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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 ON UTILIZATION OF INTERNAL IDLE FUNDS FOR CASH MANAGEMENT**

**The Board 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:**

- **Type of Investment:** First Tractor Company Limited\* (hereafter, the “Company”) will use its internal idle funds to purchase products including structured deposit and certificates of large amount deposit products;
- **Investment Cap:** The Company’s total balance of structured deposit and certificates of large amount deposit at any time shall be no more than RMB2.6 billion, which can be utilized on a revolving basis during the authorization effective term of the cap.
- **Authorization Effective Period of the Cap:** from 20 December 2022 to the date of 2022 annual general meeting.

- **Approval Procedures Performed:** the matter has been considered and approved at the Seventh 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 THE COMPANY’S UTILIZATION OF INTERNAL IDLE FUNDS FOR CASH MANAGEMENT**

As of the disclosure date of this announcement, the Company held structured deposits with a maximum balance of RMB1,470 million, and the term of a single structured deposit did not exceed 6 months, which was within the authorization of the board of directors.

### **(I) Purpose of Utilization of Internal idle Funds for Cash Management**

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 principal-guaranteed products with high security, namely, structured deposits and certificates of large amount deposit issued by financial institutions, without affecting its normal production and operation.

### **(II) Sources and Cap of Funds for Investment**

The Company uses its internal idle funds to purchase products, namely, structured deposits and certificates of large amount deposit, and the total balance at any time shall not exceed RMB2.6 billion.

### **(III) Investment Method**

#### **(1) Investment Products**

Limited to two principal-guaranteed products with high security, namely, structured deposit and certificates of large amount deposit issued by financial institutions with low risk. The expected return rate should be higher than the then prevailing bank deposit interest rate(s) for the same period.

#### **(2) Investment Period**

The term for a single structured deposit shall be within 6 months (inclusive) and the purchase term for certificates of large amount deposit shall be within 3 years (inclusive).

### **(IV) Authorization Effective Period of the Cap**

From 20 December 2022 to the date of 2022 annual general meeting.

## **II. CONSIDERATION PROCEDURE**

### **(I) Previous Consideration Procedure**

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 short-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” published by the Company on the websites of Hong Kong Stock Exchange on 29 March 2022).

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, agreeing the increase of structured deposits purchase cap. The balance of structured deposits at any time after the increase shall be no more than RMB2.6 billion, which can be utilized on a revolving basis during the effective term of the cap. The cap is valid from 25 August 2022 to 31 March 2023 (for details, please refer to the “Announcement in relation to Purchase of Structured Deposit with Internal Idle Funds” published by the Company on the websites the Hong Kong Stock Exchange on 25 August 2022).

## **(II) Consideration Procedure for this Matter**

On 20 December 2022, the Resolution in relation to the Utilization of Internal Idle Funds for Cash Management was considered and approved at the Seventh Meeting of the Ninth Session of the Board of the Company, agreeing the utilization of its internal idle funds by the Company for cash management. The authorization on the purchase of structured deposits with internal idle funds as considered and approved at the Fourth Meeting of the Ninth Session of the Board of the Company was terminated prematurely. The resolution was not required to be submitted to the general meeting of the Company for consideration.

## **III. RISK ANALYSIS AND RISK CONTROL**

Structured deposits are capital-guaranteed and floating-profit financial products, which can ensure the security of principal used for investment. However, investment return remains uncertain due to movements in the market. Certificates of large amount deposit is a financial product with guaranteed capital and fixed income. The contract clearly stipulates elements such as capital guaranteed, rate of return, and term. During the purchase period, the level of product income is fixed and will not fluctuate.

The Company, in compliance with the principles of prudent investment, will strictly choose issuers and appropriate financial products 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.

#### **IV. IMPACT ON THE COMPANY**

The purchase of the low-risk short-term and principal-guaranteed nature structured deposits and certificates of large amount deposit by the Company with its internal idle funds for cash management is conditional upon ensuring security of daily operation and fund of the Company, will not affect capital demand for operation of normal businesses and daily capital flow of the Company, and is conducive to enhance the Company's capital utilization efficiency and income, and thus creating higher investment return for the Company and the Shareholders.

#### **V. OPINION OF THE INDEPENDENT DIRECTOR**

After careful consideration of the resolution, the independent directors of the Company are of the view that:

Subject to guaranteeing liquidity and capital security, the Company shall purchase principal-guaranteed nature structured deposits and certificates of large amount deposit with part of the idle funds for cash management, without affecting development of operation and business of the Company. It will enhance capital usage efficiency and increase investment return of the Company and is in the interest of the Company and its Shareholders as a whole. It was agreed that the Company will use its internal idle funds for cash management within the amount and term approved by the board of directors.

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

Luoyang, the PRC  
20 December 2022

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

\* *For identification purposes only*