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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)

ANNOUNCEMENT IN RELATION TO THE INCREASE OF STRUCTURED DEPOSITS PURCHASE CAP WITH INTERNAL IDLE FUNDS

The board of directors and all directors of the Company hereby warrant that there are no false information, misleading statements or material omissions in this announcement, and accept several and joint responsibilities for the truthfulness, accuracy and completeness of its contents.

IMPORTANT INFORMATION:

- Authorization Amount: the balance of structured deposits of First Tractor Company Limited* (the “Company”) at any time after the increase of structured deposit purchase cap shall be no more than RMB2.6 billion, which can be utilized on a revolving basis during the effective term of the cap.
- Effective Period of the Authorization: effective period after the increase of structured deposits purchase cap will be from 25 August 2022 to 31 March 2023.
- Approval Procedures Performed: the increase of structured deposits purchase cap has been considered and approved at the Fourth Meeting of the Ninth Session of the Board of the Company, and is not required to be submitted to the general meeting for consideration. According to the Rules (the “Listing Rules”) Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”), the purchase of structured deposits with internal idle funds will constitute a transaction under the Listing Rules, therefore, the Company will comply with all applicable reporting, disclosure and (if applicable and required) shareholders’ approval requirements under Chapter 14 of the Listing Rules.

I. OVERVIEW OF COMPANY’S PURCHASE OF STRUCTURED DEPOSITS

At the Thirty-sixth Meeting of the Eighth Session of the Board of Directors held on 29 March 2022, the Company considered and approved the “Proposal on the Purchase of Structured Deposits with Internal Idle Funds”, and agreed to use its internal idle funds to purchase shore-term and principal-guaranteed nature structured deposits issued by financial institutions, with the balance of the purchased structured deposits at any time not exceeding RMB1.2 billion. The term of a single structured deposit being within 6 months (inclusive), and can be operated on a revolving basis within the above-mentioned cap, which is valid from 1 April 2022 to 31 March 2023 (for details, please refer to the “Announcement in relation to Purchase of Structured Deposit with Internal Idle Funds” dated 29 March 2022 published by the Company on the websites of Shanghai Stock Exchange and the Hong Kong Stock Exchange). As of the disclosure date of this announcement, the Company purchased structured deposits with a maximum balance of RMB1,170 million, and the term of a single structured deposit does not exceed 6 months, which was within the authorization of the board of directors of the Company.

As China YTO Group Finance Company Limited (“YTO Finance”), a shareholding subsidiary of the Company, will be de-registered after the reorganization with Sinomach Finance Co., Ltd (“Sinomach Finance Company”), and YTO Finance has ceased its new business on 30 June 2022, the Company’s funds deposited with YTO Finance would be partially transferred to Sinomach Finance Company, and the remaining funds would be used to purchase structured deposits in accordance with the Company’s capital requirements, therefore, it is necessary to increase the amount of structured deposits authorized to be purchased by the Company.

(1) Purpose of Purchase of Structured Deposits

Due to the relatively significant seasonal production and operation in the agricultural machinery industry and for the purposes of enhancing capital usage efficiency and improving capital operating revenue, the Company proposes to reasonably use seasonal idle funds to purchase short-term and principal-guaranteed nature structured deposits issued by financial institutions, without affecting its normal production and operation.

(2) Sources and Cap of Funds for Purchase of Structured Deposits

After the increase of structured deposits purchase cap, the balance of structured deposits purchased by the Company at any time using its internal funds shall be no more than RMB2.6 billion, which can be utilized on a revolving basis during the effective term of the cap.

(3) Effective Period of the Authorization

The effective period of the authorization after the increase of structured deposits purchase cap will be from 25 August 2022 to 31 March 2023.

II. PARTICULARS AFTER THE INCREASE OF STRUCTURED DEPOSITS PURCHASE CAP UNDER THE AUTHORIZATION

(1) Investment Products

Limited to principal-guaranteed nature structured deposit products issued by financial institutions, with low risk and good liquidity. The expected return rate should be higher than the then prevailing bank deposit interest rate for the same period.

(2) Investment Cap

The balance of structured deposits at any time shall be no more than RMB2.6 billion, which can be utilized on a revolving basis.

(3) Implementation of Investment

Within the cap, the Board of the Company authorizes the general manager to execute relevant contract documents, and the finance department of the Company is responsible for organizing the implementation.

(4) Investment Period

The term for a single structured deposit shall be within 6 months (inclusive).

III. IMPACT ON THE COMPANY

The purchase of the low-risk short-term and principal-guaranteed nature structured deposits by the Company with its idle funds is conditional upon ensuring security of daily operation and fund of the Company. The increase of structured deposits purchase cap will not affect capital demand for operation of normal businesses and daily capital flow of the Company, but will increase return for the Company, and thus creating higher investment return for the Company and the Shareholders.

IV. ANALYSIS ON RISK CONTROL

The short-term and principal-guaranteed nature structured deposits that the Company proposes to purchase can ensure the security of principal used for investment. However, investment return remains uncertain due to movements in the market. As such, the Company, in compliance with the principles of prudent investment, will strictly choose issuers and appropriate structured deposits by performing investment decision making procedures strictly in accordance with their security, term and return. The related departments of the Company will timely analyze and trace the changing conditions of such products so as to identify risk factors and respond with corresponding measures in a timely manner. The Company will perform its information disclosure obligations in accordance with relevant requirements.

V. PERFORMANCE OF DECISION MAKING PROCEDURES AND OPINION OF THE INDEPENDENT DIRECTOR

(1) Consideration Procedure

On 25 August 2022, the Resolution in relation to the Increase of Structured Deposits Purchase Cap with Internal Idle Funds was considered and approved at the Fourth Meeting of the Ninth Session of the Board of the Company, with 7 affirmative votes, 0 dissenting vote and 0 abstaining vote, and it is not required to be submitted to the general meeting of the Company for consideration.

(2) **Opinion of the Independent Director**

Subject to guarantee on liquidity and capital security, the Company shall invest part of the idle funds in the short-term and principal-guaranteed nature structured deposits, without affecting development of operation and business of the Company. It will enhance capital usage efficiency and increase investment return of the Company, and the increase of structured deposits purchase cap is in the interest of the Company and its Shareholders as a whole. It was approved that the Company should increase the purchase cap of short-term and principal-guaranteed nature structured deposits.

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

Luoyang, the PRC
25 August 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*