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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)

## **CONTINUING CONNECTED TRANSACTIONS FOR 2024**

On 26 December 2023, the Company convened the Seventeenth Meeting of the Ninth Session of the Board and considered and passed the “Resolution on Daily Connected Transactions of the Company for 2024”, approving the signing of the Properties Lease Agreement, the Land Lease Agreement, the Research and Development Services Agreement and the Common Resource Services Agreement between the Company and YTO, the signing of the Technological Services Agreement between the Company and Tractor Research Company, the signing of the Product Inspection and Testing as well as Technological Services Agreement between the Company and Xiyuan Company.

As at the date of this announcement, YTO is an immediate controlling shareholder of the Company, holding approximately 548,485,853 A Shares of the Company, representing approximately 48.81% of the total issued Shares of the Company. China National Machinery Industry Corporation owns 88.22% interests of YTO, Luoyang State-Owned Assets Operation Company Limited owns the remaining 11.78% interests of YTO. On 22 December 2023, YTO and Luoyang State-owned Assets Operation Company Limited entered into the “Agreement on Capital Reduction of YTO Group Corporation” and the “Agreement on the Transfer of Shares of First Tractor Company Limited” with conditions attached thereto. Subject to obtaining the approval of the State-owned Assets Supervision and Administration Commission of the State Council for the share transfer, the proportion of equity interest in the Company held by YTO will be reduced from 48.81% to 42.94%. Xiyuan Company is a direct wholly-owned subsidiary of YTO, the controlling shareholder of the Company. Tractor Research Company is a non-wholly owned subsidiary of the Company, and the Company owns 51% interests of Tractor Research Company, and YTO owns the remaining 49% interests of Tractor Research Company. Tractor Research Company is an associate of YTO, and also a connected subsidiary of the Company under the Hong Kong Listing Rules. The transactions between the Company, YTO Group, Xiyuan Company and Tractor Research Company constitute connected transactions of the Company, subject to the relevant disclosure and/or independent shareholders’ approval requirement under Chapter 14A of the Hong Kong Listing Rules.

The transactions contemplated under the Properties Lease Agreement and the Land Lease Agreement are required to be aggregated pursuant to Rule 14A.81 of the Hong Kong Listing Rules. As the applicable percentage ratios for the aggregate annual cap amount for 2024 under the Land Lease Agreement and the Properties Lease Agreement, and the annual cap amount for 2024 under each of the Research and Development Services Agreement and the Common Resource Services Agreement are all less than 0.1%, they constitutes de minimis transactions and will be exempted from the annual reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As the applicable percentage ratios for the annual cap amount for 2024 under each of the Technological Services Agreement and the Product Inspection and Testing as well as Technological Service Agreement are more than 0.1% but less than 5%, the transactions under the each of the Technological Services Agreement and the Product Inspection and Testing as well as Technological Service Agreement are subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement pursuant to Chapter 14A of the Hong Kong Listing Rules.

## **1. BASIC INFORMATION ON THE CONTINUING CONNECTED TRANSACTIONS**

### **(1) Procedures for the Consideration of Continuing Connected Transactions**

On 26 December 2023, the Company convened the Seventeenth Meeting of the Ninth Session of the Board and considered and passed the "Resolution on Daily Connected Transactions of the Company for 2024", approving the signing of the Properties Lease Agreement, the Land Lease Agreement, the Research and Development Services Agreement and the Common Resource Services Agreement between the Company and YTO with effect from 1 January 2024 to 31 December 2024, the signing of the Technological Services Agreement between the Company and Tractor Research Company with effect from 1 January 2024 to 31 December 2024, the signing of the Product Inspection and Testing as well as Technological Services Agreement between the Company and Xiyuan Company with effect from 1 January 2024 to 31 December 2024, and the annual transaction cap amounts of each of the agreements for 2024. Four related Directors, namely Liu Jiguo, Zhang Zhiyu, Fang Xianfa and Zhang Bin abstained from voting, and the voting result was 4 votes in favour, 0 votes against and 0 abstentions.

The terms of each of the Properties Lease Agreement, the Land Lease Agreement, the Research and Development Services Agreement, the Common Resource Services Agreement, the Product Inspection and Testing as well as Technological Services Agreement and the Technological Services Agreement were determined after arm's length negotiations between the parties thereto. The Directors (including the independent non-executive Directors) considered that the agreements and the transactions contemplated thereunder (including the respective annual caps for 2024) are on normal commercial terms and in the usual course of business of the Group, and that the terms of each of the agreements and the transactions contemplated thereunder are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

**(2) Estimation and Implementation of Previous Continuing Connected Transactions**

*Unit: RMB0'000*

Types of continuing connected transactions	Connected person	Amount incurred in 2021 (audited)	Amount incurred in 2022 (audited)	Approved cap amount of 2023	Amount incurred from January to November 2023	Reason for material difference between estimated amount and actual amount incurred for 2023
Leasing land to connected parties	YTO Group	7	8	65	29	/
Leasing properties and auxiliary equipment to connected parties	YTO Group	439	529	600	362	
Providing product research and development, process development and calibration and testing services to connected parties	YTO Group	886	1,487	1,100	423	/
Provision of common resource services to the Company by the connected party	YTO Group	477	707	710	584	/
Provision of product inspection and testing and research and development service to the Company by the connected party	Xiyuan Company	2,676	3,192	3,200	2,127	/
Provision of services including technical research and development and technical consultation to the Company by the connected party	Tractor Research Company	13,267	17,736	20,000	12,625	/

### (3) Estimated Amount and Types of Continuing Connected Transactions

The estimated cap amounts for the Group's continuing connected transactions in 2024 were determined primarily with reference to the historical transaction amounts combined with the expected business needs in 2024.

*Unit: RMB0'000*

Types of connected transactions	Connected person	Estimated cap for 2024	Amount incurred from January to November 2023	Actual amount incurred as a percentage of similar business	Basis of determination of the estimated cap for 2024
Leasing land to connected parties	YTO Group	55	29	8.86%	Determined based on historical transaction amounts and estimated business needs in 2024. Save for the the proposed annual caps for 2024 under the Land Lease Agreement and the Research and Development Services Agreement, which are slightly lower than the annual caps for the year ending 31 December, 2023, and the proposed annual caps for 2024 under the Product Inspection and Testing as well as Technological Services Agreement, which are slightly higher than the annual caps for the year ending 31 December, 2023, according to the demand for land leasing of YTO Group and the demand for product research and development, process research and development, calibration and testing, product inspection and testing and services by the Group, the annual caps for 2024 for other transactions under each of the Properties Lease Agreement, Common Resource Services Agreement and Technological Services Agreement will basically remain unchanged in 2024 as compared with that of 2023.
Leasing properties and auxiliary equipment to connected parties	YTO Group	600	362	26.28%	
Providing product research and development, process development and calibration and testing services to connected parties	YTO Group	1,000	423	17.52%	
Receiving common resource services from the connected party	YTO Group	710	584	100%	
Receiving product inspection and testing as well as technological services from the connected party	Xiyuan Company	4,200	2,127	100%	
Receiving services including technical research and development and technical consultation from the connected party	Tractor Research Company	20,000	12,625	100%	

## **2. INTRODUCTION OF CONNECTED PERSONS AND CONNECTED RELATIONSHIP**

### **(1) YTO**

1. Legal Representative: Liu Jiguo
2. Registered Capital: RMB3,106.1938 million
3. Residence: No.154 Jianshe Road, Luoyang, Henan Province
4. Primary Business: General items: manufacturing of tractors; sales of agricultural machinery; manufacturing of agricultural machinery; manufacturing of machinery for construction works; sales of machinery for construction works; manufacturing of general equipment (excluding manufacturing of special equipment); sales of machinery and equipment; manufacturing of electric generators and electric generating sets; sales of electric generators and electric generating sets; sales of special equipment; manufacturing of bicycles; wholesale of bicycles and spare parts; retail of bicycles and spare parts; manufacturing of machinery parts for agriculture, forestry, animal husbandry and fishery; sales of machinery parts for agriculture, forestry, animal husbandry and fishery; manufacturing of auto parts and accessories; wholesale of auto parts; retail of auto parts; processing of mechanical parts and spare parts; sales of mechanical parts and spare parts; manufacturing of general parts; manufacturing of mining machinery; manufacturing moulds; manufacturing of metal forming machine tools; manufacturing of forgings and powder metallurgy products; casting of ferrous metals; manufacturing of machine tool functional components and accessories; leasing of non-residential real estate; housing leasing; car sales; import and export of goods; import and export of technology; overseas contracted projects.

Licensed items: production of road motor vehicles; manufacturing of special equipment; gas operation; road cargo transportation (excluding dangerous goods); road transportation of dangerous goods. (for projects subject to approval according to law, business activities can only be carried out after the approval of the relevant departments. The specific business projects are subject to the approval documents or licenses of the relevant departments).

5. Shareholding Ratio: China National Machinery Industry Corporation\* (中國機械工業集團有限公司) owns 88.22%, Luoyang State-Owned Assets Operation Company Limited owns 11.78%.
6. Connected Relationship: Controlling Shareholder of the Company.
7. As of 31 December 2022, YTO's audited consolidated statement of assets amounted to a total of RMB16,394 million and net assets amounted to RMB5,008 million; in 2022, operating income of RMB13,816 million and net profit of RMB352 million were achieved.
8. Performance Capability: YTO's production and operation are normal, and has good performance capability.

**(2) Xiyuan Company**

1. Legal Representative: Zhao Yirong
2. Registered Capital: RMB20 million
3. Residence: No. 39 Xiyuan Road, Jianxi District, Luoyang City
4. Scope of Operations: The testing and inspection of tractors, three-wheeled vehicles, low-speed trucks, automobiles (including special-purpose vehicles), electric vehicles, construction machineries, internal combustion engines, agricultural machineries, motorcycles, agricultural machineries, transformation machineries and its components; conducting security check on motor vehicles; development, production and sale of agricultural machinery equipment and test equipment, instruments, new materials and related products; licensed sale of imported equipment and instruments; technical development, consultation, transfer and related services; judicial authentication in the quality of machinery products; land inspection; measurement and calibration of the instrument and equipment.
5. Shareholding Ratio: YTO owns 100%.

6. **Connected Relationship:** Xiyuan Company is a wholly-owned subsidiary of YTO, the controlling shareholder of the Company.
7. As of 31 December 2022, Xiyuan Company's audited statement of assets amounted to a total of RMB111.3471 million and net assets amounted to RMB73.3394 million; in 2022, operating income of RMB83.6643 million and net profit of RMB23.6049 million were achieved.
8. **Performance Capability:** Xiyuan Company as a state-authorized inspection and testing organization and a certified public service platform, has the ability to test the Company's products and develop related testing equipment.

**(3) Tractor Research Company**

1. **Legal Representative:** Xue Wenpu
2. **Registered Capital:** RMB445.00 million
3. **Residence:** No. 39 Xiyuan Road, Jianxi District, Luoyang City
4. **Scope of Operations:** The testing of tractors, automobiles, engineering machinery, internal combustion engine, agricultural machinery, agricultural transport vehicles and other machinery products as well as the components, the research and development of equipment, technology development and transfer, consultancy services, production and sales; the development of computer technology and services; houses leasing, advertisement operation and printing (excluding the printing of publications and only limited to the operation by qualified branches); goods or technology import and export businesses.
5. **Shareholding Ratio:** The Company owns 51%, YTO owns 49%.
6. **Connected Relationship:** According to the Hong Kong Listing Rules, Tractor Research Company is an associate of YTO, and a connected subsidiary of the Company.

7. As of 31 December 2022, Tractor Research Company's audited statement of assets amounted to a total of RMB630.0089 million and net assets amounted to RMB555.1443 million; in 2022, operating income of RMB220.8781 million and net profit of RMB5.6266 million were achieved.
8. Performance Capability: Tractor Research Company holds a leading position in technological areas such as the research and manufacturing of tractors, off-road diesel engines and related test and trial equipment, and has good performance capability.

The Group is principally engaged in the production and sale of agricultural machineries and power machineries. The principal products include tractors of hi-powered and mid-powered, off-road diesel engines and parts thereof.

As at the date of this announcement, YTO is an immediate controlling shareholder of the Company, holding approximately 548,485,853 A Shares of the Company, representing approximately 48.81% of the total issued Shares of the Company. China National Machinery Industry Corporation owns 88.22% interests of YTO, Luoyang State-Owned Assets Operation Company Limited owns the remaining 11.78% interests of YTO. China National Machinery Industry Corporation and Luoyang State-Owned Assets Operation Company Limited are State-owned enterprises and are directly managed by the State Assets Supervision and Administration Commission of the State Council of the PRC and the State-owned Assets Supervision and Administration Commission of Luoyang Municipal People's Government respectively. On 22 December 2023, YTO and Luoyang State-owned Assets Operation Company Limited entered into the "Agreement on Capital Reduction of YTO Group Corporation" and the "Agreement on the Transfer of Shares of First Tractor Company Limited" with conditions attached thereto. Subject to obtaining the approval of the State-owned Assets Supervision and Administration Commission of the State Council for the share transfer, the proportion of equity interest in the Company held by YTO will be reduced from 48.81% to 42.94%. Xiyuan Company is a direct wholly-owned subsidiary of YTO, the controlling shareholder of the Company. Tractor Research Company is a non-wholly owned subsidiary of the Company, and the Company owns 51% interests of Tractor Research Company, and YTO owns the remaining 49% interests of Tractor Research Company. Tractor Research Company is an associate of YTO, and also a connected subsidiary of the Company under the Hong Kong Listing Rules. The transactions between the Company, YTO Group, Xiyuan Company and Tractor Research Company constitute connected transactions of the Company, subject to the relevant disclosure and/or independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.



### **3. MAIN CONTENTS AND PRICING POLICIES OF CONTINUING CONNECTED TRANSACTIONS**

#### **(1) Land Lease Agreement**

1. Date: 26 December 2023
2. Parties:
  - (a) the Company, on behalf of the Group, as the lessor; and
  - (b) YTO, on behalf of YTO Group, as the lessee
3. Term: From 1 January 2024 to 31 December 2024
4. Main Contents of Transactions: Leasing of part of the lands from the Group to YTO Group.
5. Pricing Policy:

Pursuant to the Land Lease Agreement, the rent of the land payable by YTO Group shall be determined according to the following order:

- (1) the transaction prices between the Group and an independent third party for the leases of similar land and land use rights in similar locations (if any); or
  - (2) in the event that the above prices are not available or not applicable, the rental payable shall be determined after negotiations by the parties conducted on an arm's length basis, after taking into consideration the market rental for similar land and land use rights.
6. Payment Terms: The lessee shall pay the rent for the current quarter in cash before the end of each quarter.

## **(2) Properties Lease Agreement**

1. Date: 26 December 2023
2. Parties:
  - (a) the Company, on behalf of the Group, as the lessor; and
  - (b) YTO, on behalf of YTO Group, as the lessee
3. Term: From 1 January 2024 to 31 December 2024
4. Main Contents of Transactions: Leasing of properties, plants and auxiliary facilities from the Group by YTO Group.
5. Pricing Policy:

Pursuant to the Properties Lease Agreement, the rent of the properties payable by YTO Group shall be determined according to the following order:

- (1) the transaction prices of leasing similar properties in similar locations between the Group and independent third parties; or
- (2) in the event that the above prices are not available or not applicable, the rental payable shall be determined after negotiations by the parties conducted on an arm's length basis, after taking into consideration the market rental for similar properties.

During the term of the lease, YTO Group shall be responsible for the repair, maintenance and care of the Properties and the relevant expenses.

6. Payment Terms: The lessee shall pay the rent for the current quarter in cash before the end of each quarter.

### **(3) Research and Development Services Agreement**

1. Date: 26 December 2023
2. Parties:
  - (a) YTO, on behalf of YTO Group, as the purchaser; and
  - (b) the Company, on behalf of the Group, as the supplier
3. Term: From 1 January 2024 to 31 December 2024
4. Main Contents of Transactions: Provision of research and development service by the Group to YTO Group including:
  - (1) Product research and development: technology research and development of harvesters, agricultural machineries and other agricultural machinery products;
  - (2) Process technological services: process technological services related to product of YTO Group;
  - (3) Material testing services: metallic materials, inorganic materials, chemical materials and physical flaw detection;
  - (4) Calibration services: calibration services provided for material weighing, product testing, technical training, procurement of calibration instrument, assessment of standard instrument, system management, and preparation and revision of calibration standards; and
  - (5) Measurement instrument testing services: services including verification, calibration, testing, maintenance and modification for the calibration instruments of YTO Group.

5. Pricing Policy:

Under the Research and Development Services Agreement, the fee of the research and development services shall be determined in the following order:

- (1) the price of non-connected transactions for the same services between the Group and third parties who are independent of its connected person(s);
- (2) the price which consists of the reasonable cost of services provided by the Group plus gross profit of non-connected transactions in the same category (including but not limited to those which are the same as or similar to the contents, work period and intellectual property in respect of research and development or calibration and testing projects, etc.), and the Company will take at least two comparable non-connected transactions as its reference; or
- (3) in the event that the above prices are not available or not applicable, the price shall be determined through negotiations by the parties on an arm's length basis.

In any event, the applicable price for the provision of the research and development services by the Group to YTO Group under the Research and Development Services Agreement shall be no more favourable than the price charged for the provision of the same services to the independent third party customers of the Group.

6. Payment Terms: Payment terms agreed upon at the time of signing the specific contract based on the actual circumstances of the transaction.

#### **(4) Common Resource Services Agreement**

1. Date: 26 December 2023
2. Parties:
  - (a) YTO, on behalf of YTO Group, as the supplier and/or the supplying agent; and
  - (b) the Company, on behalf of the Group, as the purchaser and/or the purchasing agent
3. Term: From 1 January 2024 to 31 December 2024
4. Main Contents of Transactions: Provision of common resource service by YTO Group to the Group, including:
  - (1) Greening services: provision of greening services within the land area of the Group, including provision of greening services being of standard quality and quantity to ensure the planting and cultivation of a variety of plants;
  - (2) Road maintenance services: provision of good maintenance and care services to the road traffic and related pipe system;
  - (3) Cleaning services: responsible for cleaning and daily waste collection for the land owned and leased by the Group, and maintaining the cleanliness and sanitation of plants and other buildings in the production area;
  - (4) Logistic support services: provision of collective apartments for employees and related services, and provision of logistic support services; and
  - (5) Guard and security services: provision of guard and security services for the Group's production and office premises.

5. Pricing Policy:

Pursuant to the Common Resource Services Agreement, the price of the services shall be determined according to the following order:

- (1) the transaction prices of the transactions for the same or similar services between YTO Group and independent third parties;
- (2) price consisting of reasonable costs plus gross profit on comparable non-related transactions in the same category; or
- (3) in the absence of any of the above prices or the above prices are not applicable, it shall be determined by negotiation between the parties based on the principle of fairness.

6. Payment Terms: Current year's fee paid in cash before the end of each year.

**(5) Product Inspection and Testing as well as Technological Services Agreement**

1. Date: 26 December 2023

2. Parties:

(a) Xiyuan Company, as the supplier; and

(b) the Company, on behalf of the Group, as the purchaser

3. Term: From 1 January 2024 to 31 December 2024

4. Main Contents of Transactions: Provision of product inspection and testing as well as technological services by Xiyuan Company to the Group, including:

- (1) products-related technological testing services: technical judgement made to the specific targets using instrument and equipment, environmental facilities and based on other technological conditions in accordance with relevant standard or technical norms;

- (2) standardized technological support services: the provision of third-party patent services, experimental verification of standardized technological indicators, standardized information services, guidance on standardized research process, standard publicity implementation and other services; and
- (3) the provision of research and manufacturing services on non-standard equipment such as inspection and testing equipment based on the demands of the Group.

5. Pricing Policy:

Under the Product Inspection and Testing as well as Technological Services Agreement, the fee of the product inspection and testing as well as technological services shall be determined in the following order:

- (1) the price of non-connected transactions for the same services between Xiyuan Company and third parties who are independent of its connected person(s);
- (2) the price which consists of the reasonable cost of services provided by Xiyuan Company plus gross profit of non-connected transactions in the same category (including but not limited to those which are the same as or similar to the contents, work period and intellectual property in respect of inspection and testing as well as research and development projects, etc.), and Xiyuan Company will take at least two comparable non-connected transactions as its reference; or
- (3) in the event that the above prices are not available or not applicable, the price shall be determined through negotiations by the parties on an arm's length basis.

In any event, the applicable price for the provision of the product inspection and testing as well as technological services by Xiyuan Company to the Group under the Product Inspection and Testing as well as Technological Services Agreement shall not be higher than the price charged for the provision of the same services to the independent third party customers of Xiyuan Company.

6. Payment Terms: Payment terms agreed upon at the time of signing the specific contract based on the actual circumstances of the transaction.

**(6) Technological Services Agreement**

1. Date: 26 December 2023
2. Parties:
  - (a) Tractor Research Company, as the supplier; and
  - (b) the Company, on behalf of the Group, as the purchaser
3. Term: From 1 January 2024 to 31 December 2024
4. Main Contents of Transactions: Provision of technology research and development, technological consultation and other technological services related to the products in relation of tractors and diesel engines by Tractor Research Company to the Group.
5. Pricing Policy:

Under the Technological Services Agreement, service fees shall be determined in the following order:

- (1) the price of transactions of similar business between Tractor Research Company and independent third parties;
  - (2) the price which consists of the reasonable cost of services provided by Tractor Research Company plus gross profit of comparable non-related transactions; or
  - (3) in the event that the above prices are not available or not applicable, the price shall be determined through negotiations by the parties on an arm's length basis.
6. Payment Terms: Payment terms agreed upon at the time of signing the specific contract based on the actual circumstances of the transaction.



#### **4. REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS UNDER THE VARIOUS AGREEMENTS**

The Company and YTO utilize geographical convenience and leverage their respective resource advantages to carry out business related to daily operations with each other, which is conducive to reducing operating costs and ensuring the normal operation of each other's production and operation. The terms of each agreement on connected transactions are reached by both parties through negotiation and in accordance with the principle of fair transaction, without affecting the independence of the Company and are in the interests of the Company and the Shareholders as a whole.

##### **(1) Land Lease Agreement and Properties Lease Agreement**

The properties and the land are premises which, for the time being, the Company does not need to utilise. The entering into of the Land Lease Agreement and the Properties Lease Agreement will increase the efficient utilisation rate of the assets of the Company, which will help increase the returns to the Shareholders, and which is in the interests of the Company and its Shareholders as a whole.

##### **(2) Research and Development Services Agreement**

The businesses of the Group cover the provision of Research and Development Services for YTO Group. The Company has a strong research, manufacture and development capabilities in agricultural machinery products, technological transformation and product quality improvement capabilities in casting and forging products, and capabilities and conditions to provide measurement services and measurement instrument testing services. Provision of such services by the Company to YTO Group will help the Company to give full play to its technological advantages in respect of process research and development and improve the utilization of relevant resources, which is in the interests of the Company and its Shareholders as a whole.

**(3) Common Resource Services Agreement**

In light of the extensive land area of the Group and the complexity of maintenance and care services to road facilities, logistics support and security guards, so far as the Board are aware, it is convenient for YTO Group to provide relevant services to the Group, and YTO Group possesses the relevant capability and sufficient capital back-ups to provide the common resource services.

**(4) Product Inspection and Testing as well as Technological Services Agreement**

Product-related inspection and testing services provided by Xiyuan Company, as a state-authorized independent testing organization and a certified public service platform, to the Group meet the needs of the Company in product manufacturing and marketing.

**(5) Technological Services Agreement**

Tractor Research Company has strong capability in tractor products research and development. The Group wishes that Tractor Research Company will continue to provide new production technology research and development and technological services related to tractor products to the Group, and meet the Company's product technology upgrade needs.

## 5. INTERNAL CONTROL MEASURES

To ensure that the connected transactions is in conformity with the principle of arm's length transaction, the Company has established relevant internal control measures on the decision-making for and implementation of connected transactions. Such relevant internal control measures on connected transactions are conducted and supervised by the finance department, office of the Board and audit and legal department of the Company:

1. The Company has established and strictly implemented the connected transactions management system. The Board of the Company has approved the connected transactions and agreements in accordance with the decision-making process of connected transactions; the independent directors of the Company has conscientiously performed their duties, and has issued review opinions on the connected transactions.
2. The relevant business department, the office of the Board and the finance department of the Company reviewed the reasonableness and fairness of the terms of the connected transactions (in particular the pricing terms). Each business unit will have its finance department and related departments review and monitor the prices and related terms proposed for each type of transaction between the Company and independent third parties and connected parties through their participation in the contract evaluation process as it conducts its specific business.
3. The internal audit department of the Company and the external auditing firms shall conduct regular supervision and evaluation on whether the connected transactions of the Company have been carried out in accordance with the internal control requirements of the Company.

## **6. PURPOSE OF THE TRANSACTION AND IMPACT ON THE COMPANY**

All continuing connected transactions considered are for the normal production and operation of the Company. The Company and YTO utilize geographical convenience and leverage their respective resource advantages to carry out business related to daily operations with each other, which is conducive to reducing operating costs and ensuring the normal operation of each other's production and operation. The terms of each agreements on connected transactions are reached by both parties through negotiation and in accordance with the principle of fair transaction, without adverse effect to the Company's financial position and operation results, and the Company's main business will not become dependent on connected parties due to the transactions. The transactions will not affect the independence of the Company and are in the interests of the Company and the Shareholders as a whole.

## **7. HONG KONG LISTING RULES IMPLICATIONS**

The transactions contemplated under the Properties Lease Agreement and the Land Lease Agreement are required to be aggregated pursuant to Rule 14A.81 of the Hong Kong Listing Rules. As the applicable percentage ratios for the aggregate annual cap amount for 2024 under the Land Lease Agreement and the Properties Lease Agreement, and the annual cap amount for 2024 under each of the Research and Development Services Agreement and the Common Resource Services Agreement are all less than 0.1%, they constitutes de minimis transactions and will be exempted from the annual reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As the applicable percentage ratios for the annual cap amount for 2024 under each of the Technological Services Agreement and the Product Inspection and Testing as well as Technological Service Agreement are more than 0.1% but less than 5%, the transactions under the each of the Technological Services Agreement and the Product Inspection and Testing as well as Technological Service Agreement are subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement pursuant to Chapter 14A of the Hong Kong Listing Rules.

## 8. DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“associate(s)”	has the same meaning as ascribed to this term under the Hong Kong Listing Rules
“Board”	the board of Directors
“Common Resource Services Agreement”	the agreement dated 26 December 2023 entered into between YTO, on behalf of YTO Group, as the supplier and/or the supplying agent and the Company, on behalf of the Group, as the purchaser and/or the purchasing agent, pursuant to which YTO Group agreed to provide the common resource services to the Group
“Company”	First Tractor Company Limited* (第一拖拉機股份有限公司), a joint stock company with limited liability incorporated in the PRC, the H Shares and A Shares of which are listed on the main board of the Stock Exchange (Stock Code: 0038) and the Shanghai Stock Exchange (Stock Code: 601038) respectively
“connected person(s)”	has the same meaning as ascribed to this term under the Hong Kong Listing Rules
“connected subsidiary(ies)”	(i) non wholly-owned subsidiary(ies) of the Company that YTO and/or its controlling companies or entities, individually or together, can exercise 10% or more of the voting rights at general meeting of such subsidiary(ies) (such 10% excludes any indirect interest in the subsidiary(ies) which is/are held by YTO and/or its controlling companies or entities through the Company) and (ii) any subsidiary of a non wholly-owned subsidiary referred to in (i) above
“controlling shareholder(s)”	has the same meaning as ascribed to this term under the Hong Kong Listing Rules

“Director(s)”	the director(s) of the Company, including the independent non-executive directors
“Group”	the Company and its subsidiaries
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Land Lease Agreement”	the land lease agreement dated 26 December 2023 entered into between the Company, on behalf of the Group, and YTO, on behalf of YTO Group, pursuant to which the Group agreed to lease the land to YTO Group
“percentage ratio(s)”	has the same meaning as ascribed to this term under the Hong Kong Listing Rules, as applicable to a transaction
“Product Inspection and Testing as well as Technological Services Agreement”	the agreement dated 26 December 2023 entered into between Xiyuan Company, as the supplier, and the Company, on behalf of the Group, as the purchaser, pursuant to which Xiyuan Company agreed to provide the product inspection and testing as well as research and development services to the Group
“Research and Development Services Agreement”	the agreement dated 26 December 2023 entered into between YTO, on behalf of YTO Group, as the purchaser, and the Company, on behalf of the Group, as the supplier, pursuant to which the Group agreed to provide the research and development services to YTO Group
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Share(s)”	share(s) of RMB1.00 each of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Technological Services Agreement”	the technological services agreement dated 26 December 2023 entered into between the Company, on behalf of the Group, as the purchaser, and Tractor Research Company, as the supplier, pursuant to which Tractor Research Company agreed to provide the new production technology research and development as well as technological services in respect of tractor products to the Group
“Tractor Research Company”	Luoyang Tractors Research Institute Company Limited* (洛陽拖拉機研究所有限公司), a company incorporated in the PRC with limited liability, which is an associate of YTO and a connected subsidiary of the Company under the Hong Kong Listing Rules
“Xiyuan Company”	Luoyang Xiyuan Vehicle and Power Inspection Institute Co., Ltd.* (洛陽西苑車輛與動力檢驗所有限公司), a company incorporated in the PRC with limited liability, which is a direct wholly-owned subsidiary of YTO
“YTO”	YTO Group Corporation* (中國一拖集團有限公司), a limited liability company incorporated in the PRC and the controlling shareholder of the Company, holding approximately 48.81% equity interest in the Company
“YTO Group”	YTO and its subsidiaries (other than the Group)
“%”	per cent.

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

Luoyang, the PRC

26 December 2023

*As at the date of this announcement, the Board comprises Mr. Liu Jiguo (Chairman) and Mr. Wei Tao as executive Directors; 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