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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)

CONNECTED TRANSACTIONS

**(1) ACQUISITION OF 86.82% EQUITY INTEREST IN
YTO (LUOYANG) FORKLIFT CO., LTD**

**(2) ACQUISITION OF 100% EQUITY INTEREST IN
YTO INTERNATIONAL ECONOMIC AND TRADING CO., LTD**

The Board announces that on 18 May 2011, the Company entered into (i) the YTO Forklift Agreement I and YTO Forklift Agreement II with YTO and YTO International respectively and (ii) the YTO International Agreement with YTO. Pursuant to the YTO Forklift Agreements, the Company has conditionally agreed to purchase, and YTO and YTO International have conditionally agreed to sell their respective 82.15% and 4.67% equity interest in YTO Forklift at a total consideration of RMB8,842,700 (equivalent to approximately HK\$10,522,813) (subject to adjustments). Pursuant to the YTO International Agreement, the Company has conditionally agreed to purchase and YTO has conditionally agreed to sell 100% equity interest in YTO International at a consideration of RMB79,981,100 (equivalent to approximately HK\$95,177,509) (subject to adjustments).

As at the date hereof, YTO is the controlling shareholder of the Company whilst YTO International is a wholly-owned subsidiary of YTO and is therefore an associate of YTO. Accordingly, YTO and YTO International are regarded as connected persons of the Company pursuant to the Listing Rules. The Acquisitions contemplated under the YTO Forklift Agreements and the YTO International Agreement constitute connected transactions of the Company.

As the total consideration for the Acquisitions, being RMB88,823,800 (equivalent to approximately HK\$105,700,322), represents less than 5% of the applicable percentage ratios, the YTO Forklift Agreements and the YTO International Agreement are subject to the reporting and announcement requirements only but exempt from the independent shareholders' approval requirement pursuant to Rule 14A.32 of the Listing Rules.

INTRODUCTION

The Board announces that on 18 May 2011, the Company entered into (i) the YTO Forklift Agreement I and YTO Forklift Agreement II with YTO and YTO International respectively and (ii) the YTO International Agreement with YTO. Pursuant to the YTO Forklift Agreements, the Company has conditionally agreed to purchase, and YTO and YTO International have conditionally agreed to sell their respective 82.15% and 4.67% equity interest in YTO Forklift. Pursuant to the YTO International Agreement, the Company has conditionally agreed to purchase and YTO has conditionally agreed to sell 100% equity interest in YTO International.

THE ACQUISITIONS

Save and except for the contractual parties, subjects of the transactions and considerations, the other principal terms of the YTO Forklift Agreements and the YTO International Agreement are substantially the same, summary of which is set out below:-

Date

18 May 2011

Parties

<u>Agreement</u>	<u>Purchaser</u>	<u>Vendor</u>
YTO Forklift Agreement I	The Company	YTO, the controlling shareholder of the Company
YTO Forklift Agreement II	The Company	YTO International, a wholly-owned subsidiary of YTO as at the date hereof
YTO International Agreement	The Company	YTO

Details of the Acquisitions

<u>Agreement</u>	<u>Subject</u>
YTO Forklift Agreement I	The Company has conditionally agreed to purchase 82.15% equity interest in YTO Forklift from YTO.
YTO Forklift Agreement II	The Company has conditionally agreed to purchase 4.67% equity interest in YTO Forklift from YTO International.
YTO International Agreement	The Company has conditionally agreed to purchase 100% equity interest in YTO International from YTO.

Considerations for the Acquisitions

<u>Agreement</u>	<u>Initial Consideration</u>
YTO Forklift Agreement I	RMB8,367,100 (equivalent to approximately HK\$9,956,849)
YTO Forklift Agreement II	RMB475,600 (equivalent to approximately HK\$565,964)
YTO International Agreement	RMB79,981,100 (equivalent to approximately HK\$95,177,509)

The initial considerations of the Target Interests were determined after arm's length negotiations between the Company and YTO and/or YTO International (as the case may be) with reference to the appraised net assets value of YTO Forklift, being RMB10,185,100, as at 31 October 2010, and YTO International, being RMB79,981,100, as at 31 December 2010. The appraisals were conducted by China United Assets Appraisal Co., Ltd. (中聯資產評估有限公司), a PRC independent professional valuer, on the basis of the asset based valuation approach and are subject to the registration with and confirmation by the relevant governmental authorities.

If the above appraisals and hence the initial considerations of the Target Interests are confirmed by the relevant governmental authorities, the considerations for the Acquisitions will be calculated and adjusted in accordance with the following formula:-

Initial consideration + (the audited net assets value of the Target Company¹ as at the end of the latest month preceding to or after the completion of the Acquisitions - the audited net assets value of the Target Company¹ as at the Valuation Date²) x percentage of the equity interest³ in the Target Company to be acquired

- Notes:*
1. "Target Company" refers to YTO Forklift or YTO International (as the case may be).
 2. "Valuation Date" refers to the valuation reference date for the appraised net assets value of YTO Forklift (i.e. 31 October 2010) or YTO International (i.e. 31 December 2010).
 3. "Percentage of the equity interest": 82.15% for YTO Forklift Agreement I; 4.67% for YTO Forklift Agreement II; and 100% for YTO International Agreement.

As the considerations of the Target Interests were determined with reference to the appraised net assets values of YTO Forklift and YTO International, which are provided by a PRC independent professional valuer, the Directors (including the independent non-executive Directors) consider that the considerations of the Target Interests are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Payment terms

The considerations of the Target Interests shall be paid by the Company to YTO or YTO International (as the case may be) in accordance with the following manners:

Agreement

Payment Terms

YTO Forklift Agreement I	<ul style="list-style-type: none">(i) RMB5,860,000 to be paid within 10 working days upon the effective date of the agreement; and(ii) balance of the consideration to be paid after completion of the transfer of the relevant Target Interests and determination of the consideration in accordance with the calculation formula as mentioned above.
YTO Forklift Agreement II	<ul style="list-style-type: none">(i) RMB330,000 to be paid within 10 working days upon the effective date of the agreement; and(ii) balance of the consideration to be paid after completion of the transfer of the relevant Target Interests and determination of the consideration in accordance with the calculation formula as mentioned above.
YTO International Agreement	<ul style="list-style-type: none">(i) RMB55,986,770 to be paid within 10 working days upon the effective date of the agreement; and(ii) balance of the consideration to be paid after completion of the transfer of the relevant Target Interests and determination of the consideration in accordance with the calculation formula as mentioned above.

The Company intends to satisfy the above considerations in cash from its internal resources.

Completion

Completion of the YTO Forklift Agreements and the YTO International Agreement will take place upon fulfillment of the following circumstances:

- (i) the articles of association of YTO Forklift or YTO International (as the case may be) is amended legally and appropriately to reflect the Acquisitions; and
- (ii) the industrial and commercial registration procedures relating to the Acquisitions are completed.

Upon completion of the Acquisitions and the acquisition of the remaining 13.18% equity interest in YTO Forklift from the Natural Person Investors (more details below), both YTO Forklift and YTO International will become wholly-owned subsidiaries of the Company. The accounts of YTO Forklift and YTO International will be consolidated into that of the Group.

ACQUISITION OF THE REMAINING 13.18% EQUITY INTEREST IN YTO FORKLIFT

On 18 May 2011, the Company also entered into 37 separate equity transfer agreements with the Natural Person Investors for acquisition of the remaining 13.18% equity interest in YTO Forklift at a total consideration of RMB1,342,396 (equivalent to approximately HK\$1,597,451) (subject to adjustments). The consideration of each of the said equity transfer agreements was determined after arm's length negotiations between the Company and each of the Natural Person Investors with reference to the appraised net assets value of YTO Forklift provided by a PRC independent professional valuer, being RMB10,185,100, as at 31 October 2011. The Company intends the completion of the acquisition of the 86.82% equity interest in YTO Forklift from YTO and YTO International and the acquisition of the remaining 13.18% equity interest in YTO Forklift from the Natural Person Investors to take place simultaneously.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Natural Person Investors are third parties independent of the Company and connected persons of the Company.

The acquisition of the remaining 13.18% equity interest in YTO Forklift from the Natural Person Investors does not constitute a connected transaction or a notifiable transaction of the Company. The Company's disclosure in this section is on voluntary basis.

INFORMATION OF YTO FORKLIFT AND YTO INTERNATIONAL

As at the date hereof, the registered capital of YTO Forklift is RMB7,600,000. YTO Forklift is owned as to 82.15% by YTO, 4.67% by YTO International and 13.18% by the Natural Person Investors. YTO Forklift is a non wholly-owned subsidiary of YTO and is principally engaged in manufacture, sale and maintenance of forklift trucks, tractors, generating sets, construction machineries and accessories.

As at the date hereof, the registered capital of YTO International is RMB66,000,000. YTO International is a wholly-owned subsidiary of YTO and is principally engaged in import and export business of different kinds of goods and technologies (except goods and technologies which are restricted or forbidden by the PRC government).

Set out below is the basic financial information of YTO Forklift and YTO International, which was prepared in accordance with the PRC accounting standards:

For YTO Forklift

Book value of the net assets / (net liabilities) as at 31 December 2010 (audited)	RMB(3,910,400)
Appraised net assets value as at 31 October 2010	RMB10,185,100
Net profit / (net loss) before taxation and extraordinary items for the year ended 31 December 2009 (audited)	RMB(1,650,000)
Net profit / (net loss) after taxation and extraordinary items for the year ended 31 December 2009 (audited)	RMB(4,323,000)
Net profit / (net loss) before taxation and extraordinary items for the year ended 31 December 2010 (audited)	RMB(1,625,000)
Net profit / (net loss) after taxation and extraordinary items for the year ended 31 December 2010 (audited)	RMB(5,454,100)

For YTO International

Book value of the consolidated net assets as at 31 December 2010 (audited)	RMB74,256,400
Appraised net assets value as at 31 December 2010	RMB79,981,100
Consolidated net profit before taxation and extraordinary items for the year ended 31 December 2009 (audited)	RMB6,960,000
Consolidated net profit after taxation and extraordinary items for the year ended 31 December 2009 (audited)	RMB5,090,000
Consolidated net profit before taxation and extraordinary items for the year ended 31 December 2010 (audited)	RMB2,340,000
Consolidated net profit after taxation and extraordinary items for the year ended 31 December 2010 (audited)	RMB1,840,000

REASONS FOR THE ACQUISITIONS

On 18 May 2011, the Company entered into the YTO Forklift Agreements with YTO and YTO International to acquire 86.82% equity interest in YTO Forklift and separately entered into the equity transfer agreements with each of the Natural Person Investors to acquire the remaining 13.18% equity interest in YTO Forklift, so as to turn YTO Forklift into a wholly-owned subsidiary of the Company. As the agricultural forklift trucks manufactured by YTO Forklift are similar to the industrial forklift-related products manufactured by YTO (Luoyang) Transporting Machinery Co., Ltd* (一拖(洛陽)搬運機械有限公司), a subsidiary of the Company, acquisition of YTO Forklift can avert business competition with the Company in that aspect and can lead to a more reasonable planning on its internal resources, thereby enhancing the Company's business synergy. Further, apart from manufacturing forklift trucks, YTO Forklift also produces components such as front axles for hi-powered and mid-powered wheeled tractors as well as accessories to the Company's major products in recent years. Acquisition of YTO Forklift can effectively reduce connected transactions of the Company. The Directors are of the opinion that the entering into of the YTO Forklift Agreements will further foster the ancillary business of YTO Forklift and the Company in respect of the existing major products of hi-powered and mid-powered wheeled tractors, and will enhance the production capacity and the assembling capability in respect of the components of the Company's tractors products.

The export of the Group's major products is mainly undertaken by YTO International. With a view to coping with the business development of the Company, there is a need to further expedite establishment of the international sales network and develop the international market. The Directors believe that acquisition of YTO International and turning it into a wholly-owned subsidiary of the Company will benefit the Company in terms of integrate planning of products export and enhance sales synergy, thereby speeding up the Company's products export and its steps towards internationalization.

The terms of the YTO Forklift Agreements and YTO International Agreement have been determined after arm's length negotiations between the Company and YTO or YTO International (as the case may be). The Directors (including the independent non-executive Directors) consider that each of the YTO Forklift Agreements and the YTO International Agreement was entered into in the ordinary course of business of the Company and on normal commercial terms and the respective terms thereof are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP AND YTO

The Group is principally engaged in production and sale of agricultural machineries, power machineries and agricultural construction machineries.

YTO is the controlling shareholder of the Company, holding 52.48% equity interest in the Company, and is principally engaged in production of transporting machineries, casting parts, vehicles products and components, etc.

RELATIONSHIP BETWEEN PARTIES AND THE LISTING RULES IMPLICATIONS

As mentioned above, YTO is the controlling shareholder of the Company whilst YTO International is a wholly-owned subsidiary of YTO and therefore YTO International is an associate of YTO. Accordingly, YTO and YTO International are regarded as connected persons of the Company pursuant to the Listing Rules. The Acquisitions contemplated under the YTO Forklift Agreements and the YTO International Agreement constitute connected transactions of the Company.

As the consideration for the Acquisitions represents less than 5% of the applicable percentage ratios, the YTO Forklift Agreements and the YTO International Agreement are subject to the reporting and announcement requirements only but exempt from the independent shareholders' approval requirement pursuant to Rule 14A.32 of the Listing Rules.

Mr. Zhao Yanshui and Mr. Yan Linjiao, being the executive Director and non-executive Director of the Company respectively, are also the directors of YTO. According to the articles of association of the Company, Mr. Zhao and Mr. Yan have abstained from voting on the Board resolutions approving the YTO Forklift Agreement I and YTO International Agreement and the transactions contemplated thereunder.

DEFINITIONS

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

“Acquisitions”	the acquisitions of the Target Interests by the Company from YTO and/or YTO International pursuant to the YTO Forklift Agreements and the YTO International Agreement
“associate(s)”	has the same meaning as ascribed to this term 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 of which are listed on the Stock Exchange (Stock Code: 0038)
“connected person(s)”	has the same meaning as ascribed to this term under the Listing Rules

“controlling shareholder”	has the same meaning as ascribed to this term under the Listing Rules
“Directors”	the directors of the Company, including the independent non-executive directors
“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
“Natural Person Investors”	37 natural person investors of YTO Forklift, all of whom together hold 13.18% equity interest in YTO Forklift as at the date hereof and are independent third parties of the Company
“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 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
“Shareholder(s)”	registered holder(s) of the Shares
“Shares”	share(s) of RMB1.00 each of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Interests”	86.82% equity interest in YTO Forklift and 100% equity interest in YTO International, being the subjects under the YTO Forklift Agreements and the YTO International Agreement respectively
“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 52.48% equity interest in the Company as at the date hereof
“YTO Forklift”	YTO (Luoyang) Forklift Co., Ltd* (一拖(洛陽)叉車有限公司), a limited liability company incorporated in the PRC and a non wholly-owned subsidiary of YTO as at the date hereof
“YTO Forklift Agreements”	YTO Forklift Agreement I and YTO Forklift Agreement II
“YTO Forklift Agreement I”	the equity transfer agreement dated 18 May 2011 entered into between the Company and YTO for acquisition of 82.15% equity interest in YTO Forklift by the Company from YTO
“YTO Forklift Agreement II”	the equity transfer agreement dated 18 May 2011 entered into between the Company and YTO International for acquisition of 4.67% equity interest in YTO Forklift by the Company from YTO International
“YTO International”	YTO International Economic and Trading Co., Ltd* (一拖國際經濟貿易有限公司), a limited liability company in the PRC and a wholly-owned subsidiary of YTO as at the date hereof

“YTO International Agreement” the equity transfer agreement dated 18 May 2011 entered into between the Company and YTO for acquisition of 100% equity interest in YTO International by the Company from YTO

“%” per cent.

For the purpose of this announcement, the exchange rate of RMB1.00 = HK\$1.19 has been used, where applicable, for purposes of illustration only and does not constitute a representation that any amounts have been, could have been or may be exchanged, at this or any other rates.

By Order of the Board
FIRST TRACTOR COMPANY LIMITED
YU Lina / LIU Pui Yee
Joint Company Secretaries

Luoyang, the PRC
18 May 2011

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

* *For identification purposes only*