



# 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)

31 May 2022

*To the Independent Shareholders*

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO  
DISPOSAL OF TARGET ASSETS;  
(2) MAJOR AND CONNECTED TRANSACTION IN RELATION TO  
CAPITAL INCREASE IN SINOMACH FINANCE; AND  
(3) DISCLOSEABLE TRANSACTION IN RELATION TO THE DEPOSIT  
TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular dated 31 May 2022 issued by First Tractor Company Limited\* to the Shareholders (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as the members of the Independent Board Committee to advise you as to: (i) whether the terms of the Disposal Agreement, Investment Agreement (as revised and supplemented by the Supplemental Investment Agreement) and the Financial Services Framework Agreement are fair and reasonable; (ii) whether the Disposal, the Capital Increase and the Non-exempt Continuing Connected Transactions (including the relevant annual caps) are on normal commercial terms or better and in the ordinary and usual course of business of the Group; and (iii) whether the Disposal, the Capital Increase and the Non-exempt Continuing Connected Transactions (including the relevant annual caps) are in the interests of the Company and the Shareholders as a whole.

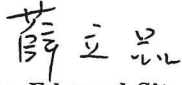
Gram Capital has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in respect of the Disposal, the Capital Increase and the Non-exempt Continuing Connected Transactions (including relevant annual caps). Details of the advice, together with principal factors and reasons considered in arriving at such advice are set out in the letter from Gram Capital as set out on pages 51 to 74 of the Circular.

You attention is also drawn to the Letter from the Board as set out on pages 7 to 48 and the additional information as set out in the appendices to the Circular.

Having considered the information as set out in the Letter from the Board and the advice and recommendation from Gram Capital:

- (a) although the Disposal is not conducted in the ordinary and usual course of business of the Group, we are of the view that (i) the terms and conditions of the Disposal Agreement are fair and reasonable; and (ii) the Disposal is on normal commercial terms and are in the interests of the Company and its Shareholders as a whole and accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution on the Disposal at the EGM;
- (b) although the Capital Increase is not conducted in the ordinary and usual course of business of the Group, we are of the view that (i) the terms and conditions of the Investment Agreement (as revised and supplemented by the Supplemental Investment Agreement) are fair and reasonable; and (ii) the Capital Increase is on normal commercial terms and are in the interests of the Company and its Shareholders as a whole and accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution on the Capital Increase at the EGM; and
- (c) we are of the view that (i) the Non-exempt Continuing Connected Transactions are on normal commercial terms and are entered into in the ordinary and usual course of business of the Group; (ii) the terms and conditions of the Financial Services Framework Agreement are fair and reasonable; and (iii) the Non-exempt Continuing Connected Transactions are in the interests of the Company and its Shareholders as a whole and accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution on the Non-exempt Continuing Connected Transactions at the EGM.

Yours faithfully,  
For and on behalf of the Independent Board Committee



Mr. Edmund Sit

Mr. Wang Shumao

Mr. Xu Liyou

*Independent non-executive Directors*

Yours faithfully,  
**For and on behalf of the Independent Board Committee**



**Mr. Edmund Sit**

**Mr. Wang Shumao**

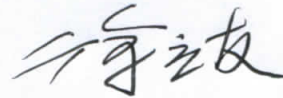
**Mr. Xu Liyou**

*Independent non-executive Directors*

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For and on behalf of the Independent Board Committee

Mr. Edmund Sit

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Mr. Xu Liyou

*Independent non-executive Directors*