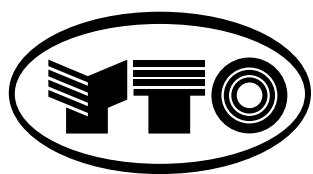


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# **第一拖拉机股份有限公司** **FIRST TRACTOR COMPANY LIMITED**\*

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

(Stock Code: 0038)

## **CONNECTED TRANSACTIONS DISPOSAL OF SELLING ASSETS**

The Board announces that on 28 June 2010, the Company (as vendor) and Luoyang Machinery (as purchaser) entered into the First Tractor Assets Transfer Agreement. The Company's subsidiary, YTO Harvester (as vendor), also entered into the YTO Harvester Assets Transfer Agreement with Luoyang Machinery (as purchaser) on 28 June 2010. Pursuant to the Assets Transfer Agreements, the Company and YTO Harvester agreed to sell and Luoyang Machinery agreed to purchase the Selling Assets at a total consideration in cash of RMB21,779,860.32 (or approximately HK\$24,829,040.76).

Since Luoyang Machinery is a connected person of the Company under the Listing Rules, the Assets Disposal contemplated under the Assets Transfer Agreements constitutes connected transactions of the Company under Chapter 14A of the Listing Rules. The First Tractor Assets Transfer Agreement and YTO Harvester Assets Transfer Agreement should be aggregated under the Listing Rules.

As the relevant percentage ratios of the Assets Disposal are less than 5% and the total consideration is however more than HK\$1,000,000, the Assets Disposal is exempted from the independent shareholders' approval requirements but subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

## INTRODUCTION

The Board announces that on 28 June 2010, the Company (as vendor) and Luoyang Machinery (as purchaser) entered into the First Tractor Assets Transfer Agreement. The Company's subsidiary, YTO Harvester (as vendor), also entered into the YTO Harvester Assets Transfer Agreement with Luoyang Machinery (as purchaser) on 28 June 2010. Pursuant to the Assets Transfer Agreements, the Company and YTO Harvester agreed to sell and Luoyang Machinery agreed to purchase the Selling Assets at a total consideration in cash of RMB21,779,860.32 (or approximately HK\$24,829,040.76).

## THE ASSETS DISPOSAL

### The Assets Transfer Agreements

#### *(1) Date*

28 June 2010

#### *(2) Parties*

##### For First Tractor Assets Transfer Agreement

Vendor:           The Company

Purchaser:       Luoyang Machinery

##### For YTO Harvester Assets Transfer Agreement

Vendor:           YTO Harvester

Purchaser:       Luoyang Machinery

#### *(3) Details of the transactions*

Pursuant to the Assets Transfer Agreements, the Company and YTO Harvester agreed to sell to Luoyang Machinery the Selling Assets at a total consideration in cash of RMB21,779,860.32 (or approximately HK\$24,829,040.76).

#### **(4) Consideration**

The considerations in respect of the First Tractor Assets Transfer Agreement and YTO Harvester Assets Transfer Agreement are RMB20,091,669.66 (or approximately HK\$22,904,503.41) and RMB1,688,190.66 (or approximately HK\$1,924,537.35) respectively. The total consideration in respect of the Assets Transfer Agreements is therefore RMB21,779,860.32 (or approximately HK\$24,829,040.76), which will be settled by Luoyang Machinery in cash.

The respective consideration under the Assets Transfer Agreements in respect of the Selling Assets was determined by the Company, YTO Harvester and Luoyang Machinery after arm's length negotiations with reference to the appraised value of the Selling Assets as at 31 October 2009, being RMB17,172,367.23 for the Selling Assets under the First Tractor Assets Transfer Agreement and RMB1,442,898.00 for the Selling Assets under the YTO Harvester Assets Transfer Agreement, and the book value of the Selling Assets as at 31 October 2009, being RMB18,605,282.28 for the Selling Assets under the First Tractor Assets Transfer Agreement and RMB1,109,412.33 for the Selling Assets under the YTO Harvester Assets Transfer Agreement, and the tax expected to be paid. The appraisal was conducted by Beijing Longyuan Zhibo Assets Valuation Company Limited\* (北京龍源智博資產評估有限責任公司), an independent professional valuer in the PRC, by way of cost method. The total consideration of the Selling Assets represents a gain of RMB2,065,165.71 with a premium of 10.48% when compared with the total book value of the Selling Assets as at 31 October 2009.

In view of the gain from the Assets Disposal which is expected to be recorded by the Company as well as the valuation of the Selling Assets was conducted by an independent professional valuer in the PRC, the Directors (including the independent non-executive Directors) consider that the respective consideration under the Assets Transfer Agreements in respect of the Selling Assets is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### **(5) Payment terms**

The consideration of the Selling Assets shall be settled by Luoyang Machinery in cash within 90 days after signing of the Assets Transfer Agreements.

## **(6) *Delivery of the Selling Assets***

The Selling Assets shall be delivered to Luoyang Machinery within 6 Business Days after signing of the Assets Transfer Agreements. Before delivery of the Selling Assets, the following works should be finished:

- (i) in accordance with the respective internal procedures of the Company and YTO Harvester in respect of assets disposal, the respective sale of the Selling Assets under the Assets Transfer Agreements is approved;
- (ii) where applicable, the Company and YTO Harvester shall notify their creditor(s) in writing and obtain their consent(s) in respect of the sale of the Selling Assets under the Assets Transfer Agreements in accordance with the provisions in any agreement, contract, memorandum of understanding signed with any other third parties. Any rights of any third parties on the Selling Assets should be removed;
- (iii) the internal approval procedures of the Company and YTO Harvester for approving the sale of the Selling Assets under the Assets Transfer Agreements are completed;

## **Reasons for the Assets Disposal**

Due to the existence of competition in the harvesting machinery business between the Company and Luoyang Machinery, and the continuous loss of the harvesting machinery business of the Company, the Company is prepared to cease such business and the Selling Assets are therefore proposed to be sold. The Directors (including the independent non-executive Directors) consider that the Assets Disposal by the Company and YTO Harvester to realise the Selling Assets at a reasonable price will reduce the loss and thereby increase the profits of the Group. Upon completion of the Assets Disposal, the Group is expected to realize a gain of approximately RMB2,065,165.71, which is the difference between the total consideration of RMB21,779,860.32 and the total book value of the Selling Assets of RMB19,714,694.61 as at 31 October 2009. The Directors intend to apply the sale proceeds as general working capital of the Group.

The terms of the Assets Transfer Agreements have been determined after arm's length negotiations and are on normal commercial terms. The Directors (including the independent non-executive Directors) consider that the Assets Disposal is in the ordinary course of business and on normal commercial terms and is fair and reasonable and in the interest of the Group and its Shareholders as a whole.

### **Information of the Selling Assets**

The Selling Assets includes fixed assets, inventories and the relevant equipments and facilities in connection with the production of harvesting machineries. Set out below is the basic financial information of the Selling Assets:

	<b>Selling Assets to be sold by the Company under First Tractor Assets Transfer Agreement</b>	<b>Selling Assets to be sold by YTO Harvester under YTO Harvester Assets Transfer Agreement</b>	<b>Total</b>
Book value as at			
31 October 2009	RMB18,605,282.28	RMB1,109,412.33	RMB19,714,694.61
Appraised value as at			
31 October 2009	RMB17,172,367.23	RMB1,442,898.00	RMB18,615,265.23

### **Information of the Company, YTO Harvester and Luoyang Machinery**

The Company is principally engaged in the production and sale of agricultural tractors.

YTO Harvester is a subsidiary of the Company and is principally engaged in the research and development as well as the production and sale of harvesting machineries, drying machineries, related agricultural machinery products, tools and ancillary components.

Luoyang Machinery is a wholly-owned subsidiary of China Machinery, the ultimate controlling shareholder of the Company, and is therefore regarded as a connected person of the Company under the Listing Rules. It is principally engaged in the research, development, manufacture, sale, lease and exhibition of agricultural machineries, construction machineries, internal combustion engines, wind power machineries, building machineries, electronic machinery equipments and whole set of equipments; contracting the design and formulation of agricultural, farming and fishing projects; as well as conducting import and export business of self-producing mechanical and electrical products, whole set of equipments and relevant technologies.

### **The Listing Rules Implications**

Since Luoyang Machinery is a connected person of the Company under the Listing Rules as mentioned above, the Assets Disposal contemplated under the Assets Transfer Agreements constitutes connected transactions of the Company under Chapter 14A of the Listing Rules. The First Tractor Assets Transfer Agreement and YTO Harvester Assets Transfer Agreement should be aggregated under the Listing Rules.

As the relevant percentage ratios of the Assets Disposal are less than 5% and the total consideration is however more than HK\$1,000,000, the Assets Disposal is exempted from the independent shareholders' approval requirements but subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules. No Directors have material interest in the Assets Disposal and have abstained from voting on the Board resolution approving the Assets Disposal.

## DEFINITIONS

In this announcement, the following terms have the following meanings:

“Assets Disposal”	the disposal of the Selling Assets by the Company and YTO Harvester to Luoyang Machinery pursuant to the Assets Transfer Agreements
“Assets Transfer Agreements”	First Tractor Assets Transfer Agreement and YTO Harvester Assets Transfer Agreement
“Board”	the board of Directors
“Business Day(s)”	a day on which banks are generally open for business in the PRC
“China Machinery”	China National Machinery Industry Corporation* (中國機械工業集團有限公司), a wholly State-owned company incorporated in the PRC managed by the State-owned Assets Supervision and Administrative Commission of the PRC, the ultimate controlling shareholder 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 of which are listed on the Stock Exchange (Stock Code: 0038)
“connected person(s)”	has the meaning as defined under the Listing Rules
“Directors”	the directors of the Company, including the independent non-executive directors

“First Tractor Assets Transfer Agreement”	an assets transfer agreement entered into between the Company and Luoyang Machinery on 28 June 2010, pursuant to which the Company has agreed to sell certain fixed assets and inventories to Luoyang Machinery, including the relevant equipments and facilities in connection with the production of harvesting machineries
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Luoyang Machinery”	Luoyang Zhongshou Machinery Assembly Company Limited*(洛陽中收機械裝備有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of China Machinery as at the date of this announcement
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong and the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Selling Assets”	the assets, being the fixed assets and inventories, to be sold by the Company and YTO Harvester to Luoyang Machinery under the Assets Transfer Agreements, including the relevant equipments and facilities in connection with the production of harvesting machineries
“Shares”	share(s) of RMB1.00 each of the Company



“Shareholder(s)”	registered holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“YTO Harvester”	一拖(洛陽)收穫機械有限公司 (YTO (Luoyang) Harvester Company Limited*), a limited liability company incorporated in the PRC and a subsidiary of the Company
“YTO Harvester Assets Transfer Agreement”	an assets transfer agreement entered into between YTO Harvester and Luoyang Machinery on 28 June 2010, pursuant to which YTO Harvester has agreed to sell certain fixed assets to Luoyang Machinery, including the relevant equipments and facilities in connection with the production of harvesting machineries
“%”	per cent.

*For the purpose of this announcement, the exchange rate of RMB1.00 = HK\$1.14.*

By Order of the Board  
**FIRST TRACTOR COMPANY LIMITED**

**Liu Dagong**  
*Chairman*

Luoyang, the PRC  
28 June 2010

*As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Liu Dagong, Ms. Dong Jianhong, Mr. Qu Dawei and Mr. Li Xibin, and four non-executive Directors, namely Mr. Zhao Yanshui, Mr. Yan Linjiao, Mr. Shao Haichen and Mr. Liu Yongle, and three independent non-executive Directors, namely Mr. Chan Sau Shan, Gary, Mr. Luo Xiwen and Mr. Hong Xianguo.*

\* *For identification purposes only*