable percentage ratios (as defined under the Hong Kong Listing Rules) in respect of the contribution amount (after taking into account the adjusted contribution amount) for the Capital Increase are more than 25% but less than 100%, the Capital Increase remains to be a major transaction of the Company under the Hong Kong Listing Rules.

The circular containing, amongst other things, (i) further information on the Disposal, the Capital Increase, the Liquidation and the Continuing Connected Transactions (including the relevant annual caps); (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from Gram Capital to both the Independent Board Committee and the Independent Shareholders; (iv) summaries of the valuation reports on the Target Assets and Sinomach Finance from the Independent Valuer, will be despatched to the Shareholders on or before 31 May 2022.

As the Restructuring Transactions comprising the Capital Increase is subject to, inter alia, the approval of the Independent Shareholders at the EGM and other conditions set out under the respective agreements including the Investment Agreement and the Supplemental Investment Agreement, the Restructuring Transactions comprising the Capital Increase may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

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

Luoyang, the PRC
27 May 2022

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

* *For identification purposes only*