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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)

INDICATIVE ANNOUNCEMENT IN RELATION TO THE CHANGE IN INTERESTS OF THE CONTROLLING SHAREHOLDER

The board of directors of the Company and all of its directors assure that there are no false representations, misleading statements or material omissions in this announcement, and individually and collectively accept the responsibility for the truthfulness, accuracy and completeness of the contents contained herein.

IMPORTANT NOTICE:

- YTO Group Corporation* (中國一拖集團有限公司) (hereinafter referred to as “**YTO**”), the controlling shareholder of First Tractor Company Limited* (hereinafter referred to as the “**Company**” or “**First Tractor**”), proposes to implement equity swap with Luoyang State-owned Assets Operation Company Limited* (洛陽市國資國有資產經營有限公司) (hereinafter referred to as “**Luoyang State-owned Assets Company**”), that is, YTO will repurchase the entire 11.78% equity interest in YTO held by Luoyang State-owned Assets Company by way of capital reduction (YTO will become a wholly-owned subsidiary of China National Machinery Industry Corporation* (中國機械工業集團有限公司) after the completion of capital reduction). At the same time, it will transfer its A-shares of First Tractor to Luoyang State-owned Assets Company through a transfer agreement as the repurchase consideration of capital reduction.

ShineWing Certified Public Accountants (Special General Partnership), an audit company with qualifications for securities and futures-related businesses, and Beijing Tianjian Xingye Asset Appraisal Co., Ltd., an asset appraisal agency, were engaged by YTO to carry out specific audit and value appraisal using 31 January 2023 as the benchmark date. The appraised value of the net assets of YTO was RMB7,373,466,400 on the benchmark date of 31 January 2023. The appraisal result had been filed with China National Machinery Industry Corporation, the state-owned assets supervision and administration authority. Pursuant to which, the transaction consideration for YTO's capital reduction to repurchase the 11.78% equity interest held by Luoyang State-owned Assets Company is RMB868,594,300. The number of A shares of First Tractor proposed to be transferred through agreement is 66,002,606 shares (representing 5.87% of the total share capital of the Company).

- The transfer by agreement does not involve an offer to acquire and will not lead to changes in the controlling shareholders and de facto controllers of the Company.

I. BASIC INFORMATION OF THE CHANGE IN INTERESTS

On 22 December 2023, the Company received a notice from its controlling shareholder YTO that YTO entered into the Agreement on Capital Reduction of YTO Group Corporation* (中國一拖集團有限公司) and the Agreement on Share Transfer of First Tractor Company Limited (hereafter, “**Share Transfer Agreement**”) with its shareholder Luoyang State-owned Assets Company on 22 December 2023, pursuant to which YTO intends to repurchase the entire 11.78% equity interest in YTO held by Luoyang State-owned Assets Company by way of capital reduction and transfer 66,002,606 A shares of First Tractor (representing 5.87% of the total share capital of the Company) (hereinafter referred to as the “**Target Shares**”) held by it to Luoyang State-owned Assets Company through a transfer agreement as the consideration of capital reduction.

Specific changes in the shares of the Company held by YTO and Luoyang State-owned Assets Company before and after the transfer of the Target Shares are set out below:

Name of the Shareholders	Before the transfer of this agreement		After the transfer of this agreement	
	Number of shares held (Shares)	Shareholding (%)	Number of shares held (Shares)	Shareholding (%)
YTO	548,485,853	48.81	482,483,247	42.94
Luoyang State-owned Assets Company	0	0	66,002,606	5.87

The share transfer will not result in changes in the controlling shareholders and de facto controllers of the Company.

II. BASIC INFORMATION OF THE PARTIES TO THE TRANSFER AGREEMENT

(1) Transferor: YTO

Company name: YTO Group Corporation* (中國一拖集團有限公司)

Unified social credit code: 91410000169958054B

Registered address and headquarters office address: No. 154, Jianshe Road, Luoyang, Henan Province

Registered capital: RMB3,106,193,800

Legal representative: Liu Jiguo

Company type: Limited liability company

Scope of operation: General items: manufacturing of tractors; sales of agricultural machinery; manufacturing of agricultural machinery; manufacturing of machinery for construction works; sales of machinery for construction works; manufacturing of general equipment (excluding manufacturing of special equipment); sales of machinery and equipment; manufacturing of electric generators and electric generating sets; sales of electric generators and electric generating sets; sales of special equipment; manufacturing of bicycles; wholesale of bicycles and spare parts; retail of bicycles and spare parts; manufacturing of machinery parts for agriculture, forestry, animal husbandry and fishery; sales of machinery parts for agriculture, forestry, animal husbandry and fishery; manufacturing of auto parts and accessories; wholesale of auto parts; retail of auto parts; processing of mechanical parts and spare parts; sales of mechanical parts and spare parts; manufacturing of general parts; manufacturing of mining machinery; manufacturing moulds; manufacturing of metal forming machine tools; manufacturing of forgings and powder metallurgy products; casting of ferrous metals; manufacturing of machine tool functional components and accessories; leasing of non-residential real estate; housing leasing; car sales; import and export of goods; import and export of technology; overseas contracted projects.

Licensed items: production of road motor vehicles; manufacturing of special equipment; gas operation; road cargo transportation (excluding dangerous goods); road transportation of dangerous goods. (For projects subject to approval according to law, business activities can only be carried out after the approval of the relevant departments. The specific business projects are subject to the approval documents or licenses of the relevant departments).

Shareholding structure:

Name of shareholders	Capital contribution RMB (0,000)	Proportion of Shareholding Interests
China National Machinery Industry Corporation* (中國機械工業集團有限公司)	274,019.44	88.22%
Luoyang State-owned Assets Operation Company Limited* (洛陽市國資國有資產經營有限公司)	36,599.94	11.78%
Total	310,619.38	100.00%

Financial data over the past three years and the latest period:

Unit: RMB0,000

	31 December 2020	31 December 2021	31 December 2022	31 January 2023
Total assets	1,482,271.67	1,420,939.09	1,639,420.56	1,684,564.92
Net assets	482,585.57	452,911.00	500,843.56	512,556.14
	2020	2021	2022	January 2023
Operating revenue	947,233.63	1,065,691.23	1,390,745.62	141,865.05
Net profit	8,678.79	23,439.37	35,244.12	10,519.80

(2) Transferee: Luoyang State-owned Assets Company

Company name: Luoyang State-owned Assets Operation Company Limited* (洛陽市國資國有資產經營有限公司)

Unified social credit code: 91410300739090913J

Registered address and headquarters office address: 9/F, Office Building No. 11, Tianyuan Free Trade Zone, Heluo Road 202, High-tech Zone, Luoyang

Registered capital: RMB1,295,053,400

Legal representative: Zhang Bin

Company type: Limited liability company

Operation Scope: authorized operation of state-owned assets; equity investment, management and operation; project investment; industrial investment; land consolidation services; house leasing; enterprise and asset custody; enterprise management; enterprise financial advisory services.

Shareholding structure: Luoyang Guohong Investment Holdings Group Co., Ltd.* (洛陽國宏投資控股集團有限公司) holds 100% of its shares. The de facto controller is the State-owned Assets Supervision and Administration Commission of Luoyang Municipal People's Government* (洛陽市人民政府國有資產監督管理委員會).

III. MAIN CONTENTS OF THE SHARE TRANSFER AGREEMENT

(1) Subject of the Agreement

Party A: YTO

Party B: Luoyang State-owned Assets Company

(2) Transfer of the Target Shares

In view of the fact that the transaction consideration for Party A to repurchase all the equity interest of Party A held by Party B through capital reduction is RMB868,594,300 (hereinafter referred to as the “**Capital Reduction Consideration**”), Party A will transfer part of its A shares in First Tractor to Party B as a method of payment for the Capital Reduction Consideration for Party A to repurchase all of Party A’s equity interest held by Party B. The number of shares to be transferred by agreement will be the Capital Reduction Consideration divided by the transfer price (if the number of shares transferred is not an integer, the decimals shall be rounded off). Pursuant to which, Party A and Party B confirm that Party A will transfer 66,002,606 outstanding shares in First Tractor, the target company without selling restrictions (representing 5.87% of the total number of shares of First Tractor, hereinafter referred to as the “**Target Shares**”) to Party B, and Party B agrees to the transfer of the Target Shares.

After the transfer of the Target Shares is completed, Party A will hold 482,483,247 shares of First Tractor, with a shareholding ratio of 42.94%; Party B will hold 66,002,606 shares of First Tractor, with a shareholding ratio of 5.87%.

(3) Transfer Price and Payment Method

1. Both parties agreed and confirmed that the transfer price for the transfer by agreement of the Target Shares shall be RMB13.16 per share, representing: (1) not less than the arithmetic average of the daily weighted average share price of First Tractor for the 30 trading days prior to the asset valuation date of YTO; (2) not less than the higher of the arithmetic average of the daily weighted average share price for the 30 trading days immediately preceding the date of this indicative announcement, and the audited net asset per share of First Tractor for the latest accounting year; (3) not less than 90% of the closing price of A share of First Tractor on the business day immediately preceding the signing of the Share Transfer Agreement.
2. In view of the fact that the transfer of Target Shares by agreement is used as a payment method for the Capital Reduction Consideration for Party A to repurchase all equity interest of Party A held by Party B through capital reduction, Party B is not required to pay the share transfer price to Party A. When Party A completes the capital reduction and the industrial and commercial change registration with the competent administration authority for market regulation, Party B's obligation to pay the transfer price of the Target Shares will be completed.
3. In the course of the transaction, all taxes and fees arising from the transfer and transmission of the Target Shares by Party A and Party B shall be borne by each of the parties respectively.

(4) Share Completion

On the date of completion of the registration of the transfer of the Target Shares with China Securities Depository and Clearing Corporation (hereinafter referred to as the "**Share Completion Date**"), Party A shall be deemed to have completed its obligation to transfer the Target Shares. From the Share Completion Date, Party B will become a shareholder of First Tractor, holding the Target Shares, enjoying all the rights and interests corresponding to the Target Shares and assuming the corresponding shareholders' obligations.

(5) Effective Conditions

The Share Transfer Agreement shall be established on the date of signing by both parties and shall take effect on the date on which all of the following conditions are fulfilled:

- (1) The board of directors and shareholders of Party A having considered and approved the Share Transfer Agreement;
- (2) The board of directors of Party B and other authorised decision-making bodies having considered and approved the Share Transfer Agreement; and
- (3) Approval having been obtained from the State-owned Assets Supervision and Administration Commission of the State Council in respect of the transfer of the Target Shares under the share transfer.

IV. SUBSEQUENT MATTERS INVOLVED

- (I) There was no change in the controlling shareholders and de facto controllers of the Company following the transfer of interests.
- (II) In accordance with the requirements of the Securities Law, Administrative Measures for Takeovers of Listed Companies, Guideline No. 15 on the Content and Format of Information Disclosure by Companies Issuing Public Securities – Report on Changes in Equity, and other laws and regulations and normative documents, YTO and Luoyang State-owned Assets Company, the relevant information disclosure obligors, have fulfilled their information disclosure obligations in respect of the share transfer by disclosing the Report on Changes in Equity in Simplified Form of First Tractor Company Limited respectively.

(III) Matters concerning the Share Transfer Agreement is subject to the approval of the State-owned Assets Supervision and Administration Commission of the State Council and confirmation of the compliance review by the Shanghai Stock Exchange before the transfer procedures can be completed at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited. There is uncertainty as to its final completion. The Company will closely monitor the progress and perform its information disclosure obligations in due course. Investors are advised to pay attention to investment risks.

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

Luoyang, the PRC
22 December 2023

As at the date of this announcement, the Board comprises Mr. Liu Jiguo (Chairman) and Mr. Wei Tao as executive Directors; 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*