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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**

- (1) TECHNOLOGY DEVELOPMENT (COMMISSION) AGREEMENT (BREAKTHROUGHS AND APPLICATIONS OF KEY TECHNOLOGY OF UNIVERSAL HARVESTERS)**
- (2) TECHNOLOGY DEVELOPMENT (COMMISSION) AGREEMENT (BREAKTHROUGHS AND APPLICATIONS OF KEY TECHNOLOGY OF HIGH-END MACHINERY)**
- (3) TECHNOLOGY DEVELOPMENT (COMMISSION) AGREEMENT (BREAKTHROUGHS AND APPLICATIONS OF KEY TECHNOLOGY OF CORN HARVESTERS)**
- (4) TECHNOLOGY DEVELOPMENT (COMMISSION) AGREEMENT (BREAKTHROUGHS AND APPLICATIONS OF KEY TECHNOLOGY OF SILAGE MAIZE HARVESTERS)**

On 13 March 2020, Sinomach Academy and the Company entered into the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Universal Harvesters) (技術開發(委託)合同(通用型收穫機關鍵技術突破與應用)), the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of High-End Machinery) (技術開發(委託)合同(高端機具關鍵技術突破與應用)), the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Corn Harvesters) (技術開發(委託)合同(玉米機關鍵技術突破與應用)) and the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Silage Maize Harvesters) (技術開發(委託)合同(青貯機關鍵技術突破與應用)). Sinomach Academy respectively commissioned the Company to research and develop the projects of breakthroughs and applications of key technology of universal harvesters, breakthroughs and applications of key technology of high-end machinery, breakthroughs and applications of key technology of corn harvesters and breakthroughs and applications of key technology of silage maize harvesters.

As at the date of this announcement, YTO beneficially owns approximately 41.66% equity interest in the Company, Sinomach is the controlling shareholder of YTO and the ultimate controlling shareholder of the Company and Sinomach Academy is the wholly-owned subsidiary of Sinomach. Therefore, Sinomach Academy is a connected person of the Company. According to the Listing Rules, the transactions contemplated under the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Universal Harvesters), the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of High-End Machinery), the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Corn Harvesters) and the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Silage Maize Harvesters) constitute connected transactions of the Company.

The transactions contemplated under the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Universal Harvesters), the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of High-End Machinery), the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Corn Harvesters) and the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Silage Maize Harvesters) are required to be aggregated pursuant to Rule 14A.81 of the Listing Rules. As one of the applicable percentage ratios (after aggregated) exceeds 0.1% but less than 5%, the transactions contemplated under the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Universal Harvesters), the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of High-End Machinery), the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Corn Harvesters) and the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Silage Maize Harvesters) are subject to the reporting and announcement requirements and are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **TECHNOLOGY DEVELOPMENT (COMMISSION) AGREEMENT (BREAKTHROUGHS AND APPLICATIONS OF KEY TECHNOLOGY OF UNIVERSAL HARVESTERS)**

On 13 March 2020, Sinomach Academy and the Company entered into the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Universal Harvesters), pursuant to which Sinomach Academy commissioned the Company to research and develop the project of breakthroughs and applications of key technology of universal harvesters.

The principal terms of the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Universal Harvesters) are as follows:

### **Parties**

- (a) The Company (as the commissioned party); and
- (b) Sinomach Academy (as the commissioning party).

### **Term of the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Universal Harvesters)**

From 13 March 2020 to 31 December 2020

### **Transactions under the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Universal Harvesters) and its Schedule**

Technical goal: focusing on grain harvester products, carrying out research on key technology of universal grain harvesters and developing entire harvesters products such as 8–10kg/s wheeled grain harvesters and 5–6kg/s crawler grain harvesters.

The Company shall submit a R&D plan to Sinomach Academy within 15 working days after the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Universal Harvesters) takes effect, and shall complete the R&D work according to the following schedule:

From March 2020 to April 2020: confirmation of design input;

From May 2020 to July 2020: solution design; and

From July 2020 to November 2020: drawing design.

### **Price and Payment Terms of the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Universal Harvesters)**

The total R&D expenses and remuneration are RMB10 million, which will be paid by Sinomach Academy to the Company in cash and in one lump-sum within one month after the signing date of the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Universal Harvesters).

## **Pricing Basis of the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Universal Harvesters)**

The consideration for the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Universal Harvesters) was determined after arm's length negotiations by both parties with reference to the staff costs, equipment expenses, administrative expenses incurred from the technological R&D project, and other necessary expenses in relation to the project. The reasonable profit rate is expected to be approximately 25%.

## **TECHNOLOGY DEVELOPMENT (COMMISSION) AGREEMENT (BREAKTHROUGHS AND APPLICATIONS OF KEY TECHNOLOGY OF HIGH-END MACHINERY)**

On 13 March 2020, Sinomach Academy and the Company entered into the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of High-End Machinery), pursuant to which Sinomach Academy commissioned the Company to research and develop the project of breakthroughs and applications of key technology of high-end machinery.

The principal terms of the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of High-End Machinery) are as follows:

### **Parties**

- (a) The Company (as the commissioned party); and
- (b) Sinomach Academy (as the commissioning party).

### **Term of the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of High-End Machinery)**

From 13 March 2020 to 31 December 2020

### **Transactions under the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of High-End Machinery) and its Schedule**

Technical goal: focusing on high-end machinery products, carrying out research on key technology of high-end machinery and developing entire machine products such as air-suction no-tillage precision seeders, large round balers, heavy hydraulic flip plows, power-driven harrows.

The Company shall submit a R&D plan to Sinomach Academy within 15 working days after the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of High-End Machinery) takes effect, and shall complete the R&D work according to the following schedule:

From March 2020 to April 2020: confirmation of design input;

From May 2020 to July 2020: solution design; and

From August 2020 to December 2020: drawing design.

### **Price and Payment Terms of the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of High-End Machinery)**

The total R&D expenses and remuneration are RMB12 million, which will be paid by Sinomach Academy to the Company in cash and in one lump-sum within one month after the signing date of the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of High-End Machinery).

### **Pricing Basis of the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of High-End Machinery)**

The consideration for the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of High-End Machinery) was determined after arm's length negotiations by both parties with reference to the staff costs, equipment expenses, administrative expenses incurred from the technological R&D project, and other necessary expenses in relation to the project. The reasonable profit rate is expected to be approximately 25%.

### **TECHNOLOGY DEVELOPMENT (COMMISSION) AGREEMENT (BREAKTHROUGHS AND APPLICATIONS OF KEY TECHNOLOGY OF CORN HARVESTERS)**

On 13 March 2020, Sinomach Academy and the Company entered into the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Corn Harvesters), pursuant to which Sinomach Academy commissioned the Company to research and develop the project of breakthroughs and applications of key technology of corn harvesters.

The principal terms of the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Corn Harvesters) are as follows:

## **Parties**

- (a) The Company (as the commissioned party); and
- (b) Sinomach Academy (as the commissioning party).

## **Term of the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Corn Harvesters)**

From 13 March 2020 to 31 December 2020

## **Transactions under the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Corn Harvesters) and its Schedule**

Technical goal: focusing on corn harvester products, carrying out research on key technology of corn harvesters and developing entire machine products such as incorrect line corn ear pickers and corn combine harvesters for both ear and grain.

The Company shall submit a R&D plan to Sinomach Academy within 15 working days after the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Corn Harvesters) takes effect, and shall complete the R&D work according to the following schedule:

From March 2020 to April 2020: confirmation of design input;

From May 2020 to June 2020: solution design; and

From July 2020 to October 2020: drawing design.

## **Price and Payment Terms of the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Corn Harvesters)**

The total R&D expenses and remuneration are RMB9 million, which will be paid by Sinomach Academy to the Company in cash and in one lump-sum within one month after the signing date of the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Corn Harvesters).

## **Pricing Basis of the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Corn Harvesters)**

The consideration for the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Corn Harvesters) was determined after arm's length negotiations by both parties with reference to the staff costs, equipment expenses, administrative expenses incurred from the technological R&D project, and other necessary expenses in relation to the project. The reasonable profit rate is expected to be approximately 25%.

## **TECHNOLOGY DEVELOPMENT (COMMISSION) AGREEMENT (BREAKTHROUGHS AND APPLICATIONS OF KEY TECHNOLOGY OF SILAGE MAIZE HARVESTERS)**

On 13 March 2020, Sinomach Academy and the Company entered into the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Silage Maize Harvesters), pursuant to which Sinomach Academy commissioned the Company to research and develop the project of breakthroughs and applications of key technology of silage maize harvesters.

The principal terms of the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Silage Maize Harvesters) are as follows:

### **Parties**

- (a) The Company (as the commissioned party); and
- (b) Sinomach Academy (as the commissioning party).

### **Term of the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Silage Maize Harvesters)**

From 13 March 2020 to 31 December 2020

### **Transactions under the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Silage Maize Harvesters) and its Schedule**

Technical goal: focusing on silage maize harvester products, carrying out research on key technology of double-disc incorrect line silage maize harvesters and developing entire harvesters production such as silage maize harvesters with feed rates of 15–25kg/s.

The Company shall submit a R&D plan to Sinomach Academy within 15 working days after the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Silage Maize Harvesters) takes effect, and shall complete the R&D work according to the following schedule:

From March 2020 to April 2020: confirmation of design input;

From May 2020 to June 2020: solution design; and

From July 2020 to December 2020: drawing design.

### **Price and Payment Terms of the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Silage Maize Harvesters)**

The total R&D expenses and remuneration are RMB9 million, which will be paid by Sinomach Academy to the Company in cash and in one lump-sum within one month after the signing date of the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Silage Maize Harvesters).

### **Pricing Basis of the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Silage Maize Harvesters)**

The consideration of the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Silage Maize Harvesters) was determined after arm's length negotiations by both parties with reference to the staff costs, equipment expenses, administrative expenses incurred from the technological R&D project, and other necessary expenses in relation to the project. The reasonable profit rate is expected to be approximately 25%.

### **REASONS FOR AND BENEFITS OF THE TRANSACTIONS UNDER THE VARIOUS AGREEMENTS**

The abovementioned connected transactions are in the ordinary and usual course of business of the Company and the implementation of the aforementioned projects is conducive to exploiting the R&D resource advantages of the Company to the full, which shall increase the profit of the Company and shall not affect the business independence of the Company.

The terms of the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Universal Harvesters), the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of High-End Machinery), the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Corn Harvesters) and the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Silage Maize Harvesters) were determined after arm's length negotiations between the parties. The Directors (including the independent non-executive Directors) are of the view that the terms of the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Universal Harvesters), the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of High-End Machinery), the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Corn Harvesters) and the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Silage Maize Harvesters) are on normal commercial terms and in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

## **INFORMATION OF THE GROUP AND SINOMACH ACADEMY**

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

As at the date of this announcement, Sinomach is the ultimate controlling shareholder of the Company. Sinomach Academy is a wholly-owned subsidiary of Sinomach. The major businesses of Sinomach Academy include general equipment, special-purpose equipment, transportation equipment, electric machinery and equipment, mental tools, mental surface processing and thermal processing, machinery materials, instrumentations, automation and intelligence, technological research, development and production of waste utilization and equipment; research, development and production of new energy technology and equipment; engineering and technical research; technological communication and promotion services; development and sales of computer application software; design, contract and construction of set equipment engineering; technological consultancy and investigation; house rental and property management.

## LISTING RULES IMPLICATIONS

As mentioned above, as at the date of this announcement, YTO beneficially owns approximately 41.66% equity interest in the Company, Sinomach is the controlling shareholder of YTO and the ultimate controlling shareholder of the Company. Sinomach Academy is a wholly-owned subsidiary of Sinomach. Therefore, Sinomach Academy is a connected person of the Company. According to the Listing Rules, the transactions contemplated under the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Universal Harvesters), the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of High-End Machinery), the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Corn Harvesters) and the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Silage Maize Harvesters) constitute connected transactions of the Company.

The transactions contemplated under the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Universal Harvesters), the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of High-End Machinery), the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Corn Harvesters) and the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Silage Maize Harvesters) are required to be aggregated pursuant to Rule 14A.81 of the Listing Rules. As one of the applicable percentage ratios (after aggregated) exceeds 0.1% but less than 5%, the transactions contemplated under the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Universal Harvesters), the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of High-End Machinery), the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Corn Harvesters) and the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Silage Maize Harvesters) are subject to the reporting and announcement requirements and are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The terms of the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Universal Harvesters), the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of High-End Machinery), the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Corn Harvesters) and the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Silage Maize Harvesters) and the transactions thereunder have been approved by the Board. Li Xiaoyu, Cai Jibo, Li Hepeng, Xie Donggang and Zhou Honghai, all being Directors, have abstained from voting at the Board meeting to approve the terms of the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Universal Harvesters), the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of High-End Machinery), the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Corn Harvesters) and the Technology Development (Commission) Agreement (Breakthroughs and Applications of Key Technology of Silage Maize Harvesters) and the transactions thereunder, as they are connected to Sinomach Academy and are regarded as being unqualified to make any independent recommendation to the Board.

## DEFINITIONS

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

“Board”	the board of directors of the Company
“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 Listing Rules
“controlling shareholder”	has the same meaning as ascribed to this term under the Listing Rules
“Directors”	the directors of the Company, including the independent non-executive directors
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratio(s)”	has the same meaning as ascribed to this term under the Listing Rules, as applicable to a transaction
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	registered holder(s) of the Shares
“Shares”	share(s) of RMB1.00 each of the Company
“Sinomach”	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 ultimate controlling shareholder of the Company
"Sinomach Academy"	Sinomach Academy of Science and Technology Co., Ltd* (國機集團科學技術研究院有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of Sinomach, which is the ultimate controlling shareholder of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Luoyang, the PRC  
13 March 2020

*As at the date of this announcement, the Board comprises Mr. Li Xiaoyu (Chairman), Mr. Cai Jibo (vice Chairman) and Mr. Liu Jiguo as executive Directors; Mr. Li Hepeng, Mr. Xie Donggang and Mr. Zhou Honghai as non-executive Directors; and Mr. Yu Zengbiao, Ms. Yang Minli, Ms. Wang Yuru and Mr. Edmund Sit as independent non-executive Directors.*

\* For identification purposes only