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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)

REVISION OF EXISTING ANNUAL CAP OF CONTINUING CONNECTED TRANSACTIONS FOR 2026 UNDER THE RESEARCH AND DEVELOPMENT SERVICES AGREEMENT

In light of the market trends towards larger-scale, intelligent, and green development, and with a view to accelerating the research, development and product launch of high-end agricultural machinery equipment including tractor power shift and continuously variable transmission, and enhancing the Company's core competitiveness and high-end market layout, the Board has reviewed and evaluated the existing continuing connected transactions under the Research and Development Services Agreement and intends to increase the annual cap under the Research and Development Services Agreement. Save for the said revision of the above annual cap, all other terms of the Research and Development Services Agreement remain unchanged.

As at the date of this announcement, YTO beneficially owns approximately 48.81% of the issued share capital of the Company and is the controlling shareholder of the Company. Accordingly, the Research and Development Services Agreement entered into between the Company and YTO and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the percentage ratios calculated with reference to the revised annual cap are more than 0.1% but all of such ratios are less than 5%, the transactions contemplated under the Research and Development Services Agreement (including the revised annual cap) are subject to reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules, but exempt from the independent shareholders' approval requirement.

I. BACKGROUND

Reference is made to the announcement of the Company dated 29 October 2024, in relation to, among other things, the Research and Development Services Agreement entered into between YTO and the Company.

In light of the market trends towards larger-scale, intelligent, and green development, and with a view to accelerating the research, development and product launch of high-end agricultural machinery equipment including tractor power shift and continuously variable transmission, and enhancing the Company's core competitiveness and high-end market layout, the Board has reviewed and evaluated the existing continuing connected transactions under the Research and Development Services Agreement and intends to increase the annual cap under the Research and Development Services Agreement. Save for the said revision of the above annual cap, all other terms of the Research and Development Services Agreement remain unchanged.

II. RESEARCH AND DEVELOPMENT SERVICES AGREEMENT

Major Terms of the Research and Development Services Agreement

Details of the major terms of the Research and Development Services Agreement are as follows:

Date	:	29 October 2024
Parties	:	The Company (on behalf of the Group), as purchaser; and YTO (on behalf of YTO Group and connected subsidiaries of the Company), as supplier
Services to be provided	:	Provision of technical research and development, technical consultation, technical services and enterprise product technical inspection and testing, patent and standardisation technical support services by the supplier to the Group in relation to tractors and other agricultural machinery and diesel engines and other power machinery-related products
Term	:	From 1 January 2025 to 31 December 2027
Payment terms	:	Payment terms will be agreed in specific contract based on the actual situation of the transaction

Pricing Standards of the Transactions contemplated under the Research and Development Services Agreement

Under the Research and Development Services Agreement, the service fees will be determined based on the following:

(1) the transaction price of the same service between the supplier and independent third parties;

(2) the price which consists of the reasonable cost of services provided by the supplier plus gross profit of comparable non-related transactions; or

(3) in the event that the above prices are not available or not applicable, the price shall be determined after arm's length negotiation between the parties.

YTO undertakes that the service fee offered to the Group shall not be higher than that offered to independent third party customers for the same services.

When determining the service fee under the Research and Development Services Agreement, the Company will adopt the following assessment methods:

(1) in relation to pricing standard no. (1) based on transaction price of the same service between the supplier and independent third parties, the finance department of the Company will obtain and make reference to one to two signed agreement(s) entered into between the supplier and an independent third party in relation to the supply of the same or similar services, to assess whether the transaction price under the Research and Development Services Agreement is fair and reasonable and not higher than the price of the same or similar service offered by the supplier to independent third party;

(2) in relation to pricing standard no. (2) based on reasonable cost of services plus gross profit of non-related transactions, the finance department of the Company will obtain the cost analysis of services (including cost breakdown and gross profit margin) from the supplier and one to two signed agreement(s) for the comparable non-related transactions to determine the price; and

(3) in relation to pricing standard no. (3) based on arm's length negotiation, the finance department of the Company will obtain cost analysis of services from the supplier to determine the price. The finance department of the Company will also perform quarterly update and review to assess the gross profit margin of the historical transactions of the Group and the average gross profit margin of listed companies engaged in the related industry.

Historical Figures and the Proposed Annual Caps for the Transactions under the Research and Development Services Agreement

The following table sets out the historical transaction amounts for the three months ended 31 March 2026, and the existing annual caps for each of the years ending 31 December 2025, 2026 and 2027 for the continuing connected transactions under the Research and Development Services Agreement:

For the three months ended 31 March 2026 Historical amount *(RMB0'000)*	**For the year ended 31 December 2025 Existing annual cap** *(RMB0'000)*	**For the year ending 31 December 2026 Existing annual cap** *(RMB0'000)*	**For the year ending 31 December 2027 Existing annual cap** *(RMB0'000)*
2,808.50	22,000	22,500	23,000

The Company proposes to revise the annual cap for the year ending 31 December 2026 for the continuing connected transactions under the Research and Development Services Agreement to RMB270 million.

Reasons and Basis for the Revision of the Annual Cap for the Transactions for 2026 under the Research and Development Services Agreement

In light of the market trends towards larger-scale, intelligent, and green development, the Company has continued to increase its investment in research and development. Over the past three years, the Company's research and development expenses amounted to RMB461 million, RMB516 million, and RMB549 million, respectively. In 2026, to accelerate the research and development, and commercialization of high-end agricultural machinery equipment, and to continuously enhance product competitiveness and its presence in the high-end market, the Company will further increase its research and development efforts in high-end intelligent agricultural machinery products, including power shift, hybrid power, and continuously variable transmission. It is expected that the total research and development service fees payable to related parties will increase accordingly. Accordingly, the Board has reviewed and evaluated the existing continuing connected transactions under the Research and Development Services Agreement, and intends to increase the annual cap for 2026 under the Research and Development Services Agreement by RMB45 million. Save for the said revision to the above annual cap, all other terms of the Research and Development Services Agreement remain unchanged.

III. INTERNAL CONTROL MEASURES

In order to ensure that the continuing connected transactions are in compliance with the pricing terms agreed in the Research and Development Services Agreement and do not exceed the proposed annual caps, the Group 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:

(1) the Company has formulated and strictly implemented the "Connected Transaction Decision-making and Daily Management System". The Board has approved the connected transactions and agreements in accordance with the decision-making procedures for connected transactions, and the independent non-executive Directors have performed their duties conscientiously and expressed their concurring opinions on the connected transactions;

(2) the relevant business units, the office of the Board and the finance department of the Company have reviewed the terms of the Research and Development Services Agreement, in particular the reasonableness and fairness of the terms of the connected transactions (in particular the pricing terms). Each business unit will, when conducting specific business, engage the finance department and relevant departments to review and monitor the prices and relevant terms proposed for various transactions between the Company and independent third parties and connected parties by participating in the contract review process;

(3) the office of the Board and the finance department of the Company will regularly compile and review statistics on the proportion of the actual amount of each connected transaction agreement to the approved annual cap and the projected situation for the year, and will promptly remind the business units to pay attention to the utilisation of the annual caps. If there is a need to increase the annual caps due to actual business development, the corresponding approval procedures shall be carried out in accordance with the regulations before implementation, so as to ensure that the connected transactions are carried out in a compliant manner; and

(4) the Company's internal audit department and external auditing organisations regularly monitor and evaluate whether the connected transactions conducted by the Company are in compliance with the Company's internal control requirements.

The Directors are of the view that the above internal control measures can ensure that the transactions under the Research and Development 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.

IV. THE IMPACT OF REVISING THE ANNUAL CAP ON THE COMPANY

The Board believes that the proposed revised annual cap amount represents a prudent estimate that is reasonable and based on normal commercial terms, and is in the interests of the Company and the Shareholders as a whole. Such connected transactions will help continuously enhance the Company's core competitiveness and high-end market positioning, which are expected to have a positive impact on the Group's development.

In addition, such transactions will be conducted on a fair and reasonable basis and in compliance with the Company's established internal control and approval procedures. They will not have any material adverse impact on the Company's financial position or operating results, nor will they affect the independence of the Company.

V. INFORMATION OF THE PARTIES TO THE TRANSACTIONS

The Group is principally engaged in the production and sales of agricultural machineries and power machineries. The principal products include tractors of high-powered, mid-powered and low-powered, diesel engines and other accessories of tractors.

As at the date of this announcement, YTO beneficially owns approximately 48.81% equity interest in the Company and is the controlling shareholder of the Company, and is principally engaged in the production and sales of harvesting machineries, agricultural implements, transporting machineries, vehicles products, industrial equipment and components.

As at the date of this announcement, Sinomach owns 88.22% interests of YTO, and Luoyang Industrial Holding Group Company Limited owns 11.78% interests of YTO. The ultimate beneficial owner of YTO is Sinomach. Sinomach Group 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.

VI. LISTING RULES IMPLICATIONS

YTO is the controlling shareholder of the Company. As the Company and YTO are the parties to the Research and Development Services Agreement, the transactions contemplated under the Research and Development Services Agreement (hereinafter referred to as "**Research and Development Transactions**") constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Based on the revised annual cap, as the applicable percentage ratios exceed 0.1% but are less than 5%, the Research and Development Transactions are subject to the reporting and announcement requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

VII. BOARD'S APPROVAL

The resolution on increasing the annual cap of the continuing connected transactions for 2026 under the Research and Development Services Agreement was considered and approved by the Board at a Board meeting held on 28 April 2026. Mr. Zhao Weilin, Mr. Wei Tao, Mr. Fang Xianfa, Mr. Yang Jianhui and Mr. Sun Feng, the Directors, were deemed to have interests in the Research and Development Services Agreement as well as the transactions thereunder as they are currently also directors of YTO and therefore have abstained from voting on the relevant resolution at the Board meeting.

The revision of the annual cap of the continuing connected transactions for 2026 under the Research and Development Services Agreement was determined after arm's length negotiations between the parties thereto. The Directors (including the independent non-executive Directors) consider that the revision of the annual cap of the continuing connected transactions for 2026 under the Research and Development Services Agreement is made on normal commercial terms in the ordinary and usual course of business of the Group, and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

DEFINITIONS

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

"30%-controlled company(ies)"	has the same meaning ascribed to it under the Listing Rules
"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) in respect of the transactions contemplated under the Research and Development Services Agreement for each of the three years ending 31 December 2027
"associate(s)"	has the same meaning ascribed to it under the 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 Listing Rules
"connected subsidiary(ies)"	has the same meaning ascribed to it under the Listing Rules
"controlling shareholder(s)"	has the same meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company

"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
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"PRC"	The People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"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 Group"	(i) Sinomach; (ii) subsidiaries of Sinomach; and (iii) 30%-controlled companies of Sinomach and their subsidiaries other than YTO Group and the Group
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Research and Development Services Agreement"	the framework agreement dated 29 October 2024 entered into between the Company and YTO in relation to provision of technology research and development, technology consultation, technology services and other technological services

"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
"YTO Group"	(i) YTO; (ii) subsidiaries of YTO; and (iii) 30%-controlled companies of YTO and their subsidiaries, other than the Group
"%"	per cent.

By Order of the Board
FIRST TRACTOR COMPANY LIMITED*
Liu Bin
Joint Company Secretary

Luoyang, the PRC
28 April 2026

As at the date of this announcement, the Board comprises Mr. Zhao Weilin (Chairman) and Mr. Wei Tao as executive Directors; Mr. Fang Xianfa, Mr. Yang Jianhui and Mr. Sun Feng as non-executive Directors; and Mr. Wang Shumao, Mr. Xu Liyou and Ms. Wong Yee Man as independent non-executive Directors; and Mr. Li Peng as employee representative Director.

* *For identification purposes only*