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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: 00038)

CONTINUING CONNECTED TRANSACTIONS FACTORING BUSINESS AGREEMENT

On 25 August 2026, YTO International, a wholly-owned subsidiary of the Company, entered into the Factoring Business Agreement with Sinomach Factoring, pursuant to which Sinomach Factoring agreed to provide factoring services to YTO International with respect to certain accounts receivable arising from YTO International's sale of goods to Sinomach Group.

LISTING RULES IMPLICATIONS

As at the date of this announcement, YTO International is a wholly-owned subsidiary of the Company. Sinomach is the de facto controller of the Company. Sinomach Factoring is a wholly-owned subsidiary of Sinomach Capital Holdings Co., Ltd., which is in turn a controlled subsidiary of Sinomach. Therefore, Sinomach Factoring is a connected person of the Company and the transactions contemplated under the Factoring Business Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As one or more applicable percentage ratios in respect of the annual cap under the Factoring Business Agreement are more than 0.1% but less than 5%, the transactions contemplated under the Factoring Business Agreement 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

On 25 August 2026, YTO International, a wholly-owned subsidiary of the Company, entered into the Factoring Business Agreement with Sinomach Factoring, pursuant to which Sinomach Factoring agreed to provide factoring services to YTO International with respect to certain accounts receivable arising from YTO International's sale of goods to Sinomach Group.

THE FACTORING BUSINESS AGREEMENT

Details of the major terms of the Factoring Business Agreement are as follows:

- Date : 25 August 2026
- Parties : (i) YTO International, as the recipient of the factoring services; and
- (ii) Sinomach Factoring, as the provider of the factoring services.
- Subject matter : Sinomach Factoring agreed to provide factoring services to YTO International with respect to certain accounts receivable arising from YTO International's sale of goods to Sinomach Group.
- Fees and services charges : No service fees shall be charged in respect of the factoring services.

The financing interest shall be borne by the Debtors. The specific amount to be borne by the Debtors shall be set out in a separate interest payment agreement to be entered into among Sinomach Factoring and the Debtors.

Term : From the date of signing of the Factoring Business Agreement to 31 December 2026.

The parties to the Factoring Business Agreement may enter into separate execution contracts for each of the specific transactions contemplated under the Factoring Business Agreement. Any such execution contracts will not exceed the scope of the Factoring Business Agreement and annual cap thereunder. The term of each specific factoring services transaction shall be as stipulated in the relevant individual factoring business agreement.

ANNUAL CAP AND BASIS OF DETERMINATION

During the term of the Factoring Business Agreement, the annual cap for the provision of factoring services by Sinomach Factoring (i.e. the maximum amounts of receivables to be purchased by Sinomach Factoring) under the Factoring Business Agreement for the year ending 31 December 2026 is RMB25 million.

As at the date of this announcement, YTO International has not conducted any factoring services transactions with Sinomach Factoring in the past.

In recent years, the Company cooperated closely with the members of the Sinomach Group, leveraging their overseas resources to support the Company's export sales growth. The annual cap under the Factoring Business Agreement has been determined by YTO International's measurement based on the estimated sales volume and receivables amounts of certain members of Sinomach Group for 2026.

REASONS FOR AND BENEFIT OF ENTERING INTO THE FACTORING BUSINESS AGREEMENT

Over the past two years, the Company has been actively expanding its overseas distribution channels and advancing its international business development by leveraging the overseas resources of the fellow subsidiaries of the Sinomach Group through coordinated efforts. To meet business development needs, facilitate more flexible settlement arrangements and shorten the receivables collection cycle, YTO International, a wholly-owned subsidiary of the Company, proposed to enter into a factoring agreement with Sinomach Factoring.

The Board considers that the implementation of the continuing connected transaction shall provide a flexible settlement method for cooperation between the parties, facilitating the development of the Company's export business. Meanwhile, it accelerates the recovery of accounts receivables of the Company, optimises capital turnover, and enhances asset liquidity.

The principal terms of the Factoring Business Agreement have been determined on normal commercial terms, which are in the interests of the Company as a whole and will not affect the business independence of the Company.

BOARD'S APPROVAL

At the seventh meeting of the tenth session of the Board held on 25 August 2026, a resolution in respect of the Factoring Business Agreement was considered and approved. Save for Mr. Zhao Weilin, Mr. Wei Tao, Mr. Yang Jianhui, Mr. Fang Xianfa and Mr. Sun Feng, who are considered to be interested in the Factoring Business Agreement, none of the Directors has a material interest in the transactions contemplated under the Factoring Business Agreement or was required to abstain from voting on the resolution for considering and approving the Factoring Business Agreement and the annual cap. The Directors (including all of the independent non-executive Directors) are of the view that the Factoring Business Agreement and its annual cap are conducted on normal commercial terms, were entered into in the ordinary and usual course of business of the Group, and the terms of the Factoring Business Agreement and the annual cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL MEASURES

To safeguard the interests of the Shareholders as a whole, including the minority Shareholders, the Group has formulated internal control measures, which are implemented and supervised by the finance department, office of the Boards, and the audit and legal department of the Company:

- (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 Factoring Business Agreement, in particular the reasonableness and fairness of the pricing terms;
- (3) the office of the Board and the finance department of the Company will compile and review statistics on the proportion of the actual amount of each connected transaction agreement regularly 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 cap. If there is a need to increase the annual cap 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 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 Factoring Business 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.

INFORMATION ABOUT THE PARTIES

The Group

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

Sinomach Factoring

Sinomach Factoring, with a registered capital of RMB500 million, is mainly engaged in factoring financing and related services, including sales ledger management, receivables collection, non-commercial bad debt guarantee, credit investigation and assessment, and factoring consulting.

Sinomach Factoring is a wholly-owned subsidiary of Sinomach Capital Holdings Co., Ltd. As at the date of this announcement, Sinomach is the single largest shareholder of Sinomach Capital Holdings Co., Ltd., holding approximately 70.25% equity interests in Sinomach Capital Holdings Co., Ltd. Sinomach is principally engaged in the research and development and manufacturing of machinery equipment, heavy machineries, 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 is held as to 100% by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

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% of the total issued Shares of the Company. YTO is in turn held as to approximately 88.22% by Sinomach. Sinomach Factoring is a wholly-owned subsidiary of Sinomach Capital Holdings Co., Ltd., which is a controlled subsidiary of Sinomach Group. Therefore, Sinomach Factoring is a connected person of the Company.

YTO International

YTO International, with a registered capital of RMB346 million, is mainly engaged in international sales of agricultural machinery. It is a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, YTO International is a wholly-owned subsidiary of the Company. Sinomach is the de facto controller of the Company. Sinomach Factoring is a wholly-owned subsidiary of Sinomach Capital Holdings Co., Ltd., which is in turn a controlled subsidiary of Sinomach. Therefore, Sinomach Factoring is a connected person of the Company and the transactions contemplated under the Factoring Business Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As one or more applicable percentage ratios in respect of the annual cap under the Factoring Business Agreement are more than 0.1% but less than 5%, the transactions contemplated thereunder 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 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
“annual cap”	the maximum aggregate annual value in respect of the transactions contemplated under the Factoring Business Agreement for the year ending 31 December 2026
“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: 00038) 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(s)”	has the same meaning ascribed to it under the Hong Kong Listing Rules
“Debtors”	members of the Sinomach Group that have entered into a transaction with YTO International and, in connection with such transaction, has outstanding accounts receivables payable to YTO International
“Director(s)”	the director(s) of the Company
“Factoring Business Agreement”	the factoring business agreement dated 25 August 2026 entered into between the YTO International and Sinomach Factoring in relation to the provision of factoring financing services
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“percentage ratio(s)”	has the same meaning as ascribed to this term under the Listing Rules, as applicable to a transaction
“PRC”	The People’s Republic of China

“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Share(s)”	share(s) of RMB1.00 each 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 Factoring”	Sinomach Commercial Factoring Co., Ltd.* (國機商業保理有限公司), a limited liability company incorporated in the PRC and a controlled subsidiary of Sinomach as at the date of this announcement
“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
“YTO International”	YTO INTERNATIONAL, LTD.* (一拖國際經濟貿易有限公司), a limited liability company incorporated in the PRC which is a wholly-owned subsidiary of the Company as at the date of this announcement
“%”	per cent.

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

Luoyang, the PRC
25 August 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; 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*