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# 第一拖拉机股份有限公司 FIRST TRACTOR COMPANY LIMITED\*

*(a joint stock company incorporated in The People's Republic of China with limited liability)*

(Stock Code: 0038)

## CONNECTED TRANSACTIONS

### THE CONTRACTS

The Board of Directors is pleased to announce that Changxing Company, a wholly-owned subsidiary of the Company, has won the bid for a total of 6 tender lots in the public tender in respect of a procurement project of the Intelligent Research Institute Company's dry field/paddy field full mechanization verification platform. On 12 July 2023, Changxing Company entered into an equipment procurement contract for each of the 6 tender lots (i.e. 6 equipment procurement contracts in total) with Intelligent Research Institute Company, pursuant to which, Intelligent Research Institute Company agreed to purchase and Changxing Company agreed to sell the Transaction Asset under the Contracts at a total consideration of approximately RMB87.19 million.

As at the date of this announcement, YTO beneficially owns approximately a 48.81% equity interest in the Company and is the direct controlling shareholder of the Company. In addition, YTO holds a 48.48% equity interest in Intelligent Research Institute Company, and Luoyang Tractors Research Institute Company Limited, a subsidiary controlled by the Company, holds a 3.84% equity interest in Intelligent Research Institute Company. Therefore, Intelligent Research Institute Company is an associate of YTO and a connected person of the Company and the transactions under the Contracts constitute connected transactions of the Company under the Listing Rules.

### LISTING RULES IMPLICATIONS

As all the applicable percentage ratios for the transactions under the Contracts, on an aggregated basis, are more than 0.1% but less than 5%, the transactions as contemplated under the Contracts are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **BACKGROUND**

The Board of Directors is pleased to announce that Changxing Company, a wholly-owned subsidiary of the Company, has won the bid for a total of 6 tender lots in the public tender in respect of a procurement project of the Intelligent Research Institute Company's dry field/paddy field full mechanization verification platform. On 12 July 2023, Changxing Company entered into an equipment procurement contract for each of the 6 tender lots (i.e. 6 equipment procurement contracts in total) with Intelligent Research Institute Company, pursuant to which, Intelligent Research Institute Company agreed to purchase and Changxing Company agreed to sell the Transaction Asset under the Contracts at a total consideration of approximately RMB87.19 million.

As at the date of this announcement, YTO beneficially owns approximately a 48.81% equity interest in the Company and is the direct controlling shareholder of the Company. In addition, YTO holds a 48.48% equity interest in Intelligent Research Institute Company, and Luoyang Tractors Research Institute Company Limited, a subsidiary controlled by the Company, holds a 3.84% equity interest in Intelligent Research Institute Company. Therefore, Intelligent Research Institute Company is an associate of YTO and a connected person of the Company and the transactions under the Contracts constitute connected transactions of the Company under the Listing Rules.

## **THE CONTRACTS**

Save for the Transaction Asset and consideration contemplated under the 6 equipment procurement contracts, other terms and conditions entered into between Changxing Company and Intelligent Research Institute Company for the 6 tender lots are identical in all material aspects.

The principal terms of the Contracts are set out below:

Parties	:	Intelligent Research Institute Company (as purchaser); and Changxing Company (as vendor).
Transaction subject	:	Intelligent Research Institute Company agreed to procure and Changxing Company agreed to sell tractors (for dry field/paddy fields), combine harvesters, seeders, tillage machinery and other agricultural machinery and equipments and supporting machinery and tools.

Object of transaction ("Transaction Asset")	No.	Transaction Asset	Consideration
	Equipment Procurement Contract I	3 tractors with 300 horsepower and above and 22 tractors with 100-200 horsepower	RMB13.38 million
	Equipment Procurement Contract II	15 tractors with 240-280 horsepower	RMB17.10 million
	Equipment Procurement Contract III	23 tractors with 200-220 horsepower	RMB21.35 million
	Equipment Procurement Contract IV	1 tractor with 320 horsepower and above, 3 tractors with 240-280 horsepower, 2 tractors with 200-220 horsepower and 13 paddy field tractors with horsepower under 120	RMB13.36 million
	Equipment Procurement Contract V	6 large feed harvesters	RMB15.60 million
	Equipment Procurement Contract VI	16 seeders and 41 tillage machines	RMB6.40 million
	<b>Total</b>	<b>-</b>	<b>RMB87.19 million</b>

Total consideration under the Contracts : RMB87.19 million. The consideration under each of the above equipment procurement contracts was determined through an open tender process.

Condition : The Contracts shall be signed by the legal representatives or authorized representatives of both parties and affixed with the special contract seal to take effect.

(Note: Such condition has already been satisfied on the date of this announcement)

- Delivery date : The Transaction Asset under each of the 6 equipment procurement contracts shall be delivered by Changxing Company within 15 days from the date of the individual equipment procurement contract, and installation and testing shall be completed within 20 days from the date of the individual equipment contract.
- Quality assurance and after-sales service : The actual quality assurance period of the Transaction Asset is 36 months, which commences from the date of the acceptance of the Transaction Asset.
- Payment terms : (1) Upon the entry into force of the individual equipment procurement contract and the delivery of the value-added invoice for the full amount of the consideration under the individual equipment procurement contract, Intelligent Research Institute Company shall pay Changxing Company 40% of the consideration under the individual equipment procurement contract as an advance payment within 10 calendar days;
- (2) Upon the delivery of the Transaction Asset as specified under the individual equipment procurement contract and the Transaction Asset having passed the inspection of and been accepted by Intelligent Research Institute Company, Intelligent Research Institute Company shall pay 30% of the consideration under the individual equipment procurement contract to Changxing Company within 10 calendar days; and
- (3) The remaining 30% of the consideration under the individual equipment procurement contract shall serve as the quality assurance deposit, which shall be paid after 12 months from the acceptance date of the Transaction Asset (i.e., Intelligent Research Institute Company having confirmed no major quality issue).

## **REASONS FOR AND BENEFIT OF ENTERING INTO THE CONTRACTS**

The Company focuses on meeting users' whole process and fully mechanized operation requirements, provides users with agricultural machinery products used in the whole process of "farming, management and harvesting" and provides users with a set of resolutions, which are conducive to the Company's further expansion of the machinery unit sales model according to the trend of "standardized production and full automation" in the modern agriculture development.

## **DIRECTORS' VIEW**

The Directors of the Company (except for Mr. Liu Jiguo, Mr. Zhang Zhiyu, Mr. Fang Xianfa, and Mr. Zhang Bin who are considered to be interested in the Contracts and the transactions as contemplated thereunder and have abstained from expressing views on entering into the Contracts and the transactions as contemplated thereunder) are of the view that the conduct of the transactions as contemplated by the Contracts, which constitute connected transactions of the Company through bidding process is ordinary commercial conducts. The considerations under the Contracts were determined through public bidding, on a fair, transparent basis and at a fair and reasonable price, and under no foreseeable circumstances which will harm the interests of the Company and all Shareholders, especially minority Shareholders, or will adversely affect the Company. The Directors (other than those who have abstained from expressing views for reasons as mentioned above) are of the view that the Contracts were entered into in the ordinary and usual course of business of the Group on normal commercial terms, and the terms of the Contracts are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **INFORMATION OF THE PARTIES**

### **The Group**

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

## **Changxing Company**

Changxing Company, with a registered capital of RMB3 million, is mainly engaged in the sales of agricultural machinery and accessories, automobiles (excluding small cars), diesel engines, construction machinery and accessories, steel ingots, sports and cultural products, arts and crafts (excluding cultural relics); sales of alcohol, beverages and tea (operated with a valid food distribution license); motor vehicle repair (operated with a valid motor vehicle maintenance business license); warehousing services (excluding hazardous chemicals) and other businesses.

## **Intelligent Research Institute Company**

Intelligent Research Institute Company, with a registered capital of RMB93.75 million, is mainly engaged in the manufacture of agricultural machinery; the manufacture of specialized machinery for agriculture, forestry, animal husbandry, and sideline fishery; internet of things equipment manufacturing; sales of intelligent agricultural machinery and equipment; agricultural machinery services; technical services, technology development, technical consultation, technical exchanges, technology transfer, and technology promotion; industrial design services; mechanical equipment research and development; new material technology research and development; software development; production, sales, processing, transportation, storage and other related services of agricultural products; vegetable cultivation; agricultural production custody services; services related to agricultural production and operation, such as technology, information, facility construction and operation; land consolidation services; irrigation services; agricultural professional and auxiliary activities; construction engineering; and category-2 value-added telecommunications services, etc.

As at the date of this announcement, Intelligent Research Institute Company is 48.48% held by YTO. The interests of other shareholders holding more than 5% of the equity interests in Intelligent Research Institute Company were as follows: as to 12.08% by Jiangsu Yueda Intelligent Agricultural Equipment Co., Ltd.\* (江蘇悅達智能農業裝備有限公司), as to 10.24% by Qingyan (Luoyang) Advanced Manufacturing Industry Research Institute\* (清研(洛陽)先進製造產業研究院), as to 6.40% by China Agricultural Mechanization Science Research Institute Group Co., Ltd.\* (中國農業機械化科學研究院集團有限公司) and as to 6.40% by Nongxin Technology (Beijing) Co., Ltd.\* (農芯科技(北京)有限責任公司). Among which, China Agricultural Mechanization Science Research Institute Group Co., Ltd.\* (中國農業機械化科學研究院集團有限公司) is a wholly owned subsidiary of China National Machinery Industry Corporation\* (中國機械工業集團有限公司) and China National Machinery Industry Corporation\* (中國機械工業集團有限公司) holds approximately 88.22% of the equity interests in YTO Group. Therefore, China Agricultural Mechanization Science Research Institute Group Co., Ltd.\* (中國農業機械化科學研究院集團有限公司) is a connected person of the Company. To the best knowledge and belief of the Company and after making due enquiry, except for China Agricultural Mechanization Science Research Institute Group Co., Ltd.\* (中國農業機械化科學研究院集團有限公司), none of Jiangsu Yueda Intelligent Agricultural Equipment Co., Ltd.\* (江蘇悅達智能農業裝備有限公司), Qingyan (Luoyang) Advanced Manufacturing Industry Research Institute\* (清研(洛陽)先進製造產業研究院) and Nongxin Technology (Beijing) Co., Ltd.\* (農芯科技(北京)有限責任公司) are connected persons or associates of the connected person of the Company.

The following set out certain key financial data of the latest accounting year extracted from the audit report prepared by Intelligent Research Institute Company in accordance with Chinese Accounting Standards:

*Unit: RMB ten thousand*

Total assets	Net assets	Operating income	Net profit
57,178.80	9,176.41	20,911.96	126.59

Intelligent Research Institute Company has normal production and operation, and a good ability to perform contracts. The chairman and general manager of the Company also serve as the chairman of the Intelligent Research Institute Company. Apart from this, there is no other material relationship between the Company and Intelligent Research Institute Company in terms of property rights, business, assets, creditor's rights and debts, or personnel, etc.

## LISTING RULES IMPLICATIONS

As all the applicable percentage ratios for the transactions under the Contracts, on an aggregated basis, are more than 0.1% but less than 5%, the transactions as contemplated under the Contracts are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## DEFINITIONS

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

“Contracts”	collectively, the 6 equipment procurement contracts entered into between Changxing Company, a wholly-owned subsidiary of the Company, and Intelligent Research Institute Company on 12 July 2023, the major terms of which are set out under the section headed “Contracts” of this announcement;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Changxing Company”	Luoyang Changxing Agricultural Machinery Company Limited (洛陽長興農業機械有限公司), a wholly-owned subsidiary of the Company;
“Company”	First Tractor Company Limited* (第一拖拉機股份有限公司), a joint stock company with limited liability incorporated in the PRC, the H Shares and A Shares of which are listed on the main board of the Stock Exchange (Stock Code: 0038) and the Shanghai Stock Exchange (Stock Code: 601038) respectively;
“connected person(s)”	has the same meaning as ascribed to this term under the Listing Rules;

“controlling shareholder(s)”	has the same meaning as ascribed to this term under the Listing Rules;
“Director(s)”	the director(s) of the Company, including the independent non-executive directors;
“Equipment Procurement Contract I”	The Equipment Procurement Contract entered into between Changxing Company, a wholly owned subsidiary of the Company, and Intelligent Research Institute Company on 12 July 2023, pursuant to which Intelligent Research Institute Company agreed to purchase and Changxing Company agreed to sell 3 tractors with 300 horsepower and above, 22 tractors with 100-200 horsepower at a consideration of RMB13.38 million;
“Equipment Procurement Contract II”	The Equipment Procurement Contract entered into between Changxing Company, a wholly owned subsidiary of the Company, and Intelligent Research Institute Company on 12 July 2023, pursuant to which Intelligent Research Institute Company agreed to purchase and Changxing Company agreed to sell 15 tractors with 240-280 horsepower at a consideration of RMB17.10 million;
“Equipment Procurement Contract III”	The Equipment Procurement Contract entered into between Changxing Company, a wholly owned subsidiary of the Company, and Intelligent Research Institute Company on 12 July 2023, pursuant to which Intelligent Research Institute Company agreed to purchase and Changxing Company agreed to sell 23 tractors with 200-220 horsepower at a consideration of RMB21.35 million;

“Equipment Procurement Contract IV”	The Equipment Procurement Contract entered into between Changxing Company, a wholly owned subsidiary of the Company, and Intelligent Research Institute Company on 12 July 2023, pursuant to which Intelligent Research Institute Company agreed to purchase and Changxing Company agreed to sell 1 tractor with 320 horsepower and above, 3 tractors with 240-280 horsepower, 2 tractors with 200-220 horsepower, 13 paddy field tractors with horsepower under 120 at a consideration of RMB13.36 million;
“Equipment Procurement Contract V”	The Equipment Procurement Contract entered into between Changxing Company, a wholly owned subsidiary of the Company, and Intelligent Research Institute Company on 12 July 2023, pursuant to which Intelligent Research Institute Company agreed to purchase and Changxing Company agreed to sell 6 large feed harvesters at a consideration of RMB15.60 million;
“Equipment Procurement Contract VI”	The Equipment Procurement Contract entered into between Changxing Company, a wholly owned subsidiary of the Company, and Intelligent Research Institute Company on 12 July 2023, pursuant to which Intelligent Research Institute Company agreed to purchase and Changxing Company agreed to sell 16 seeders and 41 tillage machines at a consideration of RMB6.40 million;
“Group”	the Company and its subsidiaries;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“percentage ratio(s)”	has the same meaning as ascribed to this term under the Listing Rules, as applicable to a transaction;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	the shareholder(s) of the Company;

“Share(s)”	share(s) of RMB1.00 each of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Intelligent Research Institute Company”	Luoyang Intelligent Agricultural Equipment Research Institute Co., Ltd.* (洛陽智能農業裝備研究院有限公司);
“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 is controlled by an enterprise directly administered by State-owned Assets Supervision and Administration Commission of the State Council;
“%”	per cent.

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

Luoyang, the PRC  
12 July 2023

*As at the date of this announcement, the Board comprises Mr. Liu Jiguo (Chairman) as executive Director; Mr. Zhang Zhiyu, Mr. Fang Xianfa and Mr. Zhang Bin as non-executive Directors; and Mr. Edmund Sit, Mr. Wang Shumao and Mr. Xu Liyou as independent non-executive Directors.*

\* *For identification purposes only*