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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 TRANSACTION ACQUISITION OF THE TARGET TRADEMARKS

The Board announces that on 15 August 2011, the Company and YTO entered into the Trademarks Transfer Agreement, pursuant to which the Company has agreed to purchase the Target Trademarks from YTO at a total consideration of RMB59,501,000 (equivalent to approximately HK\$71,401,200).

YTO is the controlling shareholder of the Company and therefore is a connected person of the Company. Accordingly, the transaction contemplated under the Trademarks Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios are less than 5%, the Trademarks Transfer Agreement is 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 15 August 2011, the Company and YTO entered into the Trademarks Transfer Agreement, pursuant to which the Company has agreed to purchase the Target Trademarks from YTO at a total consideration of RMB59,501,000 (equivalent to approximately HK\$71,401,200).

Set out below is a summary of the principal terms of the Trademarks Transfer Agreement:

TRADEMARKS TRANSFER AGREEMENT

Parties

- (1) The Company, as purchaser
- (2) YTO, as vendor

Assets to be acquired

Pursuant to the Trademarks Transfer Agreement, the Company has agreed to purchase from YTO a total of 45 PRC Target Trademarks, details of which are set out in the paragraph headed “INFORMATION OF THE TARGET TRADEMARKS” below.

Consideration and payment terms

13 Target Trademarks A were transferred at a total consideration of RMB59,501,000 (equivalent to approximately HK\$71,401,200), while 32 Target Trademarks B were transferred at nil consideration. The above considerations were determined by the parties with reference to the total appraised value of the Target Trademarks A, the appreciation of value of the Target Trademarks A attributable to the Company’s business, as well as the frequency of use and commercial value of the Target Trademarks B (further details are set out in the paragraph headed “BASIS OF THE CONSIDERATION” below).

The consideration under the Trademarks Transfer Agreement shall be paid by the Company to YTO in accordance with the following manners:

- (i) 30% of the consideration, being RMB17,850,300, be paid to YTO within 30 working days upon the effective date of the agreement;
- (ii) 30% of the consideration, being RMB17,850,300, be paid to YTO within 30 working days after the Trademarks Transfer Gazette Date; and
- (iii) the balance of the consideration, being RMB23,800,400, be paid to YTO within 1 year upon the effective date of the agreement.

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

Conditions precedent

The Trademarks Transfer Agreement shall take effect upon approval of the agreement at the Board meeting of the Company and at the general meeting of YTO.

Completion

Transfer of the Target Trademarks shall complete on the Trademarks Transfer Gazette Date while completion of the Trademarks Transfer Agreement shall take place upon completion of the transfer of the Target Trademarks and full payment of the consideration by the Company.

BASIS OF THE CONSIDERATION

The consideration of the Trademarks Transfer Agreement was determined after arm's length negotiations between the Company and YTO with reference to the following factors:

- (i) With respect to the Target Trademarks A, their appraised values in total, being RMB457,700,000, as at 31 December 2010, which were prepared by Zhonghe Appraisal Co., Ltd.* (中和資產評估有限公司), a PRC independent professional valuer, by using the income approach (收益法).

There is a substantial discount of RMB398,199,000 when comparing the consideration of the Target Trademarks A of RMB59,501,000 with the above appraised value of RMB457,700,000, which was mainly attributable to the huge contribution by the Company on the Target Trademarks A through its intense promotion and wide use of the Target Trademarks A on its products over the past years. According to the analytical report in respect of the past contribution on the Target Trademarks A by the Company and YTO prepared by TX Investment Consulting Co., Ltd.* (天相投資顧問有限公司), a PRC independent financial adviser, the contribution value on the Target Trademarks A by YTO was RMB59,501,000.

- (ii) With respect to the Target Trademarks B, taking into account (a) the little commercial value of the Target Trademarks B due to non use or little use of such trademarks, and (b) the mere safeguarding purpose of such trademarks, YTO has agreed to transfer the Target Trademarks B to the Company at nil consideration.

In view of the foregoing, the Directors (including the independent non-executive Directors) consider that the consideration of the Trademarks Transfer Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.


INFORMATION OF THE TARGET TRADEMARKS


Details of the Target Trademarks are set out below, all of which are owned by and registered under the name of YTO as at the date of this announcement:-

Target Trademarks A



No.	Mark	PRC	Class	Specification of Goods or Services
		Registration No.		
1.	东方红	517281	12	Sport Utility Vehicles (SUV) and accessories; heavy duty trucks and accessories; dump trucks and accessories; special automobile and accessories.
2.	东方红	4357712	4	Rotation band antilubricant; industrial oils; lubricant oil; lubricating agent; dust laying compositions; gear oil; belt dressing; engine oil; vaseline for industrial use; dedusting adhesive.
3.	东方红	531629	7	Diesel engines.
4.	东方红	130890	7	Bulldozers.
5.	东方红	1035206	7	Road rollers; excavators; loaders; electricity generation sets; agricultural machineries; blenders; road builders; oil pumps; crushers.
6.	东方红	1165437	7	Diesel engines; fuel jets; fuel injectors; delivery valves; eccentric shafts; speed controllers; accessories for oil pumps and fuel jets; fuel delivery pumps; handlances; plungers (machinery parts); accessories for diesel engines.

Agricultural machineries; harvesting machineries; seeders; cultivators; threshers; corn husking machines; agricultural watering machines; weeders; rakes for raking machines; accessories for hand tractors; woodworking machines; machines used for paper industry; machines used for print industry; looms; wool spinning machineries; knitting machineries; machineries used for chemical fibres industry (refer to processing equipment for forming); cigarette (making) machines for industry purpose; machineries used for bicycle industry; packers; machines used for rubber industry; ore dressing equipment; machineries and equipment for smelting industry; oil extraction; equipment for petroleum refinery industry; excavation work machines; mechanical shovels; hauling-up devices; foundry machineries; wind power generation equipment; components for wind power generation equipment; hydraulic power equipment; metalworking machineries; mechanical processing equipment; metal cutting machine tools; electrical hand tools; hydraulic hand tools; gas separation plants; carbon dioxide producing facilities, igniting magnetos for engines, electric generators; fuel jets; electric welders; cleaning machines; grinders pickers for industry purpose; brake linings; filters.

8.		1253408	7	Components for bulldozers; components for road rollers; components for excavators; components for diesel engines; components for oil pumps; components for electric generators; components for cranes; components for loaders; bearing pedestals; machinery leather parts (including leather rollers and leather collars); leather rollers; leather collars; leather pads; leather cups.
9.	东方红	46987	12	Tractors.
10.	东方红	1256037	1	Oxygen; acetylene; nitrogen; dry ices; solid gas for industrial use; protective gas for electric welding; protective gas for jointing; sulfur; alkalescence metal; silicon; sodium (chemical); potassium; calcium; non-processed artificial resin; press tempering preparation; combining preparation.
11.	东方红	1042801	12	Forklift cranes; agricultural carrier vehicles; parts for forklift cranes; parts for agricultural carrier vehicles; mopeds; wheel shells; electric vehicles; concrete agitating lorries; automotive body; automobile chassis.
12.	东方红	1281945	12	Automotive body; automotive chassis; automobile cylinders; brake shoes for land vehicles; vehicle bumpers; wheel shells; rotating chains for vehicles; cable transportation equipment vehicles; vehicles for locomotion by water; hoists; low-powered motor vehicles; vehicles for locomotion by land.

13.		1255437	12	Components for automobiles; components for tractors; components for forklift cranes; components for agricultural motor carrier vehicles; components for tipper lorries.
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Target Trademarks B

No.	Mark	PRC	Class	Specification of Goods or Services
		Registration No.		
14.		4293673	1	Combusting preparations (chemical additives to engine fuel); anti-foaming solvent for storage battery; cleansing agent (clarification preparations); ion exchanger (chemical agent); industrial softener; ion exchange resin; industrial abstergent; industrial adhesive; electricity; electric energy.
15.		1254082	2	Dye; pigment; printing ink; anti-rusting agent for metal; metal preservative; ink.





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| 16. | 东方红 | 1257272 | 6 | Metallic containers (for storage and transport); containers for compressed gas or liquid air (metallic containers); containers; chill-moulds; metal denoter; metal welding rods for welding; elbows of metal pipes; unprocessed or semi-processed common metal; alloy of common metal; ingots of common metal; steel casting and machined parts (slug); electrolytic copper; cotter pins; metal hinges; springs (metalware); metal straps for loading; metal pipes; branching pipes of metal; junctions of metal for pipes; metal valve doors (non-machine spare parts); building materials of metal; metal rails; common metal wires; metal bolts; metal nuts; common metal fastening. |
| 17. | 东方红 | 4426438 | 6 | Removable metal buildings; metal racks for construction purpose; steel moulding plates; railway metal materials; steel wires; non-electrified metal cable connectors; hardwares of metal; reinforcing metal materials for machine belts; common metal statues; metal ores. |

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| 18. | 东方红 | 4426437 | 7 | Vapourizing machines; tanning machines; brick making machines; sculpturing machines; battery machines; local specialty grocery processing machineries; porcelain enamel making machines; light bulbs making machines; coalball machines; motor machines for chemical industry; steam engines; electrostatic industrial equipment; optics cold processing equipment; paint spraying machines; air compressors; centrifugal machines; pressure regulating valves; parallel plastic belts (including transportation belts, transmitting belts, excluding vehicle engines transmission belts). |
| 19. | 东方红 | 4293672 | 7 | Multimaintainers; underwater silt-removing machines; hydropress; garbage disposal machines; snowsweepers; piston rings; bent axles; connecting rods for machines, motors and engines; bearing (machine parts). |
| 20. | 东方红 | 1261168 | 9 | Measuring tools; telephone equipment; solar battery; crane operating equipment; remote control electric equipment for industrial operation; storage battery; battery chargers; electric arc cutting apparatus. |

21.	东方红	1259700	11	Refrigeration equipment and devices; drying equipment; ventilating (air conditioning) equipment and machineries; boiler (non-machine spare parts); gas cleaning devices; regulating and safety accessories for gas apparatus; feeding apparatus for heating boilers; gas producers (device); water purification installation; acetylene generators.
22.	东方红	4426435	12	Locomotives; motorbikes; cable cars; handcarts; public carriages; boats.
23.	东方红	1256875	17	Rubber belts; joint rings; rubber shock absorbers (shock absorbers); machine gaskets; insulating materials; non-heat conducting materials for heat preservation; junk rings; rubber gaskets.
24.	东方红	4426432	19	Timber.
25.	东方红	1256051	19	Non-metal building materials; plywood; gypsum; building elements of concrete; non-metal sleeper for railway (concrete); refractory materials; non-metal surface coating materials for buildings; non-metal foundry molds; smokestack (non-metal).
26.	东方红	4426431	28	Swings; electric chairs; archery apparatus; plastic tracks.
27.	东方红	4426430	29	Egg; fruit salad.
28.	东方红	4426429	31	Wheat; live animals; distiller's malt; animal resting appliances.

29.	东方红	1262410	35	Industry and commerce management supporting industry; professional consultation for trade business; economic projection; accounting industry; business information agency; audit industry; typing photocopy; personnel recruitment.
30.	东方红	4293671	35	Personnel management consultation; office machines and equipment rental; organizing technology exhibitions; relocation of business places; rental of vending machines; systematization of computer databases; opinion polls.
31.	东方红	3680887	36	Pawning.
32.	东方红	4426428	36	Pawning.
33.	东方红	1262306	37	Installation and repairing of electronic equipment; motor vehicle maintenance and repair; cleaning and repairing of boilers; maintenance of tractors; maintenance of construction machineries; construction and maintenance of pipelines; machinery instalment; maintenance and repair; telephone installation and repair; cleaning of buildings; diesel engine maintenance services.
34.	东方红	4293669	38	Cable television; radio broadcast; news agency; TV play; TV broadcast; cable television play.
35.	东方红	1241871	39	Trailer industry; motor transportation; commodity packaging; commodity storage; freight forwarding; vehicle rental; railway transportation; discharging cargo; freight.

36.	东方红	1246000	40	Welding industry; metal electroplating; metal processing; metal forging; laser cutting; boiler manufacturing industry; air purification; grinding finish; refining industry.
37.	东方红	1245888	42	Computer programming; quality control; chemical analysis; legal services; construction consulting; construction graphing; scientific research projects study; industrial design; engineering graphing.
38.	东方红	4293668	42	Intellectual property licensing; technical research; meteorological data; materials testing; interior design; authenticating works of art; intangible assets assessment; machinery research; graphic art design; quality inspection.
39.	红东方	5114426	12	Forklifts; trailers (cars); tractors; delivery trucks; mini motor vehicles; electric vehicles; automobiles; bicycles; tires; automobile chassis.
40.	红东方	5114425	7	Road rollers; excavators; bulldozers; multimaintainers; diesel engines; alternators; air filters; bent axles; pistons (machine or engine parts); loaders; assembled injection pumps.
41.	东亦红	4539332	12	Tractors; vehicles for locomotion by land, air, water or rail.

42.		640502	7	Bulldozers; road rollers; diesel engines; electricity generation sets; excavators; loaders; oil pumps; machine tools and non-standard equipment manufacturing; cutters; tooling; auxiliary devices; fixtures; electric machineries; engine cylinders; large-scale agricultural machineries; farm tools for non-manual operations; foundry machineries; metal working machineries; metal cutting machine tools; cutting tools; machinery operation hand tools; hydraulic hand tools; tire unloading tools; hydraulic components; linked parts of machineries; chains.
43.		640569	12	Automobiles; bicycles; tractors; baby carriers; tricycles; tires; forklifts.
44.		116861	12	Tires; plastic components.
45.		1358846	9	Storage batteries; accumulator battery jars; storage batteries for vehicles; batteries for flashlights; battery boards; battery chargers; storage battery boxes; battery boxes; electric power storage batteries; electric power storage batteries for vehicles.

Set out below is the basic financial information of the Target Trademarks prepared in accordance with the PRC accounting standards:

Appraised value ^(Note) as at 31 December 2010	RMB457,700,000
Book value as at 31 December 2010 (unaudited)	RMB0
License fees income for the year ended 31 December 2009 (unaudited)	RMB15,119,000
License fees income for the year ended 31 December 2010 (unaudited)	RMB17,720,000

Note: The appraised value refers to the appraised value of the Target Trademarks A only.

EFFECTS OF THE ACQUISITION

Prior to the signing of the Trademarks Transfer Agreement, YTO has granted licenses to the Group and certain third parties to use the Target Trademarks. The said licenses are non-exclusive and regionally unrestricted licenses. Pursuant to the Trademarks Transfer Agreement, the license agreements entered into between the Company and YTO involving the Target Trademarks shall automatically lapse upon completion of the Trademarks Transfer Agreement.

YTO has undertaken to procure the above third parties, who were licensed to use the Target Trademarks, not to conduct business which competes or may compete with the business of the Group. The validity of the licenses granted by YTO to the above third parties will not be affected by the Acquisition. Upon request by the Company, YTO shall procure the above third parties, being the licensees, to friendly negotiate with the Company for amendments to those license agreements and if necessary, entering into supplemental agreements and/or new license agreements with the Company.

Pursuant to the Trademarks Transfer Agreement, the Company has agreed, after completion of the Acquisition, to grant license(s) to YTO and its subsidiaries to use the Target Trademarks at a fair price in light of YTO's production and operation needs, provided that the use of those Target Trademarks shall not compete or likely to compete with the business of the Group and shall not have any adverse effect on any of the Target Trademarks. The Company will make further announcement(s) with respect to the above potential transaction(s), if any, in accordance with the relevant provisions of the Listing Rules as and when appropriate.

REASONS FOR THE ACQUISITION

Currently, the Group has been using the Target Trademarks under the trademark license agreements entered into between the Company and YTO. The said trademark license agreements have granted the Company the pre-emptive rights to obtain license of and to acquire the Target Trademarks. Considering that most of the Group's products are using the Target Trademarks, and that the mark “东方红” in the Target Trademarks is the earliest mark being recognized as a “PRC Well-known Trademark” in the PRC agricultural machinery industry and therefore is a representative brand in the PRC agricultural machinery industry and has been enjoying the relatively high reputation and great renown and deep influence in the PRC market and industry, the Board believes that the Acquisition will (i) help to save the annual trademark license fees paid to YTO in respect of the Target Trademarks; (ii) after obtaining the ownership of the Target Trademarks, fundamentally strengthen the legal stability towards the related interests enjoyed by the Company (being the owner) over the Target Trademarks; (iii) enhance the Company's assets comprehensiveness; and (iv) enable the Company to make full use of the influence and rallying point of the Target Trademarks in the market, thereby further encouraging its market expansion.

In view of the above, the Directors believe that the Acquisition will benefit the Company and the Group in terms of business development and costs control in the long run.

The terms of the Trademarks Transfer Agreement were determined after arm's length negotiations between the Company and YTO. The Directors (including the independent non-executive Directors) consider that the Trademarks Transfer Agreement 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 AND YTO

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

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.

RELATIONSHIP BETWEEN PARTIES AND LISTING RULES IMPLICATIONS

As mentioned above, YTO is the controlling shareholder of the Company and therefore is a connected person of the Company. Accordingly, the transaction contemplated under the Trademarks Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios are less than 5%, the Trademarks Transfer Agreement is 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, the executive Director of the Company, as well as Mr. Su Weike and Mr. Yan Linjiao, the non-executive Directors of the Company, are the directors of YTO. At the same time, Ms. Dong Jianhong and Mr. Qu Dawei, the executive Directors of the Company, as well as Mr. Liu Yongle and Mr. Li Youji, the non-executive Directors of the Company, are all senior management of YTO. Mr. Zhao, Mr. Su, Mr. Yan, Ms. Dong, Mr. Qu, Mr. Liu and Mr. Li have therefore abstained from voting on the Board resolutions approving the Trademarks Transfer Agreement.

DEFINITIONS

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

“Acquisition”	the acquisition of the Target Trademarks pursuant to the Trademarks Transfer Agreement
“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
“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 Trademarks”	Target Trademarks A and Target Trademarks B, a total of 45 PRC trademarks all registered in the name of YTO as at the date hereof

“Target Trademarks A”	13 PRC trademarks registered in the name of YTO, details of which are set out in the table (Nos. 1 to 13) under the paragraph headed “INFORMATION OF THE TARGET TRADEMARKS” herein
“Target Trademarks B”	32 PRC trademarks registered in the name of YTO, details of which are set out in the table (Nos. 14 to 45) under the paragraph headed “INFORMATION OF THE TARGET TRADEMARKS” herein
“Trademarks Transfer Agreement”	the trademarks transfer agreement dated 15 August 2011 entered into between the Company and YTO, pursuant to which the Company has agreed to acquire the Target Trademarks from YTO
“Trademarks Transfer Gazette Date”	the date of gazette of the transfer of the Target Trademarks to the Company by the Trademark Office of The State Administration For Industry & Commerce of the PRC
“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
“%”	per cent.

For the purpose of this announcement, the exchange rate of RMB1.00 = HK\$1.20 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
15 August 2011

As at the date of this announcement, Mr. Zhao Yanshui is the Chairman and executive Director of the Company and Mr. Su Weike is the vice Chairman and non-executive Director of the Company. Other members of the Board are, three Executive Directors, namely, Ms. Dong Jianhong, Mr. Qu Dawei and Mr. Liu Jiguo; three non-executive Directors, namely, Mr. Yan Linjiao, Mr. Liu Yongle and Mr. Li Youji; and four independent non-executive Directors, namely, Mr. Luo Xiwen, Mr. Chan Sau Shan, Gary, Mr. Hong Xianguo and Mr. Zhang Qiusheng.

* *For identification purposes only*