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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 AND DISCLOSEABLE TRANSACTIONS**

### **BACKGROUND**

The 2019–2021 CCT Agreements will expire on 31 December 2021. In order to ensure the normal running of the production and operation of the Group, on 25 August 2021, the Company entered into the New Agreements, all for a term of three years commencing from 1 January 2022 to 31 December 2024 (both days inclusive).

### **HONG KONG LISTING RULES IMPLICATIONS**

As the applicable percentage ratios in respect of the transaction amount of each of the Loan Service Agreement and the Interbank Business Services Agreement among the New Agreements and the respective transactions thereunder, on an annual basis, are more than 5% but less than 75%, each of the Loan Service Agreement and the Interbank Business Services Agreement and the respective transactions thereunder constitutes a discloseable transaction of the Company and shall be subject to the reporting and announcement requirements, but exempt from the Shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules.

The transactions contemplated under the New Agreements entered into between the Company and YTO, YTO Finance and Sinomach Finance also constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

The Material Procurement Agreement, the Loan Service Agreement and the Interbank Business Services Agreement among the New Agreements and the respective transactions thereunder are Non-exempt CCT Transactions. As the applicable percentage ratios in respect of the transaction amount of each of the Non-exempt CCT Agreements, on an annual basis, are more than 5%, each of the Non-exempt CCT Transactions are subject to the reporting, annual review and announcement requirements and the requirement to obtain approval from the Independent Shareholders under Chapter 14A of the Hong Kong Listing Rules.

The Sale of Goods Agreement, the Bills Discounting Service Agreement, the Bills Acceptance Service Agreement, the Composite Services Agreement, the Energy Procurement Agreement, the Properties Lease Agreement and the Land Lease Agreement among the New Agreements and the respective transactions thereunder are Exempt CCT Transactions. As the applicable percentage ratios in respect of the transaction amount of each of the Exempt CCT Agreements, on an annual basis, are more than 0.1% but less than 5%, each of the Exempt CCT Transactions are subject to the reporting, annual review and announcement requirements, but exempt from Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The deposit services to be provided under the Deposit Service Agreement constitute financial assistance provided by YTO Group, for the benefit of YTO Finance on normal commercial terms where no security over the assets of the Group is granted in respect of such financial assistance. The transactions contemplated under the Deposit Service Agreement are exempt from the reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.90 of the Hong Kong Listing Rules. Announcement on the Deposit Service Agreement is made voluntarily by the Company.

## **SHANGHAI LISTING RULES IMPLICATIONS**

As the A Shares of the Company are listed on the Shanghai Stock Exchange, the Company is also required to comply with relevant requirements of the Shanghai Listing Rules. Pursuant to the relevant provisions of the Shanghai Listing Rules, the transactions contemplated under each of the New Agreements (except for the Deposit Service Agreement) are subject to the Independent Shareholders' approval at the EGM.

So far as the Deposit Service Agreement is concerned, the Company has performed the procedures for the waiver from the approval and disclosure requirements for related party transactions and the Independent Shareholders' approval requirement on the Deposit Service Agreement and the transactions thereunder according to relevant provisions of the Guidelines for the Implementation of Related Party Transactions of Listed Companies《上市公司關聯交易實施指引》and the Guidelines for the Listed Companies' Postponement and Exemption of Information Disclosure《上市公司信息披露暫緩與豁免業務指引》of the Shanghai Stock Exchange. Meanwhile, since the estimated transaction cap amount under the Deposit Service Agreement exceeds 50% of the audited net assets of the Company for the previous year, the resolution on the Deposit Service Agreement and the transactions thereunder is subject to the approval by Shareholders at the EGM; YTO and its associates are not required to abstain from voting on the resolutions in respect of the Deposit Service Agreement and the transactions thereunder at the EGM.

### **EGM**

The Company proposes to convene the EGM in late October 2021 and submit the relevant resolutions to seek approval from the Independent Shareholders/ Shareholders for (among others) the New Agreements and each of the continuing connected transactions thereunder (and their relevant caps).

According to the Hong Kong Listing Rules, an Independent Board Committee has been established to consider and advise the Independent Shareholders in respect of the Non-exempt CCT Agreements. Gram Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether or not the terms and conditions of the Non-exempt CCT Agreements and the Non-exempt CCT Transactions thereunder and the relevant Annual Caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Pursuant to Rules 14A.46(1) and 19A.39A of the Hong Kong Listing Rules and the requirements under the Company Law of the PRC, a circular containing (among others) the details of the New Agreements and each of the continuing connected transactions thereunder, a letter from the Independent Board Committee and a letter from Gram Capital is expected to be despatched by the Company to the Shareholders on or before 12 October 2021.

## **BACKGROUND**

The 2019–2021 CCT Agreements will expire on 31 December 2021. In order to ensure the normal running of the production and operation of the Group, on 25 August 2021, the Company entered into the New Agreements, all for a term of three years commencing from 1 January 2022 to 31 December 2024 (both days inclusive).

Details of each of the New Agreements and their corresponding Annual Cap amounts are set out as bellow:

### **NON-EXEMPT CCT TRANSACTIONS SUBJECT TO THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS**

#### **(A) Material Procurement Agreement**

<b>Date</b>	:	25 August 2021
<b>Parties</b>	:	<ul style="list-style-type: none"><li>• YTO, on behalf of YTO Group, associates of YTO, Sinomach and the subsidiaries and associates of Sinomach, as supplier and/or supplying agent; and</li><li>• The Company, on behalf of the Group, as purchaser and/or purchasing agent.</li></ul>
<b>Goods to be provided</b>	:	Goods required for the production and operation of the Group, including but not limited to raw materials (including steel, pig iron, waste steel, coke, nonferrous metals and lubricating oil), other industrial equipment (including machine tools), components (including clamping apparatus and moulds) and spare parts (including oil injection pumps).
<b>Term</b>	:	From 1 January 2022 to 31 December 2024.

**Payment terms** : Shall be principally settled within three months from the date of confirmation of receiving the goods by the purchaser. Subject to negotiations between the parties, prepayments by the purchaser of no more than six months from the estimated date of delivery of the goods are acceptable.

These payment terms were usually adopted by the Company in its transactions with independent third parties or YTO. Such terms are on normal commercial terms and not less favourable than those offered to the Company by independent third parties.

***Pricing Standards of the Transactions contemplated under the Material Procurement Agreement***

Under the Material Procurement Agreement, the price of the goods to be provided will be determined based on the following:

- (1) the market price of an independent third party obtained through prices quoted on websites for the industry or enquiries in the market (i.e. the price of the same or similar product provided to independent third parties by suppliers other than YTO Group, associates of YTO, Sinomach and the subsidiaries and associates of Sinomach in the same region during the ordinary course of business on normal commercial terms);
- (2) if there is no market price determined by an independent third party, the transaction price between YTO Group, associates of YTO, Sinomach, the subsidiaries or associates of Sinomach and an independent third party; or
- (3) if none of the above is applicable, costs plus a percentage mark-up (tax-inclusive), which is not more than 30% (i.e. price = cost x (1 + percentage mark-up)).

YTO undertakes that the applicable price of the goods offered to the Group shall not be less favourable than that offered to independent third party customers of YTO Group, associates of YTO, Sinomach and the subsidiaries and associates of Sinomach for the same or similar goods.

When adopting the above pricing standards, the Company's:

- (1) procurement department, in relation to the price determination based on the market price of an independent third party (i.e. pricing standard No.(1)), shall make reference to one to two price quotations of the same or similar goods through relevant industry website or market enquiry. Such quotations shall be obtained by the procurement department;
- (2) finance department, in relation to price determination based on the transaction price between the suppliers and an independent third party (i.e. pricing standard No.(2)), shall make reference to one to two signed agreement(s) entered into between the suppliers and an independent third party in relation to the procurement of the same or similar goods. The finance department shall obtain the cost analysis of goods (including cost breakdown and gross profit margin) from the suppliers to ensure that the transaction price under the Material Procurement Agreement is fair and reasonable and not higher than the price of the same or similar goods offered by the suppliers to an independent third party; and
- (3) finance department, in relation to price determination based on costs plus a percentage mark-up (i.e. pricing standard No. (3)), shall obtain cost analysis of goods from the suppliers and finalise the price in accordance with the cost analysis and the percentage mark-up. The finance department shall also perform quarterly updating and review on the average gross profit margin of listed companies engaged in the related industry and the gross profit margin of the historical transactions.

***Historical Figures and the Proposed Annual Cap Amounts for the Transactions under the Material Procurement Agreement***

The following table sets out the historical transaction amounts for the years ended 31 December 2019 and 2020, and for the six months ended 30 June 2021, the Annual Cap amounts for the years ended 31 December 2019, 2020 and 2021, and the proposed Annual Cap amounts for each of the three years ending 31 December 2022, 2023 and 2024 under the Material Procurement Agreement:

	Historical transaction amounts			Annual Caps amounts		
	For the year ended		For the	For the year ended		
	31 December		six months	31 December		
	2019	2020	ended	2019	2020	2021
<i>RMB'000</i>	<i>RMB'000</i>	30 June	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
		2021				
		<i>RMB'000</i>				
Material Procurement Agreement	425,150	617,100	345,820	860,000	950,000	1,040,000

	Proposed Annual Cap amounts		
	For the year ending 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Material Procurement Agreement	710,000	710,000	750,000

***Basis for the Proposed Annual Cap Amounts under the Material Procurement Agreement***

The proposed Annual Cap amounts for the years of 2022, 2023 and 2024 for the Material Procurement Agreement are determined with reference to the following factors:

- (1) the historical transaction amounts; and
- (2) adhering to the sales strategy of providing complete solutions to customers, the Company will increase the number of harvesting machinery and agricultural machinery purchased from YTO to meet the growing needs of the customers for full-process and full-scale mechanisation in operation from 2020 to 2024.

## **(B) Loan Service Agreement**

- Date** : 25 August 2021
- Parties** :
  - YTO Finance, a subsidiary of the Company; and
  - YTO, on behalf of YTO Extended Group.
- Financial services to be provided** : Provision of loan services by YTO Finance to the YTO Extended Group.
- Term** : From 1 January 2022 to 31 December 2024.
- Payment terms** : Shall be specified on each separate loan contract to be agreed by the parties.
- Security** : YTO Finance may request YTO Extended Group to provide pledge of assets or other guarantees to secure YTO Extended Group's liabilities arising from the performance of the Loan Service Agreement.
- Undertaking** : YTO undertakes that the deposit maintained by YTO Group with YTO Finance should be greater than the loan balance of YTO Group at all times. If YTO Group breaches such undertaking, YTO Finance has the right to restrict payment to any third parties by YTO Group from its deposit maintained with YTO Finance, or request YTO Group to increase its deposit balance with YTO Finance.
- Rights to demand for early repayment** : YTO Finance shall first satisfy the funding needs of the Group. Depending on the condition of shortfall of funding of the Group, YTO Finance has the right to issue a termination or terms amendment notice to YTO Extended Group, requesting for termination or amendments to the terms of the loans granted to YTO Extended Group so as to collect the money to support the production operation of the Group.

### ***Pricing Standards of the Transactions contemplated under the Loan Service Agreement***

The service fees to be charged by YTO Finance for any loan services will be determined based on the following:

- (1) the rate prescribed by CBIRC or PBOC (including the benchmark interest rate prescribed by the PBOC from time to time and published on PBOC's website for the same type and same period of loans (PBOC will also notify all relevant institutions of any updates of such interest rate in writing));
- (2) if the above rate is not applicable (e.g. in the event that the rate prescribed by CBIRC or PBOC cannot compensate for the lending risk of YTO Finance after its evaluation on the creditability of the borrowers and the market condition), the rate charged in the same industry in the PRC for the same type and same period of loans by enquiries in the market; or
- (3) if none of the above is applicable, one determined after arm's length negotiation between YTO Finance and YTO Extended Group.

YTO Finance undertakes that the applicable service fees offered to YTO Extended Group by YTO Finance shall not be more favourable than those offered to independent third party customers of YTO Finance for the same services.

When adopting the above pricing standards, the Company's:

1. finance department, in relation to price determination based on the rate prescribed by CBIRC or PBOC (i.e. pricing standard No. (1)), shall check the rate published on the PBOC's website for the same type and equivalent period of loans;
2. finance department, in relation to price determination based on market rate (i.e. pricing standard No. (2)), shall obtain and make reference to one to two rate(s) of the same or similar loans quoted through relevant industry website or market enquiry; and
3. finance department, in relation to price determined after arm's length negotiation (i.e. pricing standard No. (3)), shall formulate a unified rate by considering the fair rate offered by the third party on comparable transactions in the same industry, their financial positions and terms and size of the transactions as the main factors, which will be adopted uniformly in transactions of YTO Finance with the purchaser or with a third party. YTO Finance shall also perform quarterly update and review on the rate.

***Historical Figures and the Proposed Maximum Outstanding Amounts for the Transactions under the Loan Service Agreement***

The following table sets out the historical maximum outstanding amounts for the years ended 31 December 2019 and 2020, and for the six months ended 30 June 2021, the maximum outstanding amounts for the years ended 31 December 2019, 2020 and 2021, and the proposed maximum outstanding amounts for the three years ending 31 December 2022, 2023 and 2024 under the Loan Service Agreement:

	Historical maximum outstanding amounts			Maximum outstanding amounts		
	For the year ended		For the six	For the year ended		
	31 December		months ended	31 December		
	2019	2020	30 June	2019	2020	2021
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Loan Service Agreement	<u>1,132,150</u>	<u>953,240</u>	<u>892,150</u>	<u>1,150,000</u>	<u>1,300,000</u>	<u>1,450,000</u>

**Proposed Maximum  
Outstanding Amounts  
For the year ending 31 December**

	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>

Loan Service Agreement	<u>1,000,000</u>	<u>1,100,000</u>	<u>1,200,000</u>
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***Basis for the Proposed Maximum Outstanding Amounts under the Loan Service Agreement***

The proposed maximum outstanding amounts for the loan services provided under the Loan Service Agreement are determined with reference to the following factors:

- (1) with reference to actual amount of historical transactions;
- (2) YTO Finance's capital management strategy: YTO Finance's average financial resources as at the end of each month in the first half of 2021 amounted to RMB4,730 million; the average balance of loans and discounts as at the end of each month amounted to RMB2,210 million, representing approximately 47% of the average financial resources, the average financial resources for the next three years are expected to be approximately RMB4,800 million, RMB5,000 million and RMB5,200 million, respectively, and the total amount of loans and discounts for the next three years are expected to be RMB2,256 million, RMB2,350 million and RMB2,444 million, respectively; and

- (3) YTO's business development plan and needs for loan business: according to YTO's 14th Five-Year Plan business development plan and capital needs, it is estimated that from 2022 to 2024, loans and discounts from related parties will account for 48%, 53% and 58% of YTO Finance's total loans and discounts, with an average ratio of 53%. From 2022 to 2024, the total loans and bill discounts of YTO in YTO Finance are estimated to be RMB1.1 billion, RMB1.25 billion and RMB1.4 billion. According to the historical data on loans and bill discounts from related parties of YTO Finance, the loans and bills discounts accounted for 90% and 10%, respectively, of the total loans and bill discounts. Therefore, the balance of loans of YTO maintained at YTO Finance at any time point during the period from 2022 to 2024 will not exceed RMB1 billion, RMB1.1 billion and RMB1.2 billion.

### (C) Interbank Business Services Agreement

<b>Date</b>	:	25 August 2021
<b>Parties</b>	:	<ul style="list-style-type: none"><li>• YTO Finance, a subsidiary of the Company; and</li><li>• Sinomach Finance, a subsidiary of Sinomach.</li></ul>
<b>Financial services to be provided</b>	:	Mutual provision of financing services between YTO Finance and Sinomach Finance including interbank deposit, lending, credit assets transfer (i.e. sales or purchases of undue credit assets, such as loan contracts, by transferring its ownership) and other interbank business services.
<b>Term</b>	:	From 1 January 2022 to 31 December 2024.
<b>Payment terms</b>	:	Shall be specified on each separate contract to be agreed by the parties.
<b>Security</b>	:	YTO Finance may request Sinomach Finance to provide pledge of assets or other guarantees to secure the liabilities of Sinomach Finance arising from its performance under the Interbank Business Services Agreement.

***Pricing Standards of the Transactions contemplated under the Interbank Business Services Agreement***

The service fees charged by YTO Finance and Sinomach Finance to each other for different financing services will be determined based on the following:

- (1) based on the SHIBOR announced by Shanghai Interbank Offered Market in the same type and same period of transaction for interbank lending and interbank bond transactions rate for bond transactions conducted between financial institutions (including state-owned commercial banks, joint-equity banks and urban commercial banks);
- (2) if the above rate is not applicable, with reference to the price for deposits of the same or similar type and period of funds announced by other financial institution for interbank deposit (including state-owned commercial banks, joint-equity banks and urban commercial banks);
- (3) if the above rates are not applicable, with reference to the market price for capital financing in respect of target matter announced by other financial institutions (including state-owned commercial banks, joint-equity banks and urban commercial banks) in the case of capital financing where financial assets are subject to sale and purchase or pledge; or
- (4) if none of the above is applicable, after arm's length negotiation between the counterparties after considering their financial positions and terms, size and quality of the financial assets.

Sinomach Finance undertakes that the applicable price of the capital inflow service offered to YTO Finance, being the party with capital inflow from the other party, by Sinomach Finance shall not be less favourable than those offered to independent third party customers of Sinomach Finance for the same or similar services. On the other hand, YTO Finance undertakes that the applicable price of the capital outflow service offered by YTO Finance to Sinomach Finance, being the party with capital inflow from the other party, shall not be more favourable than those offered to independent third party customers of YTO Finance for the same or similar services.

When adopting the above pricing standards for interbank services, the Company's:

1. finance department, in relation to price determination based on SHIBOR (i.e. pricing standard No.(1)), shall check the rate announced by Shanghai Interbank Offered Market for the same type and same period of services;
2. finance department, in relation to price determination based on market rate (i.e. pricing standards Nos.(2) and (3)), shall check one to two deposit rate(s) of the same or similar type and period of funds announced by other financial institution for interbank deposit or market price for capital financing in respect of target matter announced by other financial institutions in the case of capital financing where financial assets are subject to sale and purchase or pledge;
3. finance department, in relation to price determined after arm's length negotiation (i.e. pricing standard No.(4)) while YTO Finance is a service provider, shall formulate a unified rate by considering the fair rate offered by the third party on comparable transactions in the same industry, their financial positions and terms and size of the transactions as the main factors, which will be adopted uniformly in transactions of YTO Finance with Sinomach Finance or with a third party. YTO Finance shall also perform quarterly update and review on the rate; or
4. finance department, in relation to price determined after arm's length negotiation (i.e. pricing standard No.(4)) while YTO Finance is a service recipient, shall obtain one to two signed agreement(s) entered into between Sinomach Finance and an independent third party quarterly. Sinomach Finance would formulate a unified rate by considering the fair rate offered to the third party on comparable transactions in the same industry, their financial positions and terms and size of the transactions as the main factors, which will be adopted uniformly in transactions of Sinomach Finance with YTO Finance or with a third party. YTO Finance shall perform quarterly review on the rate to ensure that the transaction rate under the Interbank Business Services Agreement is fair and reasonable and not higher than the rate of the comparable service offered by the Sinomach Finance to independent third party.

***Proposed Maximum Outstanding Amounts for the Transactions under the Interbank Business Services Agreement***

The following table sets out the historical maximum outstanding amounts for the years ended 31 December 2019 and 2020, and for the six months ended 30 June 2021, the maximum outstanding amounts for the years ended 31 December 2019, 2020 and 2021, and the proposed maximum outstanding Annual Cap amounts for each of the three years ending 31 December 2022, 2023 and 2024 under the Interbank Business Services Agreement:

	Historical maximum outstanding amounts			Maximum outstanding amounts		
	For the year ended		For the six	For the year ended		
	31 December		months ended	31 December		
	2019	2020	30 June	2019	2020	2021
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Interbank Business Services Agreement	<u>200,000</u>	<u>600,000</u>	<u>600,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>

<b>Proposed Maximum Outstanding Amounts</b>		
<b>For the year ending 31 December</b>		
<b>2022</b>	<b>2023</b>	<b>2024</b>
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<u>800,000</u>	<u>800,000</u>	<u>800,000</u>

Interbank Business Services Agreement	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>
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***Basis for the Proposed Maximum Outstanding Amounts under the Interbank Business Services Agreement***

The proposed Annual Cap amounts for the services provided under the Interbank Business Services Agreement are determined with reference to the following factors:

- (1) with reference to actual amount of historical transactions;

- (2) relevant regulatory requirements for interbank business: In accordance with the Measures for Management of Interbank Borrowings 《(同業拆借管理辦法)》, the interbank borrowing cap and lending cap of the finance company of enterprise group shall not be more than 100% of the entity's paid-in capital. The registered capital of YTO Finance is RMB500 million, the business has the interbank lending of RMB400 million and interbank borrowing of RMB400 million, which meets the regulatory requirements; and
- (3) YTO Finance's actual business needs: In order to prevent and control risks, YTO Finance has been reducing the scale of its financial investment business year by year. At the same time, in order to improve the utilisation efficiency of periodic redundant funds and increase the revenue, YTO Finance invest the periodic redundant funds into the interbank businesses with relatively higher revenue and lower risk after taking into account the capital requirements of the Company's production and operation.

**EXEMPT CCT TRANSACTIONS SUBJECT TO THE REPORTING, ANNUAL REVIEW AND ANNOUNCEMENT REQUIREMENTS BUT EXEMPT FROM INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT**

**(D) Sale of Goods Agreement**

- Date** : 25 August 2021
- Parties** : • The Company, on behalf of the Group, as supplier and/or supplying agent; and
- YTO, on behalf of YTO Group, associates of YTO, Sinomach and the subsidiaries and associates of Sinomach, as purchaser and/or purchasing agent.
- Goods to be provided** : Products required for the production and normal operation of the purchaser, including but not limited to raw materials, spare parts (including casting parts), components (including semi-finished parts and finished parts) and equipment (including diesel engines and tractors).
- Term** : From 1 January 2022 to 31 December 2024.

**Payment terms** : Shall be principally settled within three months after the date of delivery of goods by the supplier. Subject to negotiations between the parties, prepayments by the purchaser of no more than six months from the estimated date of delivery of the goods are acceptable.

These payment terms were usually adopted by the Company in its transactions with independent third parties or YTO. Such terms are on normal commercial terms and not more favourable than those offered by the Company to independent third parties.

### ***Pricing Standards of the Transactions Contemplated under the Sale of Goods Agreement***

Under the Sale of Goods Agreement, the applicable price of the goods to be provided will be determined based on the following:

- (1) the market price of an independent third party obtained through enquiries in the market (i.e. the price of the same or similar product provided to independent third parties by suppliers other than the Group in the same region during the ordinary course of business on normal commercial terms);
- (2) if there is no market price determined by an independent third party, the transaction price between the Group and an independent third party; or
- (3) if none of the above price is applicable, costs plus a percentage mark-up (tax-inclusive), which is not more than 30% (i.e. price = cost x (1 + percentage mark-up)).

In any event, the applicable price of the goods offered to YTO Group, associates of YTO, Sinomach and the subsidiaries and associates of Sinomach by the Group shall not be more favourable than that offered to independent third party customers of the Group.

When adopting the above pricing standards, the Company's:

- (1) sales department, in relation to the price determination based on the market price of an independent third party (i.e. pricing standard No.(1)), shall obtain the market price from at least two independent third parties via emails, faxes or phones or through market enquiries;

- (2) finance department, in relation to price determination based on the transaction price between the Group and an independent third party (i.e. pricing standard No. (2)), shall formulate unified sales prices (the “**Unified Sales Prices**”) of general generic products of the Company according to the Company’s cost and gross profit margin, which will be adopted uniformly in transactions of the Company with the purchaser or with an independent third party. The finance department shall also perform quarterly update and review on the Unified Sales Prices; and
- (3) finance department, in relation to price determination based on costs plus a percentage mark-up (i.e. pricing standard No. (3)), shall formulate cost analysis of goods and finalise the price in accordance with the cost analysis and the percentage mark-up. The finance department shall also perform quarterly update and review on the average gross profit margin of listed companies engaged in the related industry and the gross profit margin of the historical transactions.

***Historical Figures and the Proposed Annual Cap for the Transactions under the Sale of Goods Agreement***

The following table sets out the historical transaction amounts for the years ended 31 December 2019 and 2020, and for the six months ended 30 June 2021, the Annual Cap amounts for the years ended 31 December 2019, 2020 and 2021, and the proposed Annual Cap amounts for each of the three years ending 31 December 2022, 2023 and 2024 under the Sale of Goods Agreement:

	Historical transaction amounts			Annual Cap amounts		
	For the year ended		For the six	For the year ended		
	31 December		months ended	31 December		
	2019	2020	30 June	2019	2020	2021
<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	
Sale of Goods Agreement	<u>228,440</u>	<u>312,200</u>	<u>120,060</u>	<u>345,000</u>	<u>370,000</u>	<u>395,000</u>

	Proposed Annual Cap amounts		
	For the year ending 31 December		
	2022	2023	2024
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Sale of Goods Agreement	<u>245,000</u>	<u>245,000</u>	<u>260,000</u>

### ***Basis for the Proposed Annual Cap Amounts under the Sale of Goods Agreement***

The proposed Annual Cap amounts for the years of 2022, 2023 and 2024 for the Sale of Goods Agreement are based on:

- (1) the historical transaction amounts; and
- (2) according to YTO's business development plans, the Company will strive to increase the sales volume of harvesting machinery products and agricultural machinery products in the next three years, and will provide YTO with a stable supply of diesel engines and related parts and components required for harvesting machinery products and agricultural machinery products.

### **(E) Bills Discounting Service Agreement**

<b>Date</b>	:	25 August 2021
<b>Parties</b>	:	<ul style="list-style-type: none"><li>• YTO Finance, a subsidiary of the Company; and</li><li>• YTO, on behalf of YTO Extended Group.</li></ul>
<b>Financial services to be provided</b>	:	Provision of bills discounting services by YTO Finance to the YTO Extended Group.
<b>Term</b>	:	From 1 January 2022 to 31 December 2024.
<b>Payment terms</b>	:	Shall be specified on each separate contract to be agreed by the parties.

### ***Pricing Standards of the Transactions contemplated under the Bills Discounting Service Agreement***

The service fees charged by YTO Finance for any bills discounting services will be determined based on the following:

- (1) the rate in relation to the same type and same period of bills discounting services prescribed by CBIRC or PBOC;
- (2) if the above rate is not applicable, the rate charged in the same industry in the PRC for the same type and same period of bills discounting services by enquiries in the market; or

- (3) if none of the above is applicable, determined after arm's length negotiation between YTO Finance and YTO Extended Group, mainly with reference to the fair rates for comparable transactions to be offered by third parties in the industry, its financial condition and the terms and scale of the transactions.

When adopting the above pricing standards, the Company's:

1. finance department, in relation to price determination based on rate prescribed by CBIRC or PBOC (i.e. pricing standard no.(1)), shall check the rate published on the PBOC's website for the same or similar type and period of services;
2. finance department, in relation to price determination based on market rate (i.e. pricing standard no.(2)), shall obtain and make reference to one to two rate(s) of the same or similar services quoted through relevant industry website or market enquiry; and
3. finance department, in relation to price determined after arm's length negotiation (i.e. pricing standard no.(3)), shall formulate a unified rate by considering the fair rate offered by the third party on comparable transactions in the same or similar industry, their financial positions and terms and size of the transactions as the main factors, which will be adopted uniformly in transactions of YTO Finance with the purchaser or with a third party. YTO Finance shall also perform quarterly update and review on the rate.

YTO Finance undertakes that the applicable service fees charged to YTO Extended Group by YTO Finance shall not be more favourable than those charged to independent third party customers of YTO Finance for the same or similar services.

***Historical Figures and the Proposed Annual Cap Amounts for the Transactions under the Bills Discounting Service Agreement***

The following table sets out the historical transaction amounts for the years ended 31 December 2019 and 2020, and for the six months ended 30 June 2021, the Annual Cap amounts for each of the three years ended 31 December 2019, 2020 and 2021, and the proposed Annual Cap amounts for each of the three years ending 31 December 2022, 2023 and 2024 under the Bills Discounting Service Agreement:

	Historical transaction amounts			Annual Cap amounts		
	For the year ended		For the six	For the year ended		
	31 December		months ended	31 December		
	2019	2020	30 June	2019	2020	2021
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Bills Discounting Service Agreement	137,350	8,400	90,790	250,000	300,000	350,000

	Proposed Annual Cap amounts		
	For the year ending 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bills Discounting Service Agreement	100,000	120,000	150,000

***Basis for the Proposed Annual Cap Amounts under the Bills Discounting Service Agreement***

The proposed Annual Cap amounts for the bills discounting services provided under the Bills Discounting Service Agreement are determined with reference to the following factors:

- (1) with reference to actual amount of historical transactions;

- (2) YTO Finance's capital management strategy: YTO Finance's average financial resources as at the end of each month in the first half of 2021 amounted to RMB4,730 million; the average balance of loans and discounts as at the end of each month amounted to RMB2,210 million, representing approximately 47% of the average financial resources, the average financial resources for the next three years are expected to be approximately RMB4,800 million, RMB5,000 million and RMB5,200 million, respectively, and the total amount of loans and discounts for the next three years are expected to be RMB2,256 million, RMB2,350 million and RMB2,444 million, respectively; and
- (3) YTO's business development plan and needs for funds: according to YTO's 14th Five-Year Plan business development plan and capital needs, it is estimated that from 2022 to 2024, loans and discounts from related parties will account for 48%, 53% and 58%, respectively, of YTO Finance's total loans and discounts, with an average ratio of 53%. From 2022 to 2024, the total loans and bill discounts of YTO in YTO Finance are estimated to be RMB1.1 billion, RMB1.25 billion and RMB1.4 billion, respectively. According to the historical data of the loan and bill discounting business of YTO Finance's related parties, the loan and bill discounting accounted for 90% and 10% of the total loan and bill, respectively. Therefore, the balances of the bill discounting of YTO in YTO Finance are not exceed RMB0.1 billion, RMB0.12 billion and RMB0.15 billion, respectively, at any time from 2022 to 2024.

**(F) Bills Acceptance Service Agreement**

<b>Date</b>	:	25 August 2021
<b>Parties</b>	:	<ul style="list-style-type: none"> <li>• YTO Finance, a subsidiary of the Company as supplier; and</li> <li>• YTO, on behalf of YTO Extended Group as purchaser.</li> </ul>
<b>Financial services to be provided</b>	:	Provision of bills acceptance services by YTO Finance to the YTO Extended Group.
<b>Term</b>	:	From 1 January 2022 to 31 December 2024.
<b>Payment terms</b>	:	Shall be specified on each separate contract to be agreed by the parties.
<b>Security</b>	:	YTO Finance may request YTO Extended Group to provide pledge of assets or other guarantees to secure the liabilities of YTO Extended Group arising from its performance under the Bills Acceptance Service Agreement.

### ***Pricing Standards of the Transactions contemplated under the Bills Acceptance Service Agreement***

The service fees charged by YTO Finance for any bills acceptance services will be determined based on the following:

- (1) the rate in relation to the same type and same period of bills acceptance services prescribed by CBIRC or PBOC;
- (2) if the above rate is not applicable, the rate charged in the same industry in the PRC for the same or similar type and period of bills acceptance services by enquiries in the market; or
- (3) if none of the above is applicable, determined after arm's length negotiation between YTO Finance and YTO Extended Group, and the principal factor that should be taken into consideration will be the fair price for the same or similar services to be offered by third parties in the same industry.

YTO Finance undertakes that the applicable service fees charged to YTO Extended Group by YTO Finance shall not be more favourable than those charged to independent third party customers of YTO Finance for the same or similar services.

When adopting the above pricing standards, the Company's:

1. finance department, in relation to price determination based on rate prescribed by CBIRC or PBOC (i.e. pricing standard no.(1)), shall check the rate published on the PBOC's website for the same type and same period of services;
2. finance department, in relation to price determination based on market rate (i.e. pricing standard no.(2)), shall obtain and make reference to one to two rate(s) of the same or similar services quoted through relevant industry website or market enquiry; and
3. finance department, in relation to price determination after arm's length negotiation (i.e. pricing standard no.(3)), shall formulate a unified rate by considering the fair rate offered by the third party on comparable transactions in the same industry, their financial positions and terms and size of the transactions as the main factors, which will be adopted uniformly in transactions of YTO Finance with the purchaser or with a third party. YTO Finance shall also perform quarterly update and review on the rate.

***Historical Figures and the Proposed Annual Cap Amounts for the Transactions under the Bills Acceptance Service Agreement***

The following table sets out the historical maximum outstanding amounts for the years ended 31 December 2019 and 2020, and for the six months ended 30 June 2021, the maximum outstanding Annual Cap amounts, and the proposed maximum outstanding Annual Cap amounts for each of the three years ending 31 December 2022, 2023 and 2024 under the Bills Acceptance Service Agreement:

	Historical maximum outstanding amounts			Maximum outstanding Annual Cap amounts		
	For the year ended		For the six	For the year ended		
	31 December		months ended	31 December		
	2019	2020	30 June	2019	2020	2021
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Bills Acceptance Service Agreement	158,460	142,290	208,620	336,000	376,000	420,000

**Proposed Maximum Outstanding Annual Cap Amounts**  
**For the year ending 31 December**  
**2022                      2023                      2024**  
*RMB'000                      RMB'000                      RMB'000*

Bills Acceptance Service Agreement	210,000	220,000	230,000
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***Basis for the Proposed Annual Cap Amounts under the Bills Acceptance Service Agreement***

The proposed Annual Cap amounts for the services provided under the Bills Acceptance Service Agreement are determined with reference to the following factors:

- (1) with reference to actual amount of historical transactions;
- (2) YTO Finance's capital management strategy: based on YTO Finance's historical and estimated owner's equity, owner's equity of YTO Finance is approximately RMB860 million at the end of June 2021 and is expected to reach RMB900 million, RMB930 million and RMB950 million from 2022 to 2024, respectively. Accordingly, based on the relevant regulatory requirements for finance companies, it is expected that YTO Finance can commence acceptance business in the next three years with the scale between RMB1.4 billion and RMB1.5 billion; and

- (3) YTO's bill acceptance business needs: with reference to the historical data of bill acceptance business of YTO Finance's related parties (the maximum balance accounted for approximately 15% of the scale of YTO Finance's acceptance business), and in combination with the possible increase in the use of bills for YTO's business development, the balance of bill acceptance at any time from 2022 to 2024 will not exceed RMB210 million, RMB220 million and RMB230 million, respectively.

#### (G) Composite Services Agreement

<b>Date</b>	:	25 August 2021
<b>Parties</b>	:	<ul style="list-style-type: none"><li>• YTO, on behalf of YTO, its controlled companies and their associates, as supplier and/or supplying agent; and</li><li>• The Company, on behalf of the Group, as purchaser and/or purchasing agent.</li></ul>
<b>Services to be provided</b>	:	Transportation and transportation ancillary services, and production-related processing contracting services.
<b>Term</b>	:	From 1 January 2022 to 31 December 2024.
<b>Payment terms</b>	:	Transportation services: shall be principally settled within three months after confirmation by the Company (on behalf of the Group) from the date of delivering or receiving the goods.

Transportation ancillary services: shall be billed monthly and paid by the end of the following month.

Production-related processing contracting services: shall be settled within 60 days after completion of the processing contracting services.

These payment terms were usually adopted by YTO in its transactions with independent third parties or the Company. Such terms are on normal commercial terms and not less favourable than those offered to independent third parties by YTO.

### ***Pricing Standards of the Transactions contemplated under the Composite Services Agreement***

Under the Composite Services Agreement, the price of the services to be provided thereunder will be determined based on the following:

- (1) the market price of an independent third party obtained through enquiries in the market (i.e. the price of the same or similar services provided to independent third parties by suppliers other than YTO, its controlled companies and their associates in the same region during the ordinary course of business on normal commercial terms);
- (2) if there is no market price determined by an independent third party, the transaction price between YTO, its controlled companies and their associates and an independent third party; or
- (3) if none of the above is applicable, costs plus a percentage mark-up (tax-inclusive), which is not more than 10% (i.e. price = cost x (1 + percentage mark-up)).

YTO undertakes that the applicable price of the services offered to the Group shall not be less favourable than that offered to independent third party customers of YTO, its controlled companies and their associates for the same services.

When adopting the above pricing standards, the Company's:

- (1) procurement department, in relation to the price determination based on the market price of an independent third party (i.e. pricing standard No.(1)), shall make reference to one to two price quotations of the same or similar services through market enquiry. Such quotations shall be obtained by procurement department;
- (2) finance department, in relation to price determination based on the transaction price between the suppliers and an independent third party (i.e. pricing standard no.(2)), shall make reference to one to two signed agreement(s) entered between the suppliers and an independent third party in relation to the procurement of the same or similar services. The finance department shall obtain the cost analysis of services (including cost breakdown and gross profit margin) from the suppliers to ensure that the transaction price under the Composite Services Agreement is fair and reasonable and not higher than the price of the same or similar service offered by the suppliers to independent third party; and

- (3) finance department, in relation to price determination based on costs plus a percentage mark- up (i.e. pricing standard No. (3)), shall obtain cost analysis of services from the suppliers and finalise the price in accordance with the cost analysis and the percentage mark-up. The finance department shall also perform quarterly update and review on the average gross profit margin of listed companies engaged in the related industry and the gross profit margin of the historical transactions.

***Historical Figures and the Proposed Annual Cap Amounts for the Transactions under the Composite Services Agreement***

The following table sets out the historical transaction amounts of the transportation and transportation ancillary services for the years ended 31 December 2019 and 2020, and for the six months ended 30 June 2021, the Annual Cap amounts for the years ended 31 December 2019, 2020 and 2021, and the proposed Annual Cap amounts for each of the three years ending 31 December 2022, 2023 and 2024 under the Composite Services Agreement:

	Historical transaction amounts			Annual Cap amounts		
	For the year ended		For the six	For the year ended		
	31 December		months ended	31 December		
	2019	2020	30 June	2019	2020	2021
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Composite Services Agreement	<u>132,620</u>	<u>183,410</u>	<u>117,010</u>	<u>185,000</u>	<u>200,000</u>	<u>220,000</u>

	Proposed Annual Cap amounts		
	For the year ending 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Composite Services Agreement	<u>190,000</u>	<u>190,000</u>	<u>200,000</u>

***Basis for the Proposed Annual Cap Amounts under the Composite Services Agreement***

The basis for determining the proposed Annual Cap amounts for the services to be provided under the Composite Services Agreement is as follows:

- (1) with reference to actual amount of historical transactions;

- (2) the Company will make use of the existing logistics and transportation infrastructure advantages and regional location advantages of YTO to provide logistics and transportation services for the Company; and entrust YTO to use its metal heat treatment capacity to carry out part of the parts processing contracting business in accordance with the actual production and operation needs; and
- (3) the determination of the comprehensive service fee mainly takes into account factors such as actual business demand, fuel prices and fluctuations in labour costs.

#### **(H) Energy Procurement Agreement**

- Date** : 25 August 2021
- Parties** :
  - YTO as supplier and/or supplying agent; and
  - The Company, on behalf of the Group, as purchaser and/or purchasing agent.
- Energy to be provided** : Energy to be used in the production of the Group, including but not limited to electricity, natural gas, oxygen, water, compressed air, steam and nitrogen.
- Term** : From 1 January 2022 to 31 December 2024.
- Payment terms** : Shall be settled monthly and fully paid by the end of the following month. Subject to negotiation between the parties, prepayments by purchaser of no more than six months are acceptable.

#### ***Pricing Standards of the Transaction contemplated under the Energy Procurement Agreement***

Under the Energy Procurement Agreement, the price of the energies to be provided will be determined based on:

1. the market price;
2. if the above is not applicable, the transaction price between YTO and an independent third party; or

3. if none of the above is applicable, costs plus a percentage mark-up (tax-inclusive), which is not more than 16% (i.e. price = cost x (1 + percentage mark-up)).

YTO undertakes that the applicable price of the energy offered to the Group shall not be less favourable than that offered to independent third party customers of YTO for the same energy.

When adopting the above pricing standards, the Company's:

1. procurement department, in relation to price determination based on market price of independent third party (i.e. pricing standard No. (1)), shall make reference to one to two price(s) of the same or similar goods or services quoted through market enquiry. Such quotations shall be obtained by procurement department;
2. finance department in relation to price determination based on transaction price between the suppliers and an independent third party (i.e. pricing standard No.(2)), shall make reference to one to two signed agreement(s) entered between the suppliers and an independent third party in relation to the procurement of the same or similar goods. The finance department shall obtain the cost analysis of goods (including cost breakdown and gross profit margin) from the suppliers to ensure that the transaction price under the Energy Procurement Agreement is fair and reasonable and not higher than the price of the same or similar goods offered by the supplier to independent third party; and
3. finance department, in relation to price determination based on costs plus a percentage mark- up (i.e. pricing standard No. (3)), shall obtain cost analysis of services from the suppliers and finalise the price in accordance with the cost analysis and the percentage mark-up. The finance department shall also perform quarterly update and review on the average gross profit margin of listed companies engaged in the related industry and the gross profit margin of the historical transactions.

***Historical Figures and the Proposed Annual Cap Amounts for the Transactions under the Energy Procurement Agreement***

The following table sets out the historical transaction amounts for the years ended 31 December 2019 and 2020 and for the six months ended 30 June 2021, the Annual Cap amounts for the years ended 31 December 2019, 2020 and 2021, and the proposed Annual Cap amounts for each of the three years ending 31 December 2022, 2023 and 2024 under the Energy Procurement Agreement:

	Historical transaction amounts			Annual Cap amounts		
	For the year ended		For the six	For the year ended		
	31 December		months ended	31 December		
	2019	2020	30 June	2019	2020	2021
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Energy Procurement Agreement	<u>133,680</u>	<u>174,690</u>	<u>80,770</u>	<u>205,000</u>	<u>220,000</u>	<u>235,000</u>

	Proposed Annual Cap amounts		
	For the year ending 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Energy Procurement Agreement	<u>190,000</u>	<u>190,000</u>	<u>200,000</u>

***Basis for the Proposed Annual Cap Amounts under the Energy Procurement Agreement***

The proposed Annual Cap amounts for the energies to be provided under the Energy Procurement Agreement are determined with reference to:

- (1) with reference to actual amount of historical transactions; and
- (2) with the significant improvement in environmental protection and energy saving and emission reduction of production enterprises, the growth rate of energy consumption will slow down in the future. Meanwhile, the amount of energy purchase transactions is expected to increase slightly in the next three years with taking into account the possible increase in the energy price.

## (I) Properties Lease Agreement

- Date** : 25 August 2021
- Parties** :
  - YTO, on behalf of YTO, its controlled companies and other associates, as lessor; and
  - The Company, on behalf of the Group, as lessee.
- Properties to be leased** : The properties located in No. 154 Jianshe Road, Luoyang City, Henan Province, the PRC, with an aggregate gross floor area of approximately 87,000 sq.m., inclusive of the electricity and water facilities and industrial rooms and the properties under the preemptive rights as mentioned below.
- Term** : From 1 January 2022 to 31 December 2024.
- Pre-emptive rights** : The Group has the pre-emptive rights to lease from YTO, its controlled companies and their associates, including but not limited to, additional properties with gross floor area of no more than 8,500 sq.m. at No. 154 Jianshe Road, Luoyang City, Henan Province, the PRC, in accordance with the terms and conditions of the Properties Lease Agreement.
- Payment terms** : The Group shall pay the annual rent in cash by the end of each financial year which is from 1 January to 31 December.

### ***Pricing Standards of the Transaction under the Properties Lease Agreement***

Under the Properties Lease Agreement, the annual rent will be determined based on the following:

- (1) the transaction price between the lessor and an independent third party; or
- (2) if the above is not applicable, determined after arm's length negotiation between the parties with reference to the market rent of similar properties in neighborhood.

YTO undertakes that the rent offered to the Group by YTO, its controlled companies or entities and their associates shall not be less favourable than that offered to independent third party customers of YTO, its controlled companies or entities and their associates for the same property.

When adopting the above pricing standards, the Company's:

1. finance department, in relation to price determination based on transaction price between the lessor and an independent third party (i.e. pricing standard No. (1)), shall obtain one to two agreement(s) of the lessor to its independent third parties, to ensure that the price of the same properties offered by the lessor to the Company shall not be higher than that offered to independent third parties; and
2. finance department, in relation to price determined after arm's length negotiation (i.e. pricing standard No. (2)), shall formulate the rental after considering one or two fair rate(s) offered by the third parties on similar properties in similar locations and areas.

***Historical Figures and the Proposed Annual Cap Amounts for the Transactions under the Properties Lease Agreement***

The following table sets out the historical transaction amounts for the years ended 31 December 2019 and 2020, and for the six months ended 30 June 2021, the Annual Cap amounts for each of the three years ended 31 December 2019, 2020 and 2021 and the proposed Annual Cap amounts for each of the three years ending 31 December 2022, 2023 and 2024 under the Properties Lease Agreement:

	Historical transaction amounts			Annual Cap amounts		
	For the year ended		For the six	For the year ended		
	31 December		months ended	31 December		
	2019	2020	30 June	2019	2020	2021
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Properties Lease Agreement	9,260	9,320	3,300	9,500	9,500	9,500

	Proposed Annual Cap amounts		
	For the year ending 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Properties Lease Agreement	8,000	8,000	8,000

***Basis for the Proposed Annual Cap Amounts under the Properties Lease Agreement***

The Annual Cap amounts for the Properties Lease Agreement are based on:

- (1) the Company's actual requirements of the estimated leasehold area of approximately 95,500 sq.m. from 2022 to 2024 (after taking into account that an increase of approximately 8,500 sq.m. may be required for business development); and
- (2) the rental prices of properties are mainly based on the market prices of the regions surrounding YTO and/or the rental fees charged by YTO to an independent third party for the leasing of properties.

Pursuant to the PRC Accounting Standards for Business Enterprises No. 21 - Leases, the lease of properties by the Company as lessee under the Properties Lease Agreement will be recognised as right-of-use assets. The aggregate value for the right-of-use asset recognised under the Properties Lease Agreement is estimated to be RMB25 million, which is calculated by discounting the estimated total rental of the future years by a discount rate of 3.85% which is equivalent to the Company's incremental borrowing rate.

**(J) Land Lease Agreement**

<b>Date</b>	:	25 August 2021
<b>Parties</b>	:	<ul style="list-style-type: none"><li>• YTO, on behalf of YTO, its controlled companies and other associates, as lessor; and</li><li>• The Company, on behalf of the Group, as lessee.</li></ul>
<b>Land use rights to be leased</b>	:	The land use rights of the land located at No. 154 Jianshe Road, Luoyang City, Henan Province, the PRC, with a gross land area of approximately 338,000 sq.m. and the land use rights under the pre-emptive rights as mentioned below.
<b>Term</b>	:	From 1 January 2022 to 31 December 2024.
<b>Pre-emptive rights</b>	:	The Group has the pre-emptive rights to lease additional land use rights of the land with a gross land area of no more than 65,000 sq.m. located at No. 154 Jianshe Road, Luoyang City, Henan Province, the PRC from YTO, its controlled companies or other associates in accordance with the terms and conditions of the Land Lease Agreement.
<b>Payment terms</b>	:	The Group shall pay the annual rent in cash for the year by the end of each year.

### ***Pricing Standards of the Transactions under the Land Lease Agreement***

Under the Land Lease Agreement, the annual rent will be:

- (1) the transaction price between the lessor and an independent third party; or
- (2) if the above price is not applicable, determined after arm's length negotiation between the parties with reference to the market rent of similar land use rights.

YTO undertakes that the rent offered to the Group by YTO, its controlled companies or other associates shall not be less favourable than that offered to independent third party lessees of YTO, its controlled companies or other associates.

When adopting the above pricing standards, the Company's:

1. finance department, in relation to price determination based on transaction price between the lessor and an independent third party (i.e. pricing standard no.(1)), shall obtain one to two agreement(s) of the lessor to its independent third parties, to ensure that the price of the same land offered by the lessor to the Company shall not be higher than that offered to independent third parties; and
2. finance department, in relation to price determined after arm's length negotiation (i.e. pricing standard no.(2)), shall formulate the rental after considering one or two fair rate(s) offered by the third party(ies) on similar land in nearby locations and areas.

***Historical Figures and the Proposed Annual Cap for the Transactions under the Land Lease Agreement***

The following table sets out the historical transaction amounts for the years ended 31 December 2019 and 2020, and for the six months ended 30 June 2021, the Annual Cap amounts for each of the years ended 31 December 2019, 2020 and 2021 and the proposed Annual Cap amounts for each of the three years ending 31 December 2022, 2023 and 2024 under the Land Lease Agreement:

	Historical transaction amounts			Annual Cap amounts		
	For the year ended		For the six	For the year ended		
	31 December		months ended	31 December		
	2019	2020	30 June	2019	2020	2021
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Land Lease Agreement	8,890	9,740	5,730	13,500	13,500	13,500

	Proposed Annual Cap amounts		
	For the year ending 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Land Lease Agreement	14,000	14,000	14,000

***Basis for the Proposed Annual Cap Amounts under the Land Lease Agreement***

The Proposed Annual Cap amounts for the Land Lease Agreement are based on:

- (1) the Company's actual requirements of the estimated leasehold site area of 403,000 sq.m. from 2022 to 2024, (after taking into account that an increase of approximately 65,000 sq.m. may be required for business development) and;
- (2) the land lease prices are mainly based on the market prices of the regions surrounding YTO and/or the rental fees charged by YTO to an independent third party for the leasing of site.

Pursuant to the PRC Accounting Standards for Business Enterprises No. 21 - Leases, the lease of land by the Company as lessee under the Land Lease Agreement will be recognised as right-of-use assets. The aggregate value of the right-of-use assets recognised under the Land Lease Agreement is estimated to be RMB42 million, which is calculated by discounting the estimated total rental of the future years by a discount rate of 3.85% which is equivalent to the Company's incremental borrowing rate.

## FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

### (K) Deposit Service Agreement

<b>Date</b>	:	25 August 2021
<b>Parties</b>	:	<ul style="list-style-type: none"><li>• YTO Finance, a subsidiary of the Company; and</li><li>• YTO, on behalf of YTO Extended Group.</li></ul>
<b>Financial services to be provided</b>	:	Provision of depository services by YTO Finance to YTO Extended Group.
<b>Term</b>	:	From 1 January 2022 to 31 December 2024.
<b>Payment terms</b>	:	Shall be specified on each contract to be agreed by the parties.
<b>Undertaking</b>	:	YTO undertakes:  (1) to procure YTO Extended Group to give priority in depositing their fund with YTO Finance on the same terms and conditions as those to be offered by other parties; and  (2) that the deposit maintained by YTO Extended Group with YTO Finance should be greater than the loan balance at all time. If YTO Extended Group breaches such undertaking, YTO Finance has the right to restrict payment to any third parties by YTO Extended Group from its deposit maintained with YTO Finance, or request YTO Extended Group to increase its deposit balance with YTO Finance.

**Right to offset** : YTO irrevocably grants, and procures YTO Extended Group to irrevocably grant, to YTO Finance a right to offset all liabilities arising from the performance of the Loan Service Agreement and/or the Bills Acceptance Service Agreement by YTO Extended Group from the relevant deposit accounts of that defaulting member entity under YTO Extended Group.

***Pricing Standards of the Transactions contemplated under the Deposit Service Agreement***

Under the Deposit Service Agreement, the interest rates for all amount deposited by YTO Extended Group will be subject to the requirements of the CBIRC or PBOC.

When adopting the above pricing standards, the Company’s finance department shall check the rate published on the PBOC’s website and CBIRC’s website for the same type and same period of deposit.

***Historical Figures and the Proposed Maximum Outstanding Amounts for the Transactions under the Deposit Service Agreement***

The following table sets out the historical maximum outstanding amounts for the years ended 31 December 2019 and 2020, and for the six months ended 30 June 2021, the maximum outstanding amounts for each of the years ended 31 December 2019, 2020 and 2021 and the proposed maximum outstanding amounts for each of the three years ending 31 December 2022, 2023 and 2024 under the Deposit Service Agreement:

	Historical maximum outstanding amounts			Maximum outstanding amounts		
	For the year ended		For the six	For the year ended		
	31 December		months ended	31 December		
	2019	2020	30 June	2019	2020	2021
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Deposit Service Agreement	1,576,740	1,817,830	1,638,470	2,300,000	2,800,000	2,800,000

	<b>Proposed maximum outstanding amounts</b>		
	<b>For the year ending 31 December</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deposit Service Agreement	<u>2,300,000</u>	<u>2,300,000</u>	<u>2,300,000</u>

***Basis for the Proposed Maximum Outstanding Amounts under the Deposit Service Agreement***

The proposed maximum outstanding amounts for the deposit services provided under the Deposit Service Agreement are determined with reference to the following factors:

- (1) with reference to actual amount of historical transactions; and
- (2) taking into account YTO's future business development plan and capital position.

**CONDITION PRECEDENT**

Save for the Deposit Service Agreement, all the New Agreements shall be subject to the Independent Shareholders' approval at the EGM. The Deposit Service Agreement shall come into force upon being approved by Shareholders at the EGM.

**MEASURE OF INTERNAL CONTROL**

In order to ensure the continuing connected transactions are in compliance with the pricing terms agreed in the agreements and will not exceed the estimated annual cap amount, the Company has formulated the following internal control measures, and the Finance Department, the Office of the Board and the Audit and Legal Affairs Department of the Company shall be responsible for the implementation and supervision thereof:

- (I) The Company has formulated measures for decision on and daily administration of connected transactions, which clearly require all business units to comply with the pricing principles and other terms in continuing connected transaction agreements when entering into contracts in accordance with daily connected transaction framework agreement.
- (II) The Office of the Board, the Finance Department and the Legal Affairs Department of the Company shall be responsible for performing examination on whether the principal terms of the agreements and the pricing principles for the

continuing connected transactions have been determined on ordinary commercial terms, whether they are fair and reasonable and are in accordance with relevant laws and regulations. When conducting specific businesses, all business units shall have their respective finance department and other relevant departments to examine and monitor the prices and relevant terms determined in relation to various kinds of transactions between the Company and independent third parties and related parties through participation in the process of contract review.

- (III) The Office of the Board and the Finance Department of the Company shall run regular statistics on and review of the ratio of actual amount of the connected transaction agreements to the approved cap therefor and the estimation for the whole year, and timely remind all the business units pay attention to the utilization limit of the cap for the transactions, and fulfill corresponding examination and approval procedures in accordance with requirements to ensure the connected transactions are performed in a compliant manner if the increase in transaction cap amount is really needed due to the reason of actual business.
- (IV) The internal audit department of the Company shall perform regular supervision assessment of the internal control for the operation of the connected transactions of the Company.
- (V) The auditor of the Company shall perform annual review on the pricing and annual cap amount for the continuing connected transactions according to the requirements.

The Directors are of the view that the above internal control measures can ensure that the transactions under the New Agreements will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and the Shareholders.

## **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS CONTEMPLATED UNDER THE NEW AGREEMENTS**

The Group and YTO Extended Group have been carrying out transactions with each other to facilitate their productions and operations since 1997. In view of the long-established relationship between the Group and YTO Extended Group, the geographical convenience between the Group and YTO Extended Group provides a reliable supply of raw material and provision of services, which are favourable to (i) the Company's effective control over the product performance and quality and (ii) the after-sales services as it offers fast, convenient and timely communication and coordination between the transaction parties. The entering into of the New Agreements can effectively lower the operation risk of both the Group and YTO Extended Group, and is favourable to the Company's daily operation and management of production. The

entering into of the New Agreements is to renew the transaction arrangement under the 2019–2022 CCT Agreements (except for the Technology Services Agreement). Furthermore, in considering the reasons and benefits for entering into the financial services agreements (including the Loan Service Agreement, Bills Discounting Service Agreement, Bills Acceptance Service Agreement, Deposit Service Agreement and the Interbank Business Services Agreement) between YTO Finance and YTO, the Directors have also considered the following key factors:

- (1) There are continuing connected transactions related to production between YTO and the Company, hence daily settlement services are needed; YTO Finance is the key platform for business settlement between the Company and YTO; the timely settlement provided by YTO Finance has accelerated the Company's cash flow and increased the liquidity of the Company's assets.
- (2) Due to an increase in financial resources of YTO Finance and the seasonal characteristics in the production and sales of agricultural machinery products, YTO Finance could effectively enhance the utilisation efficiency of the Company's funds by providing financial services to YTO when it has excess capital reserves in phases, thus bringing benefits to the Company. If a liquidity stress occurs, short term liquidity problems can be resolved through interbank business in order to ensure the normal production and operation of the Company. Meanwhile, entering into the Interbank Business Services Agreement is to further expand the choices in selecting counterparties of YTO Finance and to improve its bargaining power.
- (3) The financing services provided by YTO Finance to YTO will be in strict compliance with the loan credit rating requirements and loan approval procedures according to a credit rating policy approved by the internal control committee. As YTO Finance fully understands the credibility and financial position of YTO, the risk of the overall transactions is relatively low.

Accordingly, the Directors are of the view that (i) the continuing connected transactions contemplated under the New Agreements will be carried out in the ordinary and usual course of business of the Group and in the interest of the Company and its Shareholders as a whole; (ii) the terms of the New Agreements are on normal commercial terms or on terms not less favorable than those of similar transactions with independent third parties and are fair and reasonable; and (iii) the proposed Annual Cap amounts of the transactions contemplated under the New Agreements for the three years ending 31 December 2022, 2023 and 2024 are fair and reasonable.

## **INFORMATION OF THE GROUP, YTO, YTO GROUP, SINOMACH, SINOMACH FINANCE AND YTO FINANCE**

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 other accessories of tractors.

YTO is the immediate controlling Shareholder of the Company, holding 548,485,853 A Shares of the Company, and is principally engaged in the production of specific transporting machineries, vehicles products and components, etc.

YTO Group is principally engaged in the production of transporting machineries, vehicles products, industrial equipments and components.

Sinomach is principally engaged in the business of research and development and manufacturing of machinery equipment, heavy machineries and engineering projects domestically and internationally, sales of automotive and parts, contracting of international projects and tendering of domestic and international projects, and import and export business.

Sinomach Finance is principally engaged in the provision of financial services including deposits taking, provision of loans, underwriting of corporate bonds, as well as finance leasing, financial and financing consultation, credit certification and related consultation and agency services, settlement services, provision of letters of guarantee and letters of credit, entrusted loan, handling bills acceptance and discounting, and other financial services that may be approved by the CBIRC, to members of the Sinomach group.

YTO Finance, a subsidiary of the Company, is a non-banking financial institution approved and regulated by the relevant PRC regulatory authorities. Its principal activities include the provision of non-banking financial services to members of the Group as well as members of YTO Group. It has a registered capital of RMB500 million.

## **LISTING RULES IMPLICATIONS**

### **Connected Persons**

As at the date of this announcement, YTO beneficially owned approximately 48.81% of the issued share capital of the Company and is the controlling shareholder of the Company. As Sinomach holds approximately 87.9% of the equity interest in YTO, Sinomach is a controlling shareholder of YTO. Therefore, Sinomach and its subsidiaries are deemed as connected persons of the Company according to the Hong Kong Listing Rules.

YTO Finance is a non-wholly-owned subsidiary of the Company, which is owned as to approximately 99.4% by the Company, including its controlled subsidiaries, and approximately 0.6% by YTO.

Accordingly, the transactions contemplated under the New Agreements entered into between the Company and YTO, YTO Finance and YTO, YTO Finance and Sinomach Finance constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

## **Hong Kong Listing Rules Implications**

### ***(1) Non-exempt CCT Agreements***

As the applicable percentage ratios in respect of the transaction amount under each of the Non-exempt CCT Agreements, on an annual basis, are more than 5%, the Non-exempt CCT Transactions are subject to the reporting, annual review and announcement requirements and the requirement to obtain approval from the Independent Shareholders under Chapter 14A of the Hong Kong Listing Rules.

As the applicable percentage ratios in respect of the transaction amount under each of the Loan Service Agreement and the Interbank Business Services Agreement and the respective transactions thereunder, on an annual basis, are more than 5% but less than 75%, the Loan Service Agreement and the Interbank Business Services Agreement and the respective transactions thereunder constitute discloseable transactions of the Company and shall be subject to the reporting and announcement requirements, but exempt from the Shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules.

### ***(2) Exempt CCT Agreements***

As the applicable percentage ratios in respect of the transaction amount under each of the Exempt CCT Agreements, on an annual basis, are more than 0.1% but less than 5%, the transactions contemplated under the Exempt CCT Agreements are subject to the reporting, annual review and announcement requirements, but exempt from Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

### ***(3) Fully-exempt CCT Agreement***

The deposit services to be provided under the Deposit Service Agreement constitute financial assistance provided by YTO Group, for the benefit of YTO Finance on normal commercial terms where no security over the assets of the Group is granted in respect of such financial assistance. The transactions contemplated under the Deposit Service Agreement are exempted from the reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.90 of the Hong Kong Listing Rules. Announcement on the Deposit Service Agreement is made voluntarily by the Company.

## Shanghai Listing Rules Implications

As the A Shares of the Company are listed on the Shanghai Stock Exchange, the Company is also required to comply with relevant requirements of the Shanghai Listing Rules. Pursuant to the relevant provisions of the Shanghai Listing Rules, the transactions contemplated under each of the New Agreements (except for the Deposit Service Agreement) are subject to the Independent Shareholders' approval at the EGM.

So far as the Deposit Service Agreement is concerned, the Company has performed the procedures for the waiver from the approval and disclosure requirements for related party transactions and the Independent Shareholders' approval requirement on the Deposit Service Agreement and the transactions thereunder according to relevant provisions of the Guidelines for the Implementation of Related Party Transactions of Listed Companies《(上市公司關聯交易實施指引)》 and the Guidelines for the Listed Companies' Postponement and Exemption of Information Disclosure《(上市公司信息披露暫緩與豁免業務指引)》 of the Shanghai Stock Exchange. Meanwhile, since the estimated transaction cap amount under the Deposit Service Agreement exceeds 50% of the audited net assets of the Company for the previous year, the resolution on the Deposit Service Agreement and the transactions thereunder is subject to the Independent Shareholders' approval at the EGM; YTO and its associates are not required to abstain from voting on the resolutions in respect of the Deposit Service Agreement and the transactions thereunder at the EGM.

## EGM

The Company proposes to convene the EGM in late October 2021 and submit the relevant resolutions to seek approval from the Independent Shareholders/Shareholders for (among others) the New Agreements and each of the continuing connected transactions thereunder (and their relevant caps).

According to the Hong Kong Listing Rules, an Independent Board Committee has been established to consider and advise the Independent Shareholders in respect of the Non-exempt CCT Agreements. Gram Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether or not the terms and conditions of the Non-exempt CCT Agreements and the Non-exempt CCT Transactions thereunder and the relevant Annual Caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Pursuant to Rules 14A.46(1) and 19A.39A of the Hong Kong Listing Rules and the requirements under the Company Law of the PRC, a circular containing (among others) the details of the New Agreements and each of the continuing connected transactions thereunder, a letter from the Independent Board Committee and a letter from Gram Capital is expected to be despatched by the Company to the Shareholders on or before 12 October 2021.

## DEFINITIONS

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

“2019–2021 CCT Agreements” collectively, (i) the material procurement agreement dated 29 August 2018 entered into between YTO, on behalf of YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach and the Company, on behalf of the Group; (ii) the sale of goods agreement dated 29 August 2018 entered into between the Company, on behalf of the Group and YTO, on behalf of YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach; (iii) the loan service agreement, bills discounting service agreement, bills acceptance service agreement and deposit service agreement, all dated 29 August 2018, entered into between YTO Finance and YTO, on behalf of YTO Extended Group (excluding Tractors Research Group); (iv) the interbank business services agreement dated 29 August 2018 entered into between YTO Finance and Sinomach Finance; (v) the technology services agreement dated 29 August 2018 entered into between Tractors Research Company, on behalf of Tractors Research Group, and the Company, on behalf of the Group; (vi) the composite services agreement dated 29 August 2018 entered into between YTO, on behalf of YTO, its controlled Companies and their associates and the Company, on behalf of the Group; (vii) the energy procurement agreement dated 29 August 2018 entered into between YTO (YTO Extended Group) and the Company, on behalf of the Group; (viii) the properties lease agreement dated 29 August 2018 entered into between YTO, on behalf of YTO, its controlled companies and other associates as lessor and the Company, on behalf of the Group as lessee; (ix) the land lease agreement dated 29 August 2018 entered into between YTO, on behalf of YTO, its controlled companies and other associates as lessor and the Company, on behalf of the Group as lessee;

“A Share(s)” the domestic ordinary share(s) of RMB1.00 each in the share capital of the Company, which are listed on the Shanghai Stock Exchange and subscribed for and traded in RMB;

“Annual Cap(s)”	the maximum aggregate annual value(s) or outstanding amounts for each of the transactions contemplated under each of the 2019–2021 CCT Agreements and the New Agreements;
“associate(s)”	has the same meaning as ascribed to this term under the Hong Kong Listing Rules;
“Bills Acceptance Service Agreement”	the agreement dated 25 August 2021 entered into between YTO Finance and YTO on behalf of YTO Extended Group for the provision of the bills acceptance services by YTO Finance to YTO Extended Group;
“Bills Discounting Service Agreement”	the agreement dated 25 August 2021 entered into between YTO Finance and YTO on behalf of YTO Extended Group for the provision of the bills discounting services by YTO Finance to YTO Extended Group;
“Board”	the board of Directors;
“CBIRC”	China Banking Insurance Regulatory Commission;
“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 and the Shanghai Stock Exchange respectively;
“Composite Services Agreement”	the agreement dated 25 August 2021 entered into between YTO, on behalf of YTO, its controlled companies and their associates, as supplier and/or supplying agent and the Company, on behalf of the Group, as purchaser and/or purchasing agent pursuant to which YTO Group agreed to provide transportation and transportation ancillary services, and production-related processing contracting services to the Group;

“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”	has the same meaning as ascribed to this term under the Hong Kong Listing Rules;
“Deposit Service Agreement”	the agreement dated 25 August 2021 entered into between YTO Finance and YTO, on behalf of YTO Extended Group, for the provision of the depository services by YTO Finance to YTO Extended Group;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened and held in late October 2021 to consider, among other things, and, if thought fit, approve each of the New Agreements and their respective proposed Annual Cap amounts;
“Energy Procurement Agreement”	the agreement dated 25 August 2021 entered into between YTO as supplier and/or supplying agent and the Company, on behalf of the Group, as purchaser and/or purchasing agent pursuant to which YTO agreed to supply various kind of energy to the Group;

“Exempt CCT Agreements”	collectively, the Sale of Goods Agreement, the Bills Discounting Service Agreement, the Bills Acceptance Service Agreement, the Composite Services Agreement, the Energy Procurement Agreement, Properties Lease Agreement and Land Lease Agreement;
“Exempt CCT Transactions”	collectively, the transactions contemplated under each of the Exempt CCT Agreements;
“Fully-exempt CCT Agreement”	the Deposit Service Agreement;
“Group”	the Company and its subsidiaries;
“H Share(s)”	the overseas listed foreign share(s) having a nominal value of RMB1.00 each in the share capital of the Company, which are subscribed for and traded in Hong Kong dollars, all of which are listed on the Stock Exchange;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time);
“Independent Board Committee”	an independent committee of the Board comprising the independent non-executive Directors for purpose of the Non-exempt CCT Agreements, the Non-exempt CCT Transactions and the relevant Annual Caps thereunder;
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt CCT Agreements, the Non-exempt CCT Transactions and the relevant Annual Caps thereunder;
“Independent Shareholder(s)”	Shareholder(s) other than YTO and its associate(s);

“Interbank Business Services Agreement”	the agreement dated 25 August 2021 entered into between YTO Finance and Sinomach Finance pursuant to which both parties agreed to provide interbank business services to each other;
“Land Lease Agreement”	the agreement dated 25 August 2021 entered into between YTO, on behalf of YTO, its controlled companies or other associates, as lessor and the Company, on behalf of the Group, as lessee, pursuant to which YTO, its controlled companies or other associates agreed to lease land use rights with a gross land area of approximately 338,000 sq.m. to the Group, as well as give the Company pre-emptive rights to lease additional land use rights with a gross land area of no more than 65,000 sq.m.;
“Loan Service Agreement”	the agreement dated 25 August 2021 entered into between YTO Finance and YTO on behalf of YTO Extended Group for the provision of the loan services by YTO Finance to YTO Extended Group;
“Material Procurement Agreement”	the agreement dated 25 August 2021 entered into between YTO, on behalf of YTO Group, associates of YTO, Sinomach and the subsidiaries and associates of Sinomach, as supplier and/or supplying agent and the Company, on behalf of the Group, as purchaser and/or purchasing agent pursuant to which YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach agreed to supply certain materials to the Group;
“New Agreements”	collectively, the Non-exempt CCT Agreements, the Exempt CCT Agreements and the Fully-exempt CCT Agreement;
“Non-exempt CCT Agreements”	collectively, the Material Procurement Agreement, the Loan Service Agreement and the Interbank Business Services Agreement;
“Non-exempt CCT Transactions”	collectively, the transactions contemplated under each of the Non-exempt CCT Agreements;
“PBOC”	the People’s Bank of China;
“percentage ratios”	has the same meaning as ascribed to it under the Hong Kong Listing Rules, as applicable to a transaction;

“PRC”	The People’s Republic of China which, for the purpose of this announcement only, excludes the Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“PRC Accounting Standards for Business Enterprises No. 21 - Leases”	the PRC Accounting Standards for Business Enterprises No. 21 - Leases, effective on 1 January 2019;
“Properties Lease Agreement”	the agreement dated 25 August 2021 entered into between YTO, on behalf of YTO, its controlled companies or entities and their associates, as lessor and the Company, on behalf of the Group, as lessee, pursuant to which YTO, its controlled companies or entities and their associates agreed to lease to the Group premises with a gross floor area of approximately 87,000 sq.m. and give the Company pre-emptive rights of leasing additional premises with a gross floor area of no more than 8,500 sq.m.;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale of Goods Agreement”	the agreement dated 25 August 2021 entered into between the Company, on behalf of the Group, as supplier and/or supplying agent and YTO, on behalf of YTO Group, associates of YTO, Sinomach and the subsidiaries and associates of Sinomach, as purchaser and/or purchasing agent pursuant to which the Group agreed to supply certain materials to YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach;
“SFO”	the Securities Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time;
“Shanghai Listing Rules”	Shanghai Stock Exchange Share Listing Rules;
“Shareholder(s)”	shareholder(s) of the Company;
“SHIBOR”	Shanghai Interbank Offered Rate;

“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 a controlling shareholder of YTO having 87.90% equity interest in YTO;
“Sinomach Finance”	Sinomach Finance Co., Ltd.* (國機財務有限責任公司), a company approved to be established in the PRC by the China Banking Regulatory Commission as a non-bank financial institution in September 2003, and a non-wholly-owned subsidiary of Sinomach;
“sq.m.”	square metre;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“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 Extended Group”	(i) YTO Group; (ii) associates of YTO Group; and (iii) connected subsidiary(ies);
“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 of the Company owned as to 99.4% by the Company;
“YTO Group”	YTO and its subsidiaries; and
“%”	per cent.

*Certain figures set out in this announcement are subject to rounding adjustments. Accordingly, figures shown as the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.*

*Any discrepancy in any table between totals and sums of amounts listed in this announcement is due to rounding.*

*The English names of the Chinese nationals, companies, entities, departments, facilities, certificates, titles and the like are translation of their Chinese names and are included in this announcement for identification purposes only and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese names prevail.*

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

Luoyang, the PRC  
25 August 2021

*As at the date of this announcement, the Board comprises Mr. Li Xiaoyu (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*