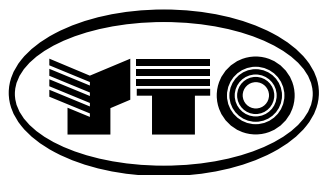


Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement and the Prospectus (as defined below) appear for information purposes only and do not constitute an offer or an invitation to induce an offer by any person to acquire, subscribe for or purchase any securities of the Company.



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)

**PROPOSED ISSUE OF A SHARES
AND
FINANCIAL INFORMATION OF THE GROUP
PREPARED UNDER THE PRC GAAP**

This announcement is made pursuant to Rule 13.09(1) of the Listing Rules.

References are made to the announcements of the Company dated 28 June 2010, 16 August 2010, 27 June 2011 and 15 August 2011 and the circulars of the Company dated 19 July 2010 and 12 July 2011.

The Company has just submitted a Prospectus (application version) to the CSRC in connection with its application for the Issue of A Shares. The Prospectus (application version) contains the consolidated financial information of the Group for the Relevant Periods prepared in accordance with the PRC GAAP and was published on the CSRC's website (www.csrc.gov.cn) and the website of the Stock Exchange (www.hkexnews.hk) on 6 January 2012.

The Issue of A Shares is subject to approval by the CSRC and may or may not proceed to completion. Investors are advised to exercise caution in dealings in the H Shares. Further details about the Issue of A Shares will be disclosed by the Company in the PRC in due course and the relevant information will be disclosed in Hong Kong concurrently in accordance with the Listing Rules.

PROPOSED ISSUE OF A SHARES

This announcement is made pursuant to Rule 13.09(1) of the Listing Rules.

References are made to the announcements of the Company dated 28 June 2010, 16 August 2010, 27 June 2011 and 15 August 2011 and the circulars of the Company dated 19 July 2010 and 12 July 2011 in respect of the proposed Issue of A Shares.

The Board is pleased to announce that the Company has just submitted a Prospectus (application version) to the CSRC in connection with its application for the Issue of A Shares. The Prospectus (application version) was published on the CSRC's website (www.csrc.gov.cn) and the website of the Stock Exchange (www.hkexnews.hk) on 6 January 2012. The Prospectus (application version) is not, and is not intended to be, an offer of securities of the Company for sale in Hong Kong. The Prospectus has not been and will not be registered under the Companies Ordinance (Chapter 32 of the laws of Hong Kong).

Subject to approval by the CSRC, the A Shares will be issued by the Company pursuant to the authority granted by the Shareholders to the Board at the EGM held on 15 August 2011. The proposed Issue of A Shares will comprise the issue of not more than 150,000,000 A Shares to qualified public investors (except for those prohibited by the PRC laws and regulations and other regulatory requirements to which the Company is subject). The issue will be conducted via offline offering to investors and placement through online subscription at the issue price, or such other method as approved by the CSRC. The issue price of the proposed Issue of A Shares will be determined by the Board with reference to the results of the cumulative bidding price consultations and the market condition prevailing in the PRC securities market at the time of the Issue of A Shares.

FINANCIAL INFORMATION OF THE GROUP PREPARED UNDER THE PRC GAAP

Subject to the CSRC's approval, the Prospectus will be published in the PRC in Chinese only and will contain business and financial information of the Group, including but not limited to consolidated balance sheets and income statements of the Group for the Relevant Periods prepared in accordance with the PRC GAAP.

Part (A) and (B) as set out below are the summary of the consolidated financial statements of the Group for the Relevant Periods prepared in accordance with the Group's accounting policies under the PRC GAAP audited by Baker Tilly China ("**Baker Tilly China**"), the Company's PRC reporting accountants.

Part (C) as set out below shows the differences between consolidated financial statements of the Group prepared in accordance with HKFRS and the PRC GAAP. Ernst & Young, UHY Vocation HK CPA Limited and Baker Tilly Hong Kong Limited have audited the Group's consolidated financial statements prepared under HKFRS for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 respectively.

(A) Consolidated income statements of the Group for the years ended 31 December 2008, 2009 and 2010 and for the six months ended 30 June 2011 prepared in accordance with the PRC GAAP:

Unit: RMB

	January-June 2011	2010	2009	2008
1. Total operating revenue	7,164,800,154	10,265,832,386	9,349,371,228	8,251,509,669
Including: Operating revenue	7,138,689,810	10,220,804,965	9,318,617,376	8,211,189,083
Interest income	22,902,907	40,704,723	29,093,071	39,722,275
Handling fee and commission income	3,207,437	4,322,698	1,660,781	598,311
2. Total operating expenses	6,859,075,873	9,801,794,941	9,038,090,264	8,164,819,650
Including: Operating costs	6,253,535,785	8,726,675,048	7,985,359,625	7,279,594,565
Interest expenses	8,178,693	12,067,669	1,461,452	4,537,629
Handling fee and commission expenses	106,796	294,539	199,950	206,508
Business tax and surcharges	11,618,130	11,797,941	8,690,617	7,513,768
Sale expenses	215,661,542	356,256,669	325,537,038	326,812,638
Administrative expenses	343,197,666	645,973,687	654,236,158	477,733,835
Finance costs	25,046,687	27,177,609	10,452,681	39,137,302
Loss on assets impairment	1,730,574	21,551,779	52,152,743	29,283,405
Add: Gains on change in fair value	-996,721	1,947,305	4,707,939	-7,467,434
Investment income	42,526,019	154,982,070	46,291,565	7,026,757

Including: Returns on investment in associated companies and joint ventures	60,633	1,247,116	261,900	254,218
3. Profit from operation	347,253,579	620,966,820	362,280,468	86,249,342
Add: Non-operating income	11,542,644	36,782,310	25,124,856	30,396,579
Less: Non-operating expenses	1,563,766	11,607,349	13,640,985	9,385,146
Including: Loss on disposal of non-current assets	334,289	4,098,478	1,314,250	3,594,187
4. Total profit	357,232,457	646,141,781	373,764,339	107,260,775
Less: Income tax expenses	60,110,069	84,092,609	87,156,133	10,261,435
5. Net profit	297,122,388	562,049,172	286,608,206	96,999,340
Net profit attributable to equity holders of the Company	271,236,340	542,669,716	252,422,877	78,566,641
Gains/losses attributable to minority shareholders	25,886,048	19,379,456	34,185,329	18,432,699
6. Earnings per share:				
Basic earnings per share	0.3206	0.6415	0.2984	0.0929
Diluted earnings per share	0.3206	0.6415	0.2984	0.0929
7. Other comprehensive income	-51,143,573	569,104	46,943,192	-53,334,527
8. Total comprehensive income	245,978,815	562,618,276	333,551,398	43,664,813
Total comprehensive income attributable to equity holders of the Company	222,451,138	542,341,960	300,310,634	25,232,114
Total comprehensive income attributable to minority shareholders	23,527,677	20,276,316	33,240,764	18,432,699

(B) Consolidated balance sheets of the Group as at 31 December 2008, 2009 and 2010 and as at 30 June 2011 prepared in accordance with the PRC GAAP:

Unit: RMB

	As at 30 June 2011	As at 31 December 2010	As at 31 December 2009	As at 31 December 2008
Assets				
Current assets:				
Cash and cash equivalents	1,165,244,771	1,362,562,903	1,260,165,718	1,217,830,638
Loans due from other banks or financial institutions	50,000,000	350,000,000	—	—
Held-for-trading financial assets	199,860,610	251,993,572	28,941,581	4,444,370
Bills receivable	1,273,571,311	969,717,969	395,472,182	331,503,844
Accounts receivable	1,611,036,531	586,013,465	555,635,485	606,468,815
Prepayments	210,348,344	369,520,110	395,151,633	145,241,902
Dividends receivable	—	—	280,000	—
Other receivables	158,650,756	97,411,958	204,337,880	245,590,509
Inventories	1,138,997,176	1,376,834,673	1,060,046,603	1,065,477,384
Other current assets	—	—	—	50,000,000
Total current assets	5,807,709,499	5,364,054,650	3,900,031,082	3,666,557,462
Non-current assets:				
Loans and advances granted	637,134,349	447,326,609	508,317,812	498,911,108
Available-for-sale financial assets	142,848,550	186,481,167	108,679,157	48,157,200
Held-to-maturity investment	98,533,972	1,000,000	11,139,870	—
Long-term equity investment	118,585,397	118,104,764	74,077,539	81,105,045
Investment property	34,506,938	35,301,758	—	—
Fixed assets	1,176,511,478	1,177,216,283	1,102,677,528	1,193,775,895
Constuction in progress	810,954,085	653,334,395	136,013,179	88,797,075
Intangible assets	215,204,781	215,198,306	99,892,292	110,265,160
Long-term deferred expenses	3,319,953	4,094,873	4,361,475	1,899,305
Deferred income tax assets	56,201,644	38,825,283	59,375,630	50,440,757
Other non-current assets	129,907,825	100,761,849	39,083,705	3,564,323
Total non-current assets	3,423,708,972	2,977,645,287	2,143,618,187	2,076,915,868
Total assets	9,231,418,471	8,341,699,937	6,043,649,269	5,743,473,330

Liabilities and shareholders' equity**Current liabilities:**

Short-term loans	1,293,336,218	425,726,315	156,000,000	225,000,000
Deposit taking and deposit in inter-bank market	600,109,216	540,420,226	260,223,420	143,727,029
Loans due to other banks or financial institutions	—	100,000,000	—	—
Bills payable	839,166,082	544,516,230	547,855,755	459,679,180
Accounts payable	1,783,139,362	1,482,348,102	1,182,570,142	1,106,387,180
Receipts in advance	239,775,638	562,785,185	288,423,005	359,679,660
Disposal of repurchased financial assets	—	99,500,000	—	—
Employee remuneration payable	224,268,672	197,424,179	200,546,192	70,685,311
Interests payable	4,621,428	4,296,514	341,256	—
Dividends payable	67,672,000	—	16,110,000	8,964,159
Tax payable	-209,994,950	-221,754,910	-73,338,858	-102,851,959
Other payables	278,337,410	243,879,259	177,987,730	212,656,855
Non-current liabilities due within one year	1,018,000	1,018,000	1,018,000	76,029,500
Other current liabilities	150,295,256	80,935,363	66,427,191	54,975,788
Total current liabilities	5,271,744,332	4,061,094,463	2,824,163,833	2,614,932,703

Non current liabilities:

Long-term loans	200,000,000	600,000,000	13,472,700	194,690,129
Deferred income tax liabilities	17,434,563	27,061,629	13,109,169	4,331,580
Other non-current liabilities	118,136,720	109,515,763	118,364,774	113,638,044
Total non-current liabilities	335,571,283	736,577,392	144,946,643	312,659,753
Total liabilities	5,607,315,615	4,797,671,855	2,969,110,476	2,927,592,456

Shareholder's equity:

Share capital	845,900,000	845,900,000	845,900,000	845,900,000
Capital reserve	1,462,250,874	1,601,270,372	1,626,359,922	1,581,375,175
Surplus reserves	224,254,050	224,254,050	202,283,224	184,426,079
General risk reserve	5,868,701	5,868,701	5,498,233	5,175,293
Retained profits	688,388,463	484,824,123	173,466,901	-7,327,085
Translation difference on foreign currency statements	-12,672,782	-10,337,323	-8,900,722	-11,673,367
Total equity attributable to shareholders of the Company	3,213,989,306	3,151,779,923	2,844,607,558	2,597,876,095
Minority interests	410,113,550	392,248,159	229,931,235	218,004,779
Total shareholder's equity	3,624,102,856	3,544,028,082	3,074,538,793	2,815,880,874
Total liabilities and shareholder's equity	9,231,418,471	8,341,699,937	6,043,649,269	5,743,473,330

(C) Differences between consolidated financial statements of the Group prepared in accordance with HKFRS and the PRC GAAP

The Company is listed in Hong Kong and prepares its financial statements in accordance with the PRC GAAP and HKFRS respectively. There may be some differences in net assets and net profit due to the differences between accounting standards adopted for the financial and accounting information disclosed in the PRC and Hong Kong.

1. Temporary differences arising from desynchronized adjustments in domestic and overseas accounting standards from the year 2007 to 2009

In 2006, the Company entered into an asset swap agreement with YTO, pursuant to which the Company acquired 58.8% equity interest in YTO (Luoyang) Diesel Engine Co., Ltd and 70% equity interest in YTO (Luoyang) Fuel Injection Pump Co., Ltd held by YTO. As HKFRS does not provide for the accounting treatment of business combination under common control, this transaction was accounted for by the overseas accounting firm using the purchase method, which led to RMB52.99 million of goodwill. The domestic accounting firm used the same accounting treatment given the convergence of the PRC GAAP and HKFRS.

On 10 December 2010, Baker Tilly China audited the financial reports of the Company for the years 2007, 2008 and 2009 and the period of January to September 2010 according to the PRC GAAP, and issued standard auditor's report with unqualified opinion (Tian Zhi Jing Shen Zi [2010] No.1989). According to Article 13 of the PRC GAAP No. 38 - First Implementation of the Accounting Standards for Business Enterprises, "in respect of the business combination under common control as defined in the PRC GAAP No. 20 - Business Combination, the amortized value which has been recognized previously as goodwill shall be written off in full and the retained earnings shall be adjusted accordingly". Baker Tilly China made retrospective adjustment for the above transaction in the financial report prepared under the PRC GAAP, i.e. writing down goodwill and capital reserve respectively by RMB52.99 million, which led to the decrease in net assets by RMB52.99 million in the financial report prepared under the PRC GAAP. When preparing the Company's annual report for the year 2010 in March 2011, Baker Tilly China made the same retrospective adjustment for the above transaction given the convergence of the PRC GAAP and HKFRS.

However, as the Company's 2010 annual report was published later than the reports prepared under the PRC GAAP for the aforesaid three years and nine-month period, there are some differences between the data in the financial statements prepared under the PRC GAAP and those prepared under HKFRS in the net profit and net assets attributable to the shareholders of the Company on a consolidated basis for the years 2007 to 2009 if the auditor's report (Tian Zhi Jing Shen Zi [2010] No.1989) is compared with the data disclosed in the Company's 2008 and 2009 annual reports:

Unit: RMB'000

Items	Net profit attributable to equity holders of the Company			Net assets attributable to the Company		
	2009	2008	2007	2009	2008	2007
Amounts prepared under the PRC GAAP	244,488	68,505	181,762	2,762,236	2,511,895	2,522,055
Goodwill arising from the acquisition of subsidiaries by using the purchase method	—	—	—	52,990	52,990	52,990
Amounts prepared under HKFRS	244,488	68,505	181,762	2,815,226	2,564,886	2,575,045

The above table shows that there are differences in the net assets and net profit in the financial statements for the years 2007 to 2009 prepared under the PRC GAAP in the auditor's report (Tian Zhi Jing Shen Zi [2010] No.1989) and those in the Company's annual reports published for such years. The difference is only RMB52.99 million in net assets, which is resulted from desynchronized adjustments in domestic and overseas accounting standards.

2. The differences between the information in the financial statements prepared under the PRC GAAP and that prepared under HKFRS have been eliminated since the publication of the Company's annual report for 2010

As stated above, Baker Tilly China, when preparing the Company's annual report for the year 2010 in March 2011, retrospectively wrote down the goodwill recognized in previous years by RMB52.99 million given the convergence of the PRC GAAP and HKFRS, and the aforesaid differences were eliminated as a result.

(1) After publication of the Company's 2010 annual report, no differences in net profit and net assets exist in the financial statements prepared under the PRC GAAP and those prepared under HKFRS for the years 2008 to 2010

According to the auditor's report (Tian Zhi Jing ZH [2011] No.1660) issued by Baker Tilly China on 18 May 2011 and the 2010 annual report of the Company, the comparison between the net profit and equity attributable to the shareholders of the Company on a consolidated basis for the years 2008 to 2010 and the information disclosed in the 2010 annual report of the Company is as follows:

Unit: RMB'000

Items	Net profit attributable to equity holders of the Company			Net assets attributable to the Company		
	2010	2009	2008	2010	2009	2008
Amounts prepared under the PRC GAAP	542,361	248,551	75,131	3,082,947	2,806,248	2,557,455
Amounts prepared under HKFRS	542,361	248,551	—	3,082,948	2,806,249	2,557,456

Note 1: In 2010, the Company acquired Luoyang Tractors Research Institute Co., Ltd, an enterprise under common control. According to the requirements of relevant accounting standards, the balance sheets and the income statements for the years 2008 to 2010 were retrospectively revised in the auditor's report (Tian Zhi Jing ZH [2011] No.1660) issued by Baker Tilly China. As the 2010 annual report of the Company only disclosed the balance sheets for the recent three years and the income statements for the recent two years, the amount of net profit of the Company for 2008 as retrospectively adjusted is not available.

Note 2: There may be some minor differences arising from rounding off in the amounts of net profit and net assets attributable to the Company as disclosed in the financial reports prepared under the PRC GAAP and those prepared under HKFRS.

The above table shows that after publication of the Company's 2010 annual report, no differences in net profit and net assets exist in the financial statements prepared under the PRC GAAP and those prepared under HKFRS for the years 2008 to 2010.

- (2) *No differences in net profit and net assets exist in the financial statements prepared under the PRC GAAP and those prepared under HKFRS for the first half of 2011*

According to the auditor's report (Tian Zhi Jing ZH [2011] No.2034) issued by Baker Tilly China on 8 September 2011 and the review report in the 2011 interim report of the Company, the comparison between the net profit and net assets attributable to the shareholders of the Company on a consolidated basis for the first half of 2011 and the information disclosed in the 2011 interim report of the Company is as follows:

Unit: RMB'000

Items	Net profit	
	attributable to equity holders of the Company	Equity attributable to equity holders of the Company
	January to June 2011	As at 30 June 2011
Amounts prepared under the PRC GAAP	271,236	3,213,990
Amounts prepared under HKFRS	271,236	3,213,989

Note: There may be some minor differences arising from rounding off in the amounts of net profit and net assets attributable to the Company in the financial reports prepared under the PRC GAAP and those prepared under HKFRS.

The above table shows that no differences in net profit and net assets exist in the financial statement prepared under the PRC GAAP and that prepared under HKFRS for the first half of 2011.

For more details of the proposed Issue of A Shares, please refer to the Prospectus (application version) which was published on the CSRC's website (www.csrc.gov.cn) and the website of the Stock Exchange (www.hkexnews.hk) on 6 January 2012.

The Company will keep Shareholders and Investors posted of any further development in relation to the Issue of A Shares.

The Issue of A Shares is subject to approval by the CSRC and may or may not proceed to completion. Investors are advised to exercise caution in dealings in the H Shares. Further details about the Issue of A Shares will be disclosed by the Company in the PRC in due course and the relevant information will be disclosed in Hong Kong concurrently in accordance with the Listing Rules.

DEFINITIONS

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

“A Share(s)”	the ordinary shares of the Company of RMB1.00 each proposed to be allotted, issued and listed on the Shanghai Stock Exchange
“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)
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Directors”	the directors of the Company, including the independent non-executive directors

“Group”	the Company and its subsidiaries
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“H Share(s)”	the overseas listed foreign share(s) having a nominal value of RMB1.00 each in the capital of the Company, which are subscribed for and traded in Hong Kong dollars, all of which are listed on the Stock Exchange
“Issue of A Shares”	the proposed issue of not more than 150,000,000 A Shares to qualified public investors (except those prohibited by the PRC laws and regulations and other regulatory requirements to which the Company is subject)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“PRC GAAP”	the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC on 15 February 2006, and other relevant accounting regulations as promulgated in the PRC
“Prospectus”	the prospectus to be issued by the Company in relation to the proposed Issue of A Shares, the application version of which was published on the CSRC’s website (www.csrc.gov.cn) and the website of the Stock Exchange (www.hkexnews.hk) on 6 January 2012
“Relevant Periods”	the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011

“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	registered holder(s) of Shares
“Share(s)”	share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“YTO”	中國一拖集團有限公司 (YTO Group Corporation*), a limited liability company incorporated in the PRC and the controlling shareholder of the Company, holding approximately 52.48% equity interest in the Company

By Order of the Board
FIRST TRACTOR COMPANY LIMITED
Zhao Yanshui
Chairman

Luoyang, the PRC
6 January 2012

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*