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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)

CONNECTED TRANSACTIONS CAPITAL INCREASE AGREEMENT

CAPITAL INCREASE AGREEMENT

The Board is pleased to announce that on 12 November 2024, the Company entered into the Capital Increase Agreement with Sinomach Finance, pursuant to which the Company will make a further capital contribution of RMB85.716 million to Sinomach Finance based on its pro rata shareholding in Sinomach Finance. Upon completion of the Capital Increase, the shareholding of the Company in Sinomach Finance will remain unchanged at 14.286%.

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. Sinomach Group owns 88.22% interests of YTO, Luoyang Industrial owns the remaining 11.78% interests of YTO. On 22 December 2023, YTO and Luoyang Industrial 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 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%. Sinomach Finance is a subsidiary controlled by Sinomach Group, the de facto controller of the Company. The Company owns 14.286% interests of Sinomach Finance. Other Shareholders of Sinomach Finance are subsidiaries of Sinomach Group. Therefore, Sinomach Finance is an associate of Sinomach Group and a connected person of the Company under the Listing Rules, and the transaction under the Capital Increase Agreement constitutes a connected transaction of the Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the transaction under the Capital Increase Agreement is more than 0.1% but all are less than 5%, the transaction under the Capital Increase Agreement is subject to the reporting and announcement requirements of Chapter 14A of the Listing Rules, but is exempt from independent Shareholders' approval requirement.

BACKGROUND

On 12 November 2024, the Company entered into the Capital Increase Agreement with Sinomach Finance, pursuant to which the Company will make a further capital contribution of RMB85.716 million to Sinomach Finance based on its pro rata shareholding in Sinomach Finance. Upon completion of the Capital Increase, the shareholding of the Company in Sinomach Finance will remain unchanged at 14.286%.

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. Sinomach Group owns 88.22% interests of YTO, Luoyang Industrial owns the remaining 11.78% interests of YTO. On 22 December 2023, YTO and Luoyang Industrial 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 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%. Sinomach Finance is a subsidiary controlled by Sinomach Group, the de facto controller of the Company. The Company owns 14.286% interests of Sinomach Finance. Other Shareholders of Sinomach Finance are subsidiaries of Sinomach Group. Therefore, Sinomach Finance is an associate of Sinomach Group and a connected person of the Company under the Listing Rules, and the transaction under the Capital Increase Agreement constitutes a connected transaction of the Company.

CAPITAL INCREASE AGREEMENT

The principal terms of the Capital Increase Agreement are as follows:

Date

12 November 2024

Parties

- (1) The Company; and
- (2) Sinomach Finance

SHAREHOLDING STRUCTURE OF SINOMACH FINANCE BEFORE THE COMPLETION OF CAPITAL INCREASE

Immediately before the completion of the Capital Increase, the respective contribution amount and shareholding percentages of each of the shareholders of Sinomach Finance are set out as follows:

No.	Shareholder	Contribution amount (RMB'0,000)	Shareholding
1	China National Machinery Industry Corporation (中國機械工業集團有限公司)	30,600	17.486%
2	First Tractor Company Limited (第一拖拉機股份有限公司)	25,000	14.286%
3	China Machinery Engineering Corporation* (中國機械設備工程股份有限公司)	23,444	13.397%
4	China Automobile Trading Company Limited* (中國進口汽車貿易有限公司)	14,720	8.411%
5	China National Machinery Industry Construction Group Inc.* (中國機械工業建設集團有限公司)	10,904	6.231%
6	China National Electric Engineering Corporation* (中國電力工程有限公司)	9,541	5.452%
7	SUMEC Group Corporation* (江蘇蘇美達集團有限公司)	8,178	4.673%
8	Xi'an Heavy Machinery Research Institute Co., Ltd.* (西安重型機械研究所有限公司)	8,178	4.673%
9	China Auto CAIEC Ltd.* (中國汽車工業進出口有限公司)	6,815	3.894%
10	China IPPR International Engineering Co., Ltd* (中國中元國際工程有限公司)	5,452	3.115%
11	China United Engineering Corporation Limited* (中國聯合工程有限公司)	5,452	3.115%
12	Guangzhou Mechanical Engineering Research Institute Co., Ltd.* (廣州機械科學研究院有限公司)	3,544	2.025%
13	SIPPR Engineering Group Co., Ltd* (機械工業第六設計研究院有限公司)	3,272	1.870%
14	China National Heavy Machinery Corporation* (中國重型機械有限公司)	2,726	1.558%
15	China National Machinery Industry International Co., Ltd.* (中國機械工業國際合作有限公司)	2,726	1.558%

No.	Shareholder	Contribution amount (RMB'0,000)	Shareholding
16	China Foma (Group) Co. Ltd.* (中國福馬機械集團有限公司)	2,726	1.558%
17	Scivic Engineering Corporation* (機械工業第四設計研究院有限公司)	1,636	0.935%
18	China National Cable Engineering Corporation* (中國電纜工程有限公司)	1,363	0.779%
19	Hefei General Machinery Research Institute Co., Ltd.* (合肥通用機械研究院有限公司)	1,363	0.779%
20	China National Electric Apparatus Research Institute Co., Ltd.* (中國電器科學研究院股份有限公司)	1,363	0.779%
21	Chengdu Tool Research Institute Co., Ltd.* (成都工具研究所有限公司)	1,363	0.779%
22	Tianjin Research Institute of Electric Science Co., Ltd.* (天津電氣科學研究院有限公司)	1,090	0.623%
23	Lanzhou Petroleum Machinery Research Institute Co., Ltd.* (蘭州石油機械研究所有限公司)	1,090	0.623%
24	Shenyang Academy of Instrumentation Science Co., Ltd.* (瀋陽儀錶科學研究院有限公司)	818	0.467%
25	Luoyang Bearing Research Institute Co., Ltd.* (洛陽軸承研究所有限公司)	818	0.467%
26	Zhengzhou Research Institute For Abrasives and Grinding Co., Ltd.* (鄭州磨料磨具磨削研究所有限公司)	818	0.467%
	Total	175,000	100%

THE CAPITAL INCREASE

The aggregate amount of the Capital Increase is RMB600 million, which will be contributed by all shareholders of Sinomach Finance on a pro rata basis, of which the Company will contribute RMB85.716 million in cash to Sinomach Finance, all of which will be included in the registered capital of Sinomach Finance.

The Company will pay an amount of RMB85.716 million in full to the bank account designated by Sinomach Finance within 3 working days before Sinomach Finance makes the formal reporting to the financial regulatory authorities for an administrative approval after all of the following conditions precedent have been fulfilled.

- (1) The Capital Increase has been approved by the internal decision-making body of the Company;
- (2) The Capital Increase has been approved at the general meeting of Sinomach Finance; and
- (3) The Capital Increase has been approved by Sinomach Group.

If the financial regulatory authorities do not approve the Capital Increase, the Capital Increase Agreement shall be automatically terminated and Sinomach Finance shall refund the amount of the Capital Increase in full to the Company within 3 business days from the date of the notice of non-approval by the financial regulatory authorities.

SHAREHOLDING STRUCTURE OF SINOMACH FINANCE AFTER THE COMPLETION OF CAPITAL INCREASE

Immediately after the completion of the Capital Increase, the registered capital of Sinomach Finance will increase from RMB1,750 million to RMB2,350 million. The respective contribution amount and shareholding percentage of each of the shareholders of Sinomach Finance are set out as follows:

No.	Name of shareholder	Contribution amount (RMB'0,000)	Shareholding percentage
1	China National Machinery Industry Corporation (中國機械工業集團有限公司)	41,091.60	17.486%
2	First Tractor Company Limited (第一拖拉機股份有限公司)	33,571.60	14.286%
3	China Machinery Engineering Corporation* (中國機械設備工程股份有限公司)	31,482.20	13.397%
4	China Automobile Trading Company Limited* (中國進口汽車貿易有限公司)	19,766.60	8.411%
5	China National Machinery Industry Construction Group Inc.* (中國機械工業建設集團有限公司)	14,642.60	6.231%
6	China National Electric Engineering Corporation* (中國電力工程有限公司)	12,812.20	5.452%
7	SUMEC Group Corporation* (江蘇蘇美達集團有限公司)	10,981.80	4.673%
8	Xi'an Heavy Machinery Research Institute Co., Ltd.* (西安重型機械研究所有限公司)	10,981.80	4.673%
9	China Auto CAIEC Ltd.* (中國汽車工業進出口有限公司)	9,151.40	3.894%
10	China IPPR International Engineering Co., Ltd* (中國中元國際工程有限公司)	7,321.00	3.115%
11	China United Engineering Corporation Limited* (中國聯合工程有限公司)	7,321.00	3.115%
12	Guangzhou Mechanical Engineering Research Institute Co., Ltd.* (廣州機械科學研究院有限公司)	4,759.00	2.025%

No.	Name of shareholder	Contribution amount (RMB'0,000)	Shareholding percentage
13	SIPPR Engineering Group Co., Ltd* (機械工業第六設計研究院有限公司)	4,394.00	1.870%
14	China National Heavy Machinery Corporation* (中國重型機械有限公司)	3,660.80	1.558%
15	China National Machinery Industry International Co., Ltd.* (中國機械工業國際合作有限公司)	3,660.80	1.558%
16	China Foma (Group) Co. Ltd.* (中國福馬機械集團有限公司)	3,660.80	1.558%
17	Scivic Engineering Corporation* (機械工業第四設計研究院有限公司)	2,197.00	0.935%
18	China National Cable Engineering Corporation* (中國電纜工程有限公司)	1,830.40	0.779%
19	Hefei General Machinery Research Institute Co., Ltd.* (合肥通用機械研究院有限公司)	1,830.40	0.779%
20	China National Electric Apparatus Research Institute Co., Ltd.* (中國電器科學研究院股份有限公司)	1,830.40	0.779%
21	Chengdu Tool Research Institute Co., Ltd.* (成都工具研究所有限公司)	1,830.40	0.779%
22	Tianjin Research Institute of Electric Science Co., Ltd.* (天津電氣科學研究院有限公司)	1,463.80	0.623%
23	Lanzhou Petroleum Machinery Research Institute Co., Ltd.* (蘭州石油機械研究所有限公司)	1,463.80	0.623%
24	Shenyang Academy of Instrumentation Science Co., Ltd.* (瀋陽儀錶科學研究院有限公司)	1,098.20	0.467%
25	Luoyang Bearing Research Institute Co., Ltd.* (洛陽軸承研究所有限公司)	1,098.20	0.467%
26	Zhengzhou Research Institute For Abrasives and Grinding Co., Ltd.* (鄭州磨料磨具磨削研究所有限公司)	1,098.20	0.467%
Total		235,000.00	100%

REASONS FOR AND BENEFITS OF ENTERING THE CAPITAL INCREASE AGREEMENT

The Capital Increase is conducive to increasing the capital strength of Sinomach Finance, enhancing its risk resistance capability which will allow it to provide better financial services to the Company, and to continue to safeguard and support the production, operation and market development of the Company. The Capital Increase will not change the Company's shareholding percentage in Sinomach Finance, nor will it have any impact on the Company's operating conditions or jeopardize the interests of the Company and all Shareholders.

DIRECTORS' OPINION

The Directors (except for Mr. Li Xiaoyu, Mr. Fang Xianfa, Mr. Yang Jianhui and Mr. Miao Yu who are considered to be interested in the Capital Increase Agreement and the transaction thereunder and have abstained from expressing opinions and voting on relevant resolution approving entering into the Capital Increase Agreement and the transaction thereunder) are of the opinion that the Capital Increase is conducive to increasing the capital strength of Sinomach Finance, allowing it to provide better financial services to the Company, which is in line with the development needs of the Company. The Capital Increase Agreement and the transaction thereunder were entered into on a voluntary, equal and arm's length basis and will not have any adverse impact on the overall interests of the Company or harm the interests of the Company and the Shareholders, in particular the minority Shareholders. The Directors (except for those who abstained from expressing opinions and voting due to the aforementioned reasons) are of the opinion that the Capital Increase Agreement was entered into in the ordinary and usual course of business of the Group and on normal commercial terms and its terms are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION OF THE PARTIES

The Group

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

Sinomach Finance

Sinomach Finance is a limited liability incorporated in the PRC. As at the date of this announcement, its registered capital is RMB1,750 million. The major business of Sinomach Finance includes: providing financial and financing consultancy, credit appraisal and relevant consultancy, agency business for the member units; assisting member units in collection and payment of transactions amounts; providing guarantee for member units; handling entrust loans and entrust investments between member units; handling bills acceptance and discounting for member units; handling internal transfer settlement and corresponding settlement, liquidation plans design among member units; attracting deposits from member units; handling loan and financing lease for member units; engaging in inter-bank lending; underwriting corporate bonds of member units; issuance of financial company bonds upon approval; equity investment in financial institutions; investment in securities; consumer credit, buyer's credit and financial leasing of member unit products; insurance agency business.

Sinomach Group

Sinomach Group is the de facto controller of Sinomach Finance and the Company. Its major business include: external dispatch of contract workers required by overseas projects; domestic and foreign contracting of large equipment and projects, organization of the research and development of major technology and equipment in the industry, and the production and sales of scientific research products; sales of motor vehicles, cars and auto parts; contracting of overseas projects and domestic international bidding projects; import and export business; holding economic and trade exhibitions overseas; organization of domestic enterprises to participate or hold exhibitions overseas; holding exhibition and show activities; convention services, etc. The State-owned Assets Supervision and Administration Commission of the State Council holds 100% interests of Sinomach Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the transaction under the Capital Increase Agreement is more than 0.1% but all are less than 5%, the transaction under the Capital Increase Agreement is subject to the reporting and announcement requirements of Chapter 14A of the Listing Rules, but is exempt from independent Shareholders' approval requirement.

DEFINITIONS

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

“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Capital Increase”	Sinomach Finance increasing its registered capital from RMB1,750 million to RMB2,350 million
“Capital Increase Agreement”	The capital increase agreement entered into between the Company and Sinomach Finance on 12 November 2024 in relation to the Capital Increase
“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 of Hong Kong Limited (stock code: 0038) and the Shanghai Stock Exchange (stock code: 601038), respectively
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company, including the independent non-executive directors
“Group”	the Company and its subsidiaries
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong limited
“Luoyang Industrial”	Luoyang Industrial Holding Group Co., Ltd. * (洛陽工業控股集團有限公司), formerly known as Luoyang State-owned Assets Operation Company Limited

“Other Shareholders of Sinomach Finance”	A specific list of shareholders of Sinomach Finance other than the Company set out in the section headed “Capital Increase Agreement – Shareholding Structure of Sinomach Finance Before the Completion of Capital Increase” of this announcement (excluding Sinomach Group)
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the holders of securities of the Company
“Share(s)”	share(s) of RMB1.00 each of the Company
“Sinomach Group”	China National Machinery Industry Corporation* (中國機械工業集團有限公司), a limited liability company incorporated in the PRC and the de facto controller of the Company
“Sinomach Finance”	Sinomach Finance Co., Ltd.* (國機財務有限責任公司)

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

Luoyang, the PRC
12 November 2024

As at the date of this announcement, the Board comprises Mr. Li Xiaoyu (Chairman) and Mr. Wei Tao as executive Directors; Mr. Fang Xianfa, Mr. Yang Jianhui and Mr. Miao Yu as non-executive Directors; and Mr. Edmund Sit, Mr. Wang Shumao and Mr. Xu Liyou as independent non-executive Directors.

* *For identification purposes only*