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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 – FINANCIAL SERVICES AGREEMENT**

**Independent Financial Adviser to the Independent Board Committee  
and Independent Shareholders**



**Gram Capital Limited**  
**嘉林資本有限公司**

### **BACKGROUND**

Reference is made to the announcement of the Company dated 29 March 2022 in relation to, among other things, the Existing Financial Services Agreement.

The Existing Financial Services Agreement will expire on 31 December 2024. Based on the operational and financial management needs of the Group, and on the premise of ensuring the safety of the funds and stable returns of the Group, while taking into account the previous business transactions between the parties, on 15 November 2024, the Company entered into the Financial Services Agreement for a term of three years commencing from 1 January 2025 to 31 December 2027 (both days inclusive).

## **HONG KONG LISTING RULES IMPLICATIONS**

As at the date of this announcement, YTO is the controlling shareholder of the Company, holding approximately 548,485,853 A Shares, representing approximately 48.81% equity interest in the Company. YTO is in turn held as to approximately 88.22% by Sinomach. Sinomach Finance is a non wholly-owned subsidiary of Sinomach. Pursuant to the Hong Kong Listing Rules, each of YTO, Sinomach and Sinomach Finance is a connected person of the Company. Accordingly, the transactions contemplated under the Financial Services Agreement entered into by the Company with Sinomach Finance constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

The continuing connected transactions in respect of the provision of loans under the Financial Services Agreement will not be secured by any assets of the Group and are fully exempted from the annual reporting, announcement, and Independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Hong Kong Listing Rules.

As all the applicable percentage ratios in respect of the annual caps for the provision of other financial services under the Financial Services Agreement are less than 0.1%, the transactions contemplated thereunder are exempt from the annual reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios in respect of the annual caps for the deposit services under the Financial Services Agreement are more than 5%, the transactions contemplated thereunder constitute continuing connected transactions of the Company and are subject to the annual reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

## **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 the Financial Services Agreement are subject to the Independent Shareholders' approval at the EGM.

## **GENERAL**

The Abstained Directors are considered to have interests in the Financial Services Agreement and the transactions contemplated thereunder as Mr. Li Xiaoyu is the deputy general manager of Sinomach and all Abstained Directors are directors of YTO. Accordingly, the Abstained Directors abstained from voting on the Board resolutions in respect of the Financial Services Agreement and the relevant annual caps. Save for the Abstained Directors, no other Director had a material interest in the Financial Services Agreement and the transactions contemplated thereunder.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the transactions contemplated under the Financial Services Agreement and the relevant annual caps. As YTO is a connected person of the Company, YTO and its associates will abstain from voting on the resolution to approve the transactions contemplated under the Financial Services Agreement and the relevant annual caps at the EGM.

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 transactions for the deposit services contemplated under the Financial Services Agreement. 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 transactions for the deposit services as contemplated under the Financial Services Agreement 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 Rule 14A.46(1) of the Hong Kong Listing Rules and the requirements under the Company Law of the PRC, a circular containing, among other things, details of the Financial Services Agreement and the transactions thereunder, a letter from the Independent Board Committee and a letter from Gram Capital will be published by the Company on or before 16 December 2024.

## **BACKGROUND**

Reference is made to the announcement of the Company dated 29 March 2022 in relation to, among other things, the Existing Financial Services Agreement.

The Existing Financial Services Agreement will expire on 31 December 2024. Based on the operational and financial management needs of the Group, and on the premise of ensuring the safety of the funds and stable returns of the Group, while taking into account the previous business transactions between the parties, on 15 November 2024, the Company entered into the Financial Services Agreement for a term of three years commencing from 1 January 2025 to 31 December 2027 (both days inclusive).

## **FINANCIAL SERVICES AGREEMENT**

Details of the major terms of the Financial Services Agreement are as follows:

- Date** : 15 November 2024
- Parties** : the Company (on behalf of the Group); and  
Sinomach Finance
- Services to be provided** : Sinomach Finance will provide, and the Group will utilise, the financial services provided by Sinomach Finance on a non-exclusive basis, including:
- (a) deposit services, including but not limited to demand deposit, agreement deposit, call deposit and time deposit in both domestic and foreign currency;
  - (b) provision of loans, including but not limited to working capital loans, fixed assets loan, buyer's credit, bill acceptance and discounting, and non-financing guarantees; and
  - (c) provision of other financial services, including but not limited to domestic and foreign currency settlement and management services, entrusted loans, financial and financing advisory, credit verification and related consultation, agency services, and other businesses approved by the NFRA.

**Term** : From 1 January 2025 to 31 December 2027

**Fees and charges** : *Deposit services*

The interest rate for the deposit shall be determined within the benchmark interest rate and floating rate range as published by the PBOC for the same type of deposit with the same term, provided that such rate shall be no less than the interest rate for the same kind of deposit with the same type and term offered by major independent commercial banks in the area during the same period and no less than the interest rate for the same kind of deposits with the same type and term provided by Sinomach Finance to other member companies with the same credit level, whichever is higher.

#### ***Provision of loans***

The interest rate for the loans shall be determined according to the relevant requirements for the Pricing Self-Regulatory Mechanism for Market Interest Rates (市場利率定價自律機制) and based on the loan prime rate, provided that such rate shall not exceed the interest rate for the same kind of loans with the same term offered by major independent commercial banks in the area and shall not exceed the interest rate for the same kind of loans with the same term provided by Sinomach Finance to other member companies with the same credit level, whichever is lower.

#### ***Provision of other financial services***

No service fees shall be charged in respect of the settlement services.

The service fees for other financial services shall comply with the fees standard promulgated by the PBOC or the NFRA for the applicable kind of service and shall not exceed the fees standard for the same kind of service offered by major independent commercial banks in the area during the same period and shall not exceed the fees standard for the same kind of service provided by Sinomach Finance to other member companies with the same credit level, whichever is lower.

**Non-exclusivity** : The cooperation between the Group and Sinomach Finance is non-exclusive, and the Group has the right to decide whether it needs and accepts the services provided by Sinomach Finance, and the right to independently choose the services provided by other financial institutions, taking into account its own interests and based on the principle of maximising the interests of shareholders.

***Historical Figures and the Proposed Annual Caps for the Transactions under the Financial Services Agreement***

The following table sets out the historical transaction amounts for each of the years ended 31 December 2022 and 2023, and for the six months ended 30 June 2024, the annual caps for each of the three years ending 31 December 2024, and the proposed annual caps for each of the three years ending 31 December 2027 under the Financial Services Agreement:

*Unit: RMB0'000*

	Historical transaction amounts			Annual caps		
	For the year ended		For the	For the year ended/ending		
	31 December	2023	six months	31 December	2023	2024
	2022	2023	ended	2022	2023	2024
			30 June			
			2024			
Maximum daily balance of deposits (including accrued interest thereon) placed by the Group with Sinomach Finance	199,750	199,962	197,827	200,000	200,000	200,000
Credit facility (including accrued interest thereon) granted by Sinomach Finance to the Group	198,001	219,327	197,633	240,000	240,000	240,000
Maximum fees and charges paid by the Group to Sinomach Finance for the other financial services	103	168	97	1,000	1,000	1,000

	<b>Proposed annual caps</b>		
	<b>For the year ending 31 December</b>		
	<b>2025</b>	<b>2026</b>	<b>2027</b>
Maximum daily balance of deposits (including accrued interest thereon) placed by the Group with Sinomach Finance	250,000	250,000	250,000
Credit facility (including accrued interest thereon) granted by Sinomach Finance to the Group	300,000	300,000	300,000
Maximum fees and charges paid by the Group to Sinomach Finance for the other financial services	1,000	1,000	1,000

***Basis for the Proposed Annual Caps under the Financial Services Agreement***

The proposed annual caps for each of the three years ending 31 December 2027 for the Financial Services Agreement are determined with reference to the following factors:

- (1) the historical transaction amounts and the utilisation rate of the annual caps for deposit services and provision of loans between the Group and Sinomach Finance as at 31 December 2022, 31 December 2023 and 30 June 2024 amounted to approximately 100%;
- (2) for the annual caps for the deposit services, taking into account the future business development and the expected increase in cash flow and capital size of the Group, it is expected that the demand for deposit services of the Group will increase; and
- (3) for provision of loans, taking into account the future operation and development plan and capital needs of the Group.

**CONDITION PRECEDENT**

The Financial Services Agreement shall be subject to the approvals by the respective board of directors of the parties, and the shareholders of Sinomach Finance and the Independent Shareholders of the Company, including but not limited to such approvals as required under the applicable Hong Kong Listing Rules and Shanghai Listing Rules.

## **INTERNAL CONTROL MEASURES**

To ensure that the continuing connected transactions are conducted in compliance with the pricing terms agreed in the Financial Services Agreement and do not exceed the proposed annual caps, the Group has formulated the following internal control measures:

- (1) before the Group and Sinomach Finance enter into transactions under the Financial Services Agreement, the Group will make reference to the pricing terms of at least three independent financial institutions in relation to the similar services with the same term. The Group will compare the abovementioned pricing terms with the pricing terms provided by Sinomach Finance and determine whether to accept the pricing terms provided by Sinomach Finance;
- (2) the finance department of the Company will review and approve the deposit services, loan services and other financial services provided by Sinomach Finance to ensure that business cooperation is carried out in accordance with the provisions of the Financial Services Agreement, that the main terms are consistent with normal commercial terms, and that the interest rates or fees are implemented in accordance with the pricing policy set out in the Financial Services Agreement;
- (3) the finance department of the Company will quarterly monitor the Company's deposit and loan balances with Sinomach Finance to ensure that they do not exceed the annual caps;
- (4) the external auditors of the Company will regularly monitor, collect and evaluate data on continuing connected transactions under the Financial Services Agreement, and express opinions on whether the transactions under the Financial Services Agreement are conducted in accordance with the terms of the Financial Services Agreement; and
- (5) the independent non-executive Directors and the auditors of the Company will conduct annual review on the transactions for deposit services under the Financial Services Agreement with report by the auditors to the audit committee of the Board and the independent non-executive Directors in accordance with the Hong Kong Listing Rules;



- (6) Sinomach Finance will regularly provide its financial statements for the Company's review, and the Company will issue an ongoing risk assessment report on a semi-annual basis to assess the business and financial risks of Sinomach Finance; and
- (7) the 36th Meeting of the Eighth Session of the Board considered and approved the "Risk Management Plan regarding carrying out financial business with Sinomach Finance Co., Ltd.", which effectively safeguard the liquidity and security of deposit of the Group with Sinomach.

The Directors are of the view that the above internal control measures can ensure that the transactions under the Financial Services Agreement will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and the Shareholders as a whole.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCIAL SERVICES AGREEMENT**

Sinomach Finance, as a legally established and surviving non-bank financial institution approved by the former China Banking and Insurance Regulatory Commission (CBIRC), has the qualifications to provide financial services to the members of the Group, with safe and sound operation and strong performance capability. Sinomach Finance, as the settlement platform of the Group, is familiar with the business of the Company and is able to quickly respond to the capital needs of the Group and ensure the smooth cooperation, and as a result, facilitates the fund transfer within the Group. The provision of financial services by Sinomach Finance to the Company is conducive to the Company's effective capital management, the expansion of the Company's financing channels, improvement of the speed of settlement and turnover of funds, enhancement of the efficiency of the use of funds, and the sustained and benign development of the Company.

Sinomach Finance has legal and valid documents and information such as financial permit and business licence, and has established a relatively complete and reasonable internal control system, which can better control risks. The risks of the financial business such as related deposit and loan between the Company and Sinomach Finance are controllable.

Accordingly, the Directors (excluding the Abstained Directors) are of the view that (i) the continuing connected transactions contemplated under the Financial Services Agreement 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 Financial Services Agreement are on normal commercial terms and on terms not less favourable than those of similar transactions with independent third parties and are fair and reasonable; and (iii) the proposed annual caps of the transactions contemplated under the Financial Services Agreement for the three years ending 31 December 2027 are fair and reasonable.

## **INFORMATION OF THE PARTIES**

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.

Sinomach Finance is a non-banking financial institution established in 2003 approved by the former China Banking and Insurance Regulatory Commission (CBIRC). Sinomach Finance is a non wholly-owned subsidiary of Sinomach, which is in turn held as to 100% by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. 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, settlement services, provision of guarantee, entrusted loan, handling bills acceptance and discounting, and other financial services that may be approved by the NFRA, to members of Sinomach Group. Sinomach Finance maintains a sound operational performance. As at 30 June 2024, all regulatory indicators of Sinomach Finance meet compliance requirements. Sinomach Finance has well-established management systems, effective risk management and sound performance ability, and has not been listed as a dishonest person subject to enforcement.

## **LISTING RULES IMPLICATIONS**

### **Connected Persons**

As at the date of this announcement, YTO is the controlling shareholder of the Company, holding approximately 548,485,853 A Shares, representing approximately 48.81% equity interest in the Company. YTO is in turn held as to approximately 88.22% by Sinomach. Sinomach Finance is a non wholly-owned subsidiary of Sinomach. Pursuant to the Hong Kong Listing Rules, each of YTO, Sinomach and Sinomach Finance is a connected person of the Company.

Accordingly, the transactions contemplated under the Financial Services Agreement entered into by the Company with Sinomach Finance constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

### **Hong Kong Listing Rules Implications**

The continuing connected transactions in respect of the provision of loans under the Financial Services Agreement will not be secured by any assets of the Group and are fully exempted from the annual reporting, announcement, and Independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Hong Kong Listing Rules.

As all the applicable percentage ratios in respect of the annual caps for the provision of other financial services under the Financial Services Agreement are less than 0.1%, the transactions contemplated thereunder are exempt from the annual reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios in respect of the annual caps for the deposit services under the Financial Services Agreement are more than 5%, the transactions contemplated thereunder constitute continuing connected transactions of the Company and are subject to the annual reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

### **Shanghai Listing Rules Implications**

As the A Shares 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 the Financial Services Agreement are subject to the Independent Shareholders' approval at the EGM.

## GENERAL

The Abstained Directors are considered to have interests in the Financial Services Agreement and the transactions contemplated thereunder as Mr. Li Xiaoyu is the deputy general manager of Sinomach and all Abstained Directors are directors of YTO. Accordingly, the Abstained Directors abstained from voting on the Board resolutions in respect of the Financial Services Agreement and the relevant annual caps. Save for the Abstained Directors, no other Director had a material interest in the Financial Services Agreement and the transactions contemplated thereunder.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the transactions contemplated under the Financial Services Agreement and the relevant annual caps. As YTO is a connected person of the Company, YTO and its associates will abstain from voting on the resolutions to approve the transactions contemplated under the Financial Services Agreement and the relevant annual caps at the EGM.

If the Company fails to obtain the approval of the Shareholders or Independent Shareholders for the Financial Services Agreement at the EGM, the Company and Sinomach Finance agreed that, subject to full compliance with the applicable laws, regulations, the Hong Kong Listing Rules and the Shanghai Listing Rules, Sinomach Finance could provide loans to the Group (including but not limited to working capital loans, fixed assets loan, buyer's credit, bill acceptance and discounting and non-financing guarantees) and the parties will enter into separate agreements.

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 transactions for the deposit services contemplated under the Financial Services Agreement. 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 transactions for the deposit services as contemplated under the Financial Services Agreement 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 Rule 14A.46(1) of the Hong Kong Listing Rules and the requirements under the Company Law of the PRC, a circular containing, among other things, details of the Financial Services Agreement and transactions thereunder, a letter from the Independent Board Committee and a letter from Gram Capital will be published by the Company on or before 16 December 2024.

## DEFINITIONS

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

“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
“Abstained Directors”	Mr. Li Xiaoyu, Mr. Fang Xianfa, Mr. Yang Jianhui and Mr. Miao Yu, who abstained from voting on the Board resolutions in respect of the Financial Services Agreement and the relevant annual caps
“annual cap(s)”	the maximum aggregate annual value(s) in respect of the transactions contemplated under the Financial Services Agreement for each of the three years ending 31 December 2027
“associate(s)”	has the same meaning ascribed to it under the Hong Kong Listing Rules
“Board”	the board of Directors
“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 ascribed to this term under the Hong Kong Listing Rules
“controlling shareholder”	has the same meaning ascribed to it under the Hong Kong Listing Rules

“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider, among other things, and, if thought fit, approve the Financial Services Agreement and the respective proposed annual caps
“Existing Financial Services Agreement”	the financial services framework agreement dated 29 March 2022 entered into between the Company and Sinomach Finance, details of which are set out in announcement of the Company 29 March 2022
“Financial Services Agreement”	the framework agreement dated 15 November 2024 entered into between the Company and Sinomach Finance in relation to the provision of deposit, loans and other financial services
“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, 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 all the independent non-executive Directors, namely Mr. Edmund Sit, Mr. Wang Shumao and Mr. Xu Liyou

“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 transactions for the deposit services contemplated under the Financial Services Agreement and the relevant annual caps
“Independent Shareholder(s)”	Shareholder(s) other than YTO and its associate(s)
“NFRA”	National Financial Regulatory Administration
“PBOC”	the People’s Bank of China
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“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
“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 holding approximately 88.22% equity interest in YTO as at the date of this announcement

“Sinomach Finance”	Sinomach Finance Co., Ltd.* (國機財務有限責任公司), a company established in the PRC and approved by the former China Banking and Insurance Regulatory Commission as a non-bank financial institution and a non wholly-owned subsidiary of Sinomach
“Sinomach Group”	Sinomach and its subsidiaries
“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 as at the date of this announcement
“%”	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  
15 November 2024

*As at the date of this announcement, the Board comprises Mr. Li Xiaoyu and Mr. Wei Tao as executive Directors; Mr. Fang Xianfa, Mr. Yang Jianhui and Mr. Miao Yu as non-executive Directors; and Mr. Edmund Sit, Mr. Wang Shumao and Mr. Xu Liyou as independent non-executive Directors.*

\* *For identification purposes only*