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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 AND DISCLOSEABLE TRANSACTIONS ACQUISITIONS OF THE LANDS AND BUILDINGS

THE ACQUISITIONS

The Board announces that on 18 May 2011,

- (i) the Company and YTO entered into the Assets Transfer Agreement I, pursuant to which the Company has agreed to purchase the Land and Building I from YTO at a cash consideration of RMB404,800,000 (equivalent to approximately HK\$481,712,000);
- (ii) YTO Diesel, a non wholly-owned subsidiary of the Company, and YTO entered into the Assets Transfer Agreement II, pursuant to which YTO Diesel has agreed to purchase the Land and Building II from YTO at a cash consideration of RMB44,070,000 (equivalent to approximately HK\$52,443,300); and
- (iii) the Company, YTO, YTO Diesel and seven Natural Person Investors entered into the Capital Increase Agreement, pursuant to which YTO shall make capital contribution to YTO Injection Pump by injecting the Land and Building III with the appraised value of approximately RMB 26,000,000 (equivalent to approximately HK\$30,940,000) as at 31 March 2011 in return for 18.184% equity interest in YTO Injection Pump (as enlarged by the capital injection by YTO).

LISTING RULES IMPLICATIONS

YTO Diesel is a non wholly-owned subsidiary of the Company. YTO is the controlling shareholder of the Company and therefore is a connected person of the Company. Accordingly, the transactions contemplated under the Assets Transfer Agreements constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As all the Lands and Buildings are located on the same piece of land which is situated at No.154, Jianshe Road, Luoyang, Henan Province, the PRC, the Assets Transfer Agreement I, Assets Transfer Agreement II and Capital Increase Agreement shall be aggregated pursuant to Rule 14A.25 of the Listing Rules. Since the applicable percentage ratios (after aggregation) under the Assets Transfer Agreements are more than 5% but less than 25%, the Assets Transfer Agreements are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The transactions contemplated under the Assets Transfer Agreements also constitute discloseable transactions of the Company and are therefore subject to the reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules. Further, pursuant to Rule 14.29 of the Listing Rules, the transaction contemplated under the Capital Increase Agreement constitutes a deemed disposal of part of the equity interest in YTO Injection Pump by the Company to YTO.

GENERAL

According to Article 65 of the articles of association of the Company, Shareholder(s) individually or jointly holding 3% or more of the total number of the Company's voting Shares shall have the right to propose an ex tempore motion 10 days prior to the general meeting by furnishing the same to the Board in writing. The Board shall issue a supplemental notice of general meeting to the Shareholders within 2 days after receiving the proposed motion and pass the ex tempore motion to the general meeting for consideration. On 16 May 2011, the Company received a letter from its controlling shareholder, YTO, requesting for inclusion of the new ordinary resolutions to consider and approve the Assets Transfer Agreements by the Independent Shareholders at the forthcoming AGM, a notice of which has already been sent to the Shareholders on 27 April 2011. On 18 May 2011, the Board resolved to put forward the said new ordinary resolutions at the AGM to be held on 17 June 2011 for the Independent Shareholders' consideration and approval.

Ordinary resolutions will be proposed at the AGM for the purpose of, among other things, seeking Independent Shareholders' approval on the Assets Transfer Agreements and the transactions contemplated thereunder. The votes at the AGM will be taken by poll.

In view of the interests of YTO in the Assets Transfer Agreements, YTO, holding 443,910,000 or 52.48% voting Shares of the Company, and its associates will abstain from voting in respect of the resolutions relating to the Assets Transfer Agreements to be proposed at the AGM.

A circular containing, among other things, (i) details of the Assets Transfer Agreements, (ii) a letter from the Independent Board Committee to the Independent Shareholders regarding the Assets Transfer Agreements, (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Assets Transfer Agreements, (iv) the valuation report on the Lands and Buildings prepared by a Hong Kong independent qualified valuer, (v) an extract of the valuation report on the Lands and Buildings prepared by Renda Real Estate Appraisal Co. Ltd* (北京仁達房地產評估有限公司), a PRC independent professional valuer, and (vi) an extract of the valuation report on YTO Injection Pump prepared by Beijing China Enterprise Appraisals Company, Inc.* (北京中企華資產評估有限責任公司), a PRC independent professional valuer, is expected to be dispatched to the Shareholders on or before 26 May 2011. A supplemental notice of the AGM will be dispatched to the Shareholders as soon as possible.

INTRODUCTION

The Board announces that on 18 May 2011, the Company and/or YTO Diesel (as the case may be) entered into the Assets Transfer Agreements, namely the Assets Transfer Agreement I, Assets Transfer Agreement II and Capital Increase Agreement for acquisitions of the Lands and Buildings from YTO. Principal terms of the Assets Transfer Agreements are set out below:-

Assets Transfer Agreement I and Assets Transfer Agreement II

Save and except for the contractual parties, subjects of the transactions and considerations, other principal terms of the Assets Transfer Agreement I and Assets Transfer Agreement II are substantially the same.

	Assets Transfer Agreement I	Assets Transfer Agreement II
<i>Parties</i>	<p>(1) The Company, as purchaser</p> <p>(2) YTO, the controlling shareholder of the Company, as vendor</p>	<p>(1) YTO Diesel, a non wholly-owned subsidiary of the Company, as purchaser</p> <p>(2) YTO, as vendor</p>
<i>Assets to be acquired</i>	<p>Pursuant to Assets Transfer Agreement I, the Company has agreed to purchase from YTO the Land and Building I, details of which are set out in the paragraph headed “INFORMATION OF THE LANDS AND BUILDINGS AND YTO INJECTION PUMP” below.</p> <p>As at the signing date of the Assets Transfer Agreement I, YTO has mortgaged a land under the Land and Building I with a gross land area of approximately 64,320.80 sq.m. to a bank to secure its loans of RMB80,000,000. Pursuant to the Assets Transfer Agreement I, YTO shall cause the said mortgage to be released within 20 working days upon the effective date of the agreement.</p>	<p>Pursuant to Assets Transfer Agreement II, YTO Diesel has agreed to purchase from YTO the Land and Building II, details of which are set out in the paragraph headed “INFORMATION OF THE LANDS AND BUILDINGS AND YTO INJECTION PUMP” below.</p>
<i>Consideration</i>	RMB404,800,000 (equivalent to approximately HK\$481,712,000)	RMB44,070,000 (equivalent to approximately HK\$52,443,300)

Payment terms

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| <p>(i) 30% of the consideration, i.e. approximately RMB121,440,000 (equivalent to approximately HK\$144,513,600) be paid to YTO within 15 working days upon the effective date of the agreement;</p> <p>(ii) 30% of the consideration, i.e. approximately RMB121,440,000 (equivalent to approximately HK\$144,513,600) be paid to YTO within 30 working days upon completion of the registration procedures for transferring the Land and Building I to the Company; and</p> <p>(iii) balance of the consideration, i.e. RMB161,920,000 (equivalent to approximately HK\$192,684,800) be paid to YTO within 1 year upon the effective date of the agreement.</p> | <p>(i) 30% of the consideration, i.e. approximately RMB13,220,000 (equivalent to approximately HK\$15,731,800) be paid to YTO within 15 working days upon the effective date of the agreement;</p> <p>(ii) 30% of the consideration, i.e. approximately RMB13,220,000 (equivalent to approximately HK\$15,731,800) be paid to YTO within 30 working days upon completion of the registration procedures for transferring the Land and Building II to YTO Diesel; and</p> <p>(iii) balance of the consideration, i.e. RMB17,630,000 (equivalent to approximately HK\$20,979,700) be paid to YTO within 1 year upon the effective date of the agreement.</p> |
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<i>Conditions precedent</i>	The Assets Transfer Agreement I shall take effect upon fulfillment of the following:	The Assets Transfer Agreement II shall take effect upon fulfillment of the following:
	(i) approval of the agreement be obtained from the general meeting of YTO; and	(i) approval of the agreement be obtained from the general meeting of YTO;
	(ii) approval of the agreement be obtained from the Independent Shareholders at the AGM.	(ii) approval of the agreement be obtained from the general meeting of YTO Diesel; and
		(iii) approval of the agreement be obtained from the Independent Shareholders at the AGM.

The above considerations were determined by the parties with reference to the appraised values of the Land and Building I and the Land and Building II (further details are set out in the paragraph headed “BASIS OF THE CONSIDERATIONS” below), which are subject to registration with and confirmation by Sinomach.

Capital Increase Agreement

Parties

- (1) YTO;
- (2) The Company;
- (3) YTO Diesel; and
- (4) Seven Natural Person Investors. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, all the Natural Person Investors are independent third parties.

Details of the transaction

YTO shall make capital contribution to YTO Injection Pump by injecting the Land and Building III with the appraised value of approximately RMB26,000,000 (equivalent to approximately HK\$30,940,000) as at 31 March 2011 in return for 18.184% equity interest in YTO Injection Pump (as enlarged by the capital injection by YTO).

Pursuant to the Capital Increase Agreement, the registered capital of YTO Injection Pump will increase from, as at the date hereof, RMB77,000,000 to RMB94,114,000.

As at the date hereof, the shareholders of YTO Injection Pump are the Company, YTO Diesel and the Natural Person Investors, holding 52%, 44.62% and 3.38% equity interest in YTO Injection Pump respectively. Each of the Company, YTO Diesel and the Natural Person Investors has agreed to waive its pre-emptive rights over the capital injection under the Capital Increase Agreement.

For the purpose of the Capital Increase Agreement, the parties thereto agree to convene a general meeting of YTO Injection Pump, within 15 days upon the effective date of the Capital Increase Agreement, to (i) approve the above capital injection to YTO Injection Pump by YTO and (ii) amend the articles of association and register of members of YTO Injection Pump accordingly.

Consideration

Pursuant to the Capital Increase Agreement, YTO shall make capital contribution to YTO Injection Pump by injecting the Land and Building III with the appraised value of approximately RMB26,000,000 (equivalent to approximately HK\$30,940,000) as at 31 March 2011 in return for 18.184% equity interest in YTO Injection Pump (as enlarged by the capital injection by YTO).

Arrangement in relation to the consideration

YTO shall complete the capital injection of the Land and Building III to YTO Injection Pump within 60 days upon the effective date of the Capital Increase Agreement. With regards to the capital injection under the Capital Increase Agreement, YTO shall engage a verification institution to issue a verification report within 3 days upon completion of the transfer of the Land and Building III to YTO Injection Pump and the filing receipts in connection with the transfer of the Land and Building III shall be obtained from the relevant governmental authorities within 3 days upon issuance of the above verification report.

With respect to the consideration under the Capital Increase Agreement, it is agreed that RMB17,114,000 shall be used to increase the registered capital of YTO Injection Pump from RMB77,000,000 to RMB94,114,000 whereas the remaining RMB8,886,000 will be treated as the capital surplus reserve of YTO Injection Pump.

Conditions precedent

The Capital Increase Agreement shall take effect upon fulfillment of the following conditions precedent:

- (i) approval of the agreement be obtained from the general meeting of YTO; and
- (ii) approval of the agreement be obtained from the Independent Shareholders at the AGM.

BASIS OF THE CONSIDERATIONS

The considerations under the Assets Transfer Agreements were determined after arm's length negotiations between the respective parties with reference to the total appraised values of the Lands and Buildings, being RMB474,870,000, and the appraised net assets value of YTO Injection Pump, being RMB116,980,000, as at 31 March 2011. The appraisals were conducted by using the asset based valuation approach and were prepared by Renda Real Estate Appraisal Co. Ltd* (北京仁達房地產評估有限公司) (for the Lands and Buildings) and Beijing China Enterprise Appraisals Company, Inc.* (北京中企華資產評估有限責任公司) (for YTO Injection Pump), all of whom are PRC independent professional valuers.

As the considerations under the Assets Transfer Agreements were determined with reference to the appraised values of the Lands and Buildings as well as the appraised net assets value of YTO Injection Pump, all of which were provided by the PRC independent professional valuers, the Directors (excluding the independent non-executive Directors who will express their opinions thereon after considering the advice from the independent financial adviser) consider that the considerations under the Assets Transfer Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Save and except for the consideration under the Capital Increase Agreement, the Company intends to satisfy the above consideration in cash from its internal resources and bank loans whereas YTO Diesel intends to satisfy the above consideration in cash from its internal resources.

INFORMATION OF THE LANDS AND BUILDINGS AND YTO INJECTION PUMP

(1) The Lands and Buildings

All the Land and Building I, Land and Building II and Land and Building III are located on the same piece of land which is situated at No.154, Jianshe Road, Luoyang, Henan Province, the PRC, details of which are set out below:-

Land and Building I the land use rights related to three land parcels with a total gross land area of approximately 515,127.30 sq. m., together with 19 blocks of buildings erected thereon with a total gross floor area of approximately 48,210.12 sq. m.

Land and Building II the land use rights related to the land parcel with a total gross land area of approximately 59,811.40 sq. m., together with a building erected thereon with a total gross floor area of approximately 208.82 sq. m.

Land and Building III the land use rights related to the land parcel with a total gross land area of approximately 33,056.20 sq. m., together with a building erected thereon with a total gross floor area of approximately 1,909.88 sq. m.

Note: Save and except for the buildings to be acquired under the Assets Transfer Agreements as mentioned above, the Company, YTO Diesel and YTO Injection Pump collectively own certain blocks of buildings (the “**Group’s Buildings**”) which are erected on the above lands to be acquired.

Set out below is the basic financial information of the Lands and Buildings prepared in accordance with the PRC accounting standards:

	Land and Building I <i>(approximately RMB'000)</i>	Land and Building II <i>(approximately RMB'000)</i>	Land and Building III <i>(approximately RMB'000)</i>
Appraised value as at 31 March 2011	404,800	44,070	26,000
Original acquisition cost	141,190	23,592	15,138
Book value as at 31 March 2011 (unaudited)	100,914	18,767	11,498
Rental Income for the year ended 31 December 2009 (unaudited)	10,266	1,459	738
Rental Income for the year ended 31 December 2010 (unaudited)	10,266	1,459	738

(2) YTO Injection Pump

As at the date hereof, the registered capital of YTO Injection Pump is RMB77,000,000. YTO Injection Pump is owned as to 52%, 44.62% and 3.38% by the Company, YTO Diesel and the Natural Person Investors respectively, and therefore is a non wholly-owned subsidiary of the Company. YTO Injection Pump is principally engaged in manufacture and sale of fuel injection pumps and fuel jets.

Set out below is the basic financial information of YTO Injection Pump prepared in accordance with the PRC accounting standards:

	YTO Injection Pump <i>(approximately RMB'000)</i>
Appraised net assets value as at 31 March 2011	116,980
Book value of the net assets as at 31 March 2011 (unaudited)	96,620
Net profit before taxation and extraordinary items for the year ended 31 December 2009 (audited)	7,876
Net profit after taxation and extraordinary items for the year ended 31 December 2009 (audited)	5,604
Net profit before taxation and extraordinary items for the year ended 31 December 2010 (audited)	7,793
Net profit after taxation and extraordinary items for the year ended 31 December 2010 (audited)	7,756

EFFECTS OF THE ACQUISITIONS

Pursuant to the Assets Transfer Agreement I, upon completion of the acquisition of the Land and Building I, the land lease agreement, supplemental land lease agreement and properties lease agreement entered into between the Company and YTO on 21 October 2009 or 28 June 2010 (as the case may be) shall automatically lapse. Please refer to the Company's announcements dated 21 October 2009 and 28 June 2010 for details of the abovementioned agreements.

Pursuant to the Assets Transfer Agreement II, upon completion of the acquisition of the Land and Building II, the relevant lease agreements involving the Land and Building II entered into between YTO and YTO Diesel shall automatically lapse.

Upon completion of the Capital Increase Agreement, the registered capital of YTO Injection Pump will increase up to RMB94,114,000 and YTO Injection Pump will be owned as to (as enlarged by the capital injection by YTO) 18.184%, 42.544%, 36.509% and 2.763% by YTO, the Company, YTO Diesel and the Natural Person Investors respectively. YTO Injection Pump will remain as a non wholly-owned subsidiary of the Company through its direct shareholding and indirect shareholding through YTO Diesel. The transaction contemplated under the Capital Increase Agreement constitutes a deemed disposal of part of the equity interest in YTO Injection Pump by the Company to YTO pursuant to Rule 14.29 of the Listing Rules. No gain or loss will be recorded in the transaction contemplated under the Capital Increase Agreement.

REASONS FOR THE ACQUISITIONS

Currently, the Company, YTO Diesel and YTO Injection Pump have been using the Lands and Buildings where the principal place of business and production lines of the Group are situated. While all the land use rights related to the lands under the Assets Transfer Agreements are held by YTO, the Group's Buildings erected on such lands are owned by the Company, YTO Diesel or YTO Injection Pump. Taking into consideration that the titles of the Group's Buildings and the underlying land use rights belong to different parties and are of potential risks, coupled with the reason that the lands leased by the Group under the Lands and Buildings amount to approximately 50% of the area of the lands used by the Group which raises concern as to the completeness of the Group's assets, the Group proposes to acquire the Lands and Buildings through the Company and YTO Diesel and by way of capital injection in order to solve the Group's issue that the titles of the buildings and the underlying land use rights belong to different parties as well as to turn the Company's relevant productive factors more comprehensive, thereby enhancing the independence of the Company. Besides, the Acquisitions can enable the Group to adjust the arrangement and usage over the Lands and Buildings with flexibility in accordance with its business plans and can save the annual rental fees of the Lands and Buildings paid by the Group. Further, since YTO Injection Pump will remain as a non wholly-owned subsidiary of the Company after completion of the Capital Increase Agreement, the deemed disposal of part of the equity interest in YTO Injection Pump by the Company to YTO under the Capital Increase Agreement will not affect the Company's control over YTO Injection Pump. Acquiring the Land and Building III from YTO by way of capital injection can also save the fund which would have been required to be paid to YTO for acquisition of the Land and Building III.

In view of the above, the Directors believe that the Acquisitions will benefit the Company and the Group in terms of business development and risk management as well as costs control in the long run.

The terms of the Assets Transfer Agreements were determined after arm's length negotiations between the respective parties thereto. The Directors (excluding the independent non-executive Directors who will express their opinions thereon after considering the advice from the independent financial adviser) consider that each of the Assets Transfer Agreements was entered into in the ordinary course of business 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, YTO DIESEL AND YTO

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

YTO Diesel is a non wholly-owned subsidiary of the Company, which is owned as to 58.80% by the Company and is principally engaged in manufacture and sale of diesel engines.

YTO is the controlling shareholder of the Company, holding 443,910,000 or 52.48% of the voting Shares of the Company, and is principally engaged in production of transporting machineries, casting parts, vehicles products and components, etc.

RELATIONSHIP BETWEEN PARTIES AND LISTING RULES IMPLICATIONS

YTO Diesel is a non wholly-owned subsidiary of the Company. YTO is the controlling shareholder of the Company and therefore is a connected person of the Company. Accordingly, the transactions contemplated under the Assets Transfer Agreements constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As all the Lands and Buildings are located on the same piece of land which is situated at No.154, Jianshe Road, Luoyang, Henan Province, the PRC, the Assets Transfer Agreement I, Assets Transfer Agreement II and Capital Increase Agreement shall be aggregated pursuant to Rule 14A.25 of the Listing Rules. Since the applicable percentage ratios (after aggregation) under the Assets Transfer Agreements are more than 5% but less than 25%, the Assets Transfer Agreements are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The transactions contemplated under the Assets Transfer Agreements also constitute discloseable transactions of the Company and are therefore subject to the reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules. Further, pursuant to Rule 14.29 of the Listing Rules, the transaction contemplated under the Capital Increase Agreement constitutes a deemed disposal of part of the equity interest YTO Injection Pump by the Company to YTO.

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 Assets Transfer Agreements and the transactions contemplated thereunder.

GENERAL

According to Article 65 of the articles of association of the Company, Shareholder(s) individually or jointly holding 3% or more of the total number of the Company's voting Shares shall have the right to propose an ex tempore motion 10 days prior to the general meeting by furnishing the same to the Board in writing. The Board shall issue a supplemental notice of general meeting to the Shareholders within 2 days after receiving the proposed motion and pass the ex tempore motion to the general meeting for consideration. On 16 May 2011, the Company received a letter from its controlling shareholder, YTO, requesting for inclusion of the new ordinary resolutions to consider and approve the Assets Transfer Agreements by the Independent Shareholders at the forthcoming AGM, a notice of which has already been sent to the Shareholders on 27 April 2011. On 18 May 2011, the Board resolved to put forward the said new ordinary resolutions at the AGM to be held on 17 June 2011 for the Independent Shareholders' consideration and approval.

Ordinary resolutions will be proposed at the AGM for the purpose of, among other things, seeking Independent Shareholders' approval on the Assets Transfer Agreements and the transactions contemplated thereunder. The votes at the AGM will be taken by poll.

In view of the interests of YTO in the Assets Transfer Agreements, YTO, holding 443,910,000 or 52.48% voting Shares of the Company, and its associates will abstain from voting in respect of the resolutions relating to the Assets Transfer Agreements to be proposed at the AGM.

The Independent Board Committee comprising all the independent non-executive Directors will be established to provide recommendations to the Independent Shareholders in respect of the Assets Transfer Agreements and the transactions contemplated thereunder. The Company has appointed Bridge Partners Capital Limited as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) details of the Assets Transfer Agreements, (ii) a letter from the Independent Board Committee to the Independent Shareholders regarding the Assets Transfer Agreements, (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Assets Transfer Agreements, (iv) the valuation report on the Lands and Buildings prepared by a Hong Kong independent qualified valuer, (v) an extract of the valuation report on the Lands and Buildings prepared by Renda Real Estate Appraisal Co. Ltd* (北京仁達房地產評估有限公司), a PRC independent professional valuer, and (vi) an extract of the valuation report on YTO Injection Pump prepared by Beijing China Enterprise Appraisals Company, Inc.* (北京中企華資產評估有限責任公司), a PRC independent professional valuer, is expected to be dispatched to the Shareholders on or before 26 May 2011. A supplemental notice of the AGM will be dispatched to the Shareholders as soon as possible.

DEFINITIONS

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

“Acquisitions”	the acquisitions of the Lands and Buildings pursuant to the Assets Transfer Agreements
“AGM”	the 2010 annual general meeting of the Company to be convened and held at 9:00 a.m. on 17 June 2011 (Friday) at No.154 Jianshe Road, Luoyang, Henan Province, the PRC, for, among other things, the Independent Shareholders to consider and, if thought fit, approve the Assets Transfer Agreements and the transactions contemplated thereunder
“Assets Transfer Agreement I”	the assets transfer agreement dated 18 May 2011 entered into between the Company and YTO, pursuant to which the Company has agreed to purchase the Land and Building I from YTO
“Assets Transfer Agreement II”	the assets transfer agreement dated 18 May 2011 entered into between YTO and YTO Diesel, pursuant to which YTO Diesel has agreed to purchase the Land and Building II from YTO
“Assets Transfer Agreements”	the Assets Transfer Agreement I, the Assets Transfer Agreement II and the Capital Increase Agreement
“associate(s)”	has the same meaning as ascribed to this term under the Listing Rules
“Board”	the board of Directors

“Capital Increase Agreement”	the capital increase agreement dated 18 May 2011 entered into among the Company, YTO, YTO Diesel and the Natural Person Investors, pursuant to which YTO shall make capital contribution to YTO Injection Pump by injecting the Land and Building III with the appraised value of approximately RMB26,000,000 (equivalent to approximately HK\$30,940,000) as at 31 March 2011 in return for 18.184% equity interest in YTO Injection Pump (as enlarged by the capital injection by YTO)
“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
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Chan Sau Shan, Gary, Mr. Luo Xiwen, Mr. Hong Xianguo and Mr. Zhang Qiusheng
“Independent Shareholders”	Shareholders other than YTO and its associates

“independent third parties”	third parties independent of the Company and connected persons of the Company
“Land and Building I”	the land use rights related to three land parcels all located at No.154, Jianshe Road, Luoyang, Henan Province, the PRC, with a total gross land area of approximately 515,127.30 sq. m., together with some of the buildings erected thereon with a total gross floor area of approximately 48,210.12 sq. m.
“Land and Building II”	the land use rights related to the land parcel located at No.154, Jianshe Road, Luoyang, Henan Province, the PRC, with a gross land area of approximately 59,811.40 sq. m., together with a building erected thereon with a total gross floor area of approximately 208.82 sq. m.
“Land and Building III”	the land use rights related to the land parcel located at No.154, Jianshe Road, Luoyang, Henan Province, the PRC, with a gross land area of approximately 33,056.20 sq. m., together with a building erected thereon with a total gross floor area of approximately 1,909.88 sq. m.
“Lands and Buildings”	the Land and Building I, the Land and Building II and the Land and Building III
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Natural Person Investors”	seven natural person investors of YTO Injection Pump, namely, Hao Jianguo, Zhao Zhonghai, Yang Xiangsu, Zhu Baoyu, Guan Jun, Zhang Yanqing and Li Shaofeng, collectively holding 3.38% equity interest in YTO Injection Pump as at the date hereof, all being independent third parties

“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
“Sinomach”	China National Machinery Industry Corporation* (中國機械工業集團有限公司), a company incorporated in the PRC wholly-owned by the State-owned Assets Supervision and Administration Commission, the ultimate controller of the Company and the controlling shareholder of YTO
“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 443,910,000 or 52.48% voting Shares of the Company
“YTO Diesel”	YTO (Luoyang) Diesel Engine Co., Ltd* (一拖(洛陽)柴油機有限公司), a PRC joint venture and a non wholly-owned subsidiary of the Company
“YTO Injection Pump”	YTO (Luoyang) Fuel Injection Pump Co., Ltd* (一拖(洛陽)燃油噴射有限公司), a limited liability company incorporated in the PRC and a non wholly-owned subsidiary of the Company

“sq. m.” square meter

“%” 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*