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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 TRANSACTION ASSIGNMENT OF LOAN

On 23 October 2020, YTO Finance, a controlled subsidiary of the Company, entered into the Loan Assignment Agreement with SINOMACH-HI Corporation, pursuant to which, YTO Finance shall assign all its Loan (including the principal of RMB48,000,000) and relevant rights in SINOMACH-HI (Luoyang) Company to SINOMACH-HI Corporation, with a consideration of RMB48,047,500.

As at the date of this announcement, YTO beneficially owns approximately 41.66% equity interest of the Company and is the immediate controlling shareholder of the Company. Sinomach is the controlling shareholder of YTO. As SINOMACH-HI Corporation is a controlled subsidiary of Sinomach and a connected person of the Company, the entering into of the Loan Assignment Agreement between YTO Finance and SINOMACH-HI Corporation constitutes a connected transaction of the Company.

As one or more of the applicable percentage ratios in respect of the Loan Assignment exceeds 0.1% but is less than 5%, the Loan Assignment is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval and circular requirements under Chapter 14A of the Listing Rules.

I. OVERVIEW OF CONNECTED TRANSACTION

As at 23 October 2020, the debt balance resulting from the grant of loans by YTO Finance to SINOMACH-HI (Luoyang) Company was RMB48,000,000, for which SINOMACH-HI (Luoyang) Company provided relevant guarantee.

In order to ensure the smooth realization of its loan, YTO Finance shall assign all its Loan and relevant rights in SINOMACH-HI (Luoyang) Company to SINOMACH-HI Corporation. On 23 October 2020, YTO Finance, a controlled subsidiary of the Company, entered into the Loan Assignment Agreement with SINOMACH-HI Corporation, pursuant to which, YTO Finance shall assign all its Loan (including the principal of RMB48,000,000 and the unpaid interests of RMB47,500) and relevant rights in SINOMACH-HI (Luoyang) Company to SINOMACH-HI Corporation, with a consideration of RMB48,047,500.

II. RELATIONSHIP AMONG THE GROUP, YTO FINANCE AND SINOMACH-HI CORPORATION

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.

YTO Finance, a subsidiary directly or indirectly owned by the Company as to 99.4%, is a non-banking financial institution as approved by the People's Bank of China. Its principal business activities include, among others, handling transfer settlement, deposits and loans, bill acceptance, bill discounting for its members, provision of buyers' credit and finance lease for the products of its members, and dealing with inter-bank lending.

SINOMACH-HI Corporation, a limited liability company established in the PRC, is held as to 85.53% by Sinomach and 14.47% by YTO Group Corporation. It is principally engaged in research and development, design, production, processing, sales of engineering machinery and heavy machinery products; engineering general contracting; production and sales of engineering machinery accessories and components; leasing and maintenance of engineering machineries and heavy machineries; road and bridge construction and contracting; automobile sales; import and export businesses; organizing exhibitions and trade fairs; technical consulting services; procurement and sales of engines, steel, lubricating oil, hydraulic oil, engine oil and tires; air pollution treatment; solid waste pollution treatment; water pollution treatment; residential community planning and design, landscape engineering design; construction project management; engineering technical consultation; road transportation services; cleaning, collection, transportation and treatment of domestic waste; sales of stones, minerals, metal ores and coal (excluding the trading of physical coal in Beijing).

As at the date of this announcement, YTO is the immediate controlling shareholder of the Company, holding 410,690,578 A Shares (approximately 41.66% equity interest) in the Company. Sinomach is the controlling shareholder of YTO. As SINOMACH-HI Corporation is a controlled subsidiary of Sinomach and a connected person of the Company, the entering into of the Loan Assignment Agreement between YTO Finance and SINOMACH-HI Corporation constitutes a connected transaction of the Company.

III. LOAN ASSIGNMENT AGREEMENT

The principal terms of the Loan Assignment Agreement are set out as follows:

1. Date

23 October 2020

2. Parties

(1) YTO Finance

(2) SINOMACH-HI Corporation

3. Subject matter

All the Loan (including the principal of RMB48,000,000 and interests, etc.) and relevant rights held by YTO Finance in SINOMACH-HI (Luoyang) Company.

4. Transaction price

RMB48,047,500 (including the interests of RMB47,500 for the period from 21 October to 26 October 2020, SINOMACH-HI (Luoyang) Company has paid all the interests due on 21 October 2020 as scheduled).

5. Method of payment

SINOMACH-HI Corporation shall pay YTO Finance in cash with an amount of RMB48,047,500 as the consideration of the Loan Assignment before 26 October 2020.

6. Dispute resolution method

The dispute arising from the Loan Assignment Agreement shall be settled through negotiation between both parties. If no agreement can be reached, either party may submit to Beijing Arbitration Commission for arbitration in accordance with the arbitration rules of the Commission at the time of submission of the dispute.

7. Effective of the agreement

The Loan Assignment Agreement shall become effective from the date on which both parties affixed their common seals.

IV. REASONS FOR AND BENEFITS OF THE LOAN ASSIGNMENT

The Loan Assignment is conducive to realizing YTO Finance's loan by itself, reducing the operating risks, and is conducive to protecting the legitimate interest of the Company and its Shareholders as a whole.

The amount of the assigned loan was RMB48,047,500, i.e. all the Loan (including the principal of RMB48,000,000 and interests) held by YTO Finance in SINOMACH-HI (Luoyang) Company.

V. FINANCIAL EFFECT OF LOAN ASSIGNMENT AND USE OF PROCEEDS

As the Loan is transferred on the basis of their principal amount and interest, the fund to be released from the Loan Assignment will be used for the normal production and operation of the Company.

As at the disclosure date of this announcement, SINOMACH-HI Corporation has fully paid in cash with an amount of RMB48,047,500 as the consideration of the Loan Assignment pursuant to the agreement.

VI. IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As one or more of the applicable percentage ratios in respect of the Loan Assignment exceeds 0.1% but is less than 5%, the Loan Assignment is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval and circular requirements under Chapter 14A of the Listing Rules.

VII. CONSIDERATION FOR LOAN ASSIGNMENT

The Resolution on the Connected Transaction in relation to the assignment of All the Loan of SINOMACH-HI (Luoyang) Co., Ltd. by China First Tractor Group Finance Company Limited was considered and approved at the 22nd meeting of the eight session of the Board held by the Company on 23 October 2020. Four related Directors, namely Li Xiaoyu, Cai Jibo, Li Hepeng and Xie Donggang, abstained from voting. The voting results were as follows: 5 voted in favour, 0 voted against and 0 abstained from voting.

The Board (and the independent non-executive Directors) of the Company is of the view that (i) the Loan Assignment Agreement is entered into on normal commercial terms in the ordinary and usual course of business of the Group and (ii) the terms of the Loan Assignment Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

VIII. DEFINITIONS

Unless the context otherwise requires, the following terms in this announcement have the following meanings:

“associate(s)”	has the same meaning as ascribed to this term under the Listing Rules
“Borrower”, “SINOMACH-HI (Luoyang) Company”	SINOMACH-HI (Luoyang) Co., Ltd.
“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 of Hong Kong Limited
“Loan”	a loan with a principal of RMB48 million provided by YTO Finance to the Borrower under the loan contract between YTO Finance and the Borrower dated 26 August 2019
“Loan Assignment”	transfer and assignment of Loan under the Loan Assignment Agreement

“Loan Assignment Agreement”	the loan assignment agreement entered into between YTO Finance and SINOMACH-HI Corporation on 23 October 2020 in respect of the transfer and assignment of rights under the Loan by YTO Finance to SINOMACH-HI Corporation
“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-HI Corporation”	China SINOMACH Heavy Industry Corporation
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“the Company” or “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

“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 and a subsidiary of Sinomach, holding approximately 41.66% equity interest in the Company
“YTO Finance”	China First Tractor Group Finance Company Limited* (中國一拖集團財務有限責任公司), a company incorporated in the PRC with limited liability and a subsidiary directly or indirectly owned by the Company with 99.4% equity interest
“%”	per cent

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

Luoyang, the PRC
26 October 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 Ms. Yang Minli, Ms. Wang Yuru and Mr. Edmund Sit as independent non-executive Directors.

* *For identification purposes only*