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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

First Tractor Company Limited*(the “**Company**”) and all members of the board (the “**Board**”) of directors (the “**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:** The Company will use its internal idle funds to purchase products including structured deposit and certificates of large amount deposit products.
- **Investment Cap:** The total balance of structured deposit and certificates of large amount deposit products held by the Company at any time shall be no more than RMB6.5 billion, which can be utilized on a revolving basis during the authorization effective term of the cap.
- **Authorization Effective Period of the Cap:** No more than 12 months from the date of consideration and approval by the general meeting of shareholders.

- Approval Procedures to be Performed: the matter has been considered and approved at the Eighth Meeting of the Ninth Session of the Board of the Company and is required to be submitted to the general meeting of the Company 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 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

At the Seventh Meeting of the Ninth Session of the Board of Directors held on 20 December 2022, the Company considered and passed the “Resolution on Utilization of Internal Idle Funds for Cash Management” and agreed to use its internal idle funds to purchase structured deposits and large amount of deposit products with a total balance of not more than RMB2.6 billion at any time. For details, please refer to the “Announcement on Utilization of Internal Idle Funds for Cash Management of First Tractor (Lin 2022-58) published by the Company on the website of Shanghai Stock Exchange on 21 December 2022.

As of the disclosure date of this announcement, the maximum balance of the structured deposits and the large amount deposit products held by the Company was RMB2.5 billion, and the term of a single structured deposit did not exceed 6 months, and the term of a large amount deposit was within 3 years (inclusive), which were 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 through the centralized management of funds, the Company has increased the scale of its own idle funds for the purposes of enhancing capital usage efficiency and improving capital operating revenue. The Company proposes to reasonably use seasonal idle funds to purchase two types of low-risk principal-guaranteed financial products, namely, short-term structured deposits and certificates of large amount deposit issued by bank(s), 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 RMB6.5 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 bank(s) with low risk.
2. Product Maturity: Single structured deposit with a maturity of up to 6 months (inclusive); large certificates of deposit with a maturity of up to 3 years (inclusive).

(IV) Authorization Effective Period of the Cap

No more than 12 months from the date of approval by the general meeting of shareholders.

II. CONSIDERATION PROCEDURE

On 14 February 2023, at the Eighth Meeting of the Ninth Session of the Board of the Company, the “Resolution on the Purchase of Financial Products with the Company’s Internal Idle Funds for 2023” was considered and approved by 7 votes in favor, 0 votes against and 0 abstentions, consenting to the use of the Company’s internal idle funds to purchase two types of low-risk principal-guaranteed financial products, namely short-term structured deposits and certificates of large amount deposit issued by bank(s). The aggregate balance of financial products at any point in time shall not exceed RMB6.5 billion and may be operated on a rolling basis within the above-mentioned limit. The maturity of a single structured deposit is within 6 months (inclusive); the maturity of certificates of large amount deposit is within 3 years (inclusive). The quota is valid for a period of no more than 12 months from the date of approval by the general meeting of shareholders.

The resolution is subject to the consideration and approval of the first extraordinary general meeting of the Company in 2023. With the approval of the Company's first extraordinary general meeting in 2023, the validity of the quota for cash management with own idle funds already approved by the Board of the Company until the annual general meeting in 2022 shall be terminated.

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 relevant departments of the Company have formed a professional team to analyse and track product movements in a timely manner and will take corresponding measures in a timely manner when risk factors are identified, and the Company will fulfil its information disclosure obligations in accordance with relevant regulations and the Listing Rules.

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 funds 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. The Company will make timely and accurate accounting treatment in accordance with the relevant provisions of the Accounting Standards for Business Enterprises.

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 financial products 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 approved amount for 2023.

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

Luoyang, the PRC
14 February 2023

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*