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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 24% EQUITY INTEREST IN
YTO (LUOYANG) SHENTONG CONSTRUCTION
MACHINERY CO., LTD

On 19 March 2012, the Company entered into the Equity Transfer Agreement with YTO, pursuant to which the Company has agreed to purchase and YTO have agreed to sell 24% equity interest in YTO Shentong at a total consideration of RMB1.00 (equivalent to approximately HK\$1.24).

As at the date hereof, YTO is the controlling shareholder of the Company. Accordingly, YTO is regarded as a connected person of the Company pursuant to the Listing Rules. The Acquisition contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company.

As the applicable percentage ratios are less than 5%, the Equity 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 is pleased to announce that on 19 March 2012, the Company entered into the Equity Transfer Agreement with YTO, pursuant to which the Company has agreed to purchase and YTO have agreed to sell 24% equity interest in YTO Shentong at a total consideration of RMB1.00 (equivalent to approximately HK\$1.24).

THE ACQUISITION

The summary of the principal terms of the Equity Transfer Agreement is set out below:-

Date

19 March 2012

Parties

- 1) The Company, as purchaser; and
- 2) YTO, as vendor.

Interest to be acquired

Pursuant to the Equity Transfer Agreement, the Company has agreed to purchase from YTO 24% equity interest in YTO Shentong, which is owned as to 76% by the Company before the Acquisition. Upon completion of the Acquisition, YTO Shentong will become a wholly-owned subsidiary of the Company.

Consideration for the Acquisition

The consideration of the Target Interest was RMB1.00 (equivalent to approximately HK\$1.24), which was determined after arm's length negotiations between the Company and YTO with reference to (i) the book value of the net assets of YTO Shentong, being approximately RMB-14,266,500 as at 31 December 2011 (approximately RMB-3,423,960 for the 24% equity interest in YTO Shentong); and (ii) the appraised value of the net assets of YTO Shentong, being RMB-2,936,900 as at 30 June 2011 (approximately RMB-704,856 for the 24% equity interest in YTO Shentong). The appraisal was conducted by China United Assets Appraisal Co., Ltd.* (中聯資產評估集團有限公司), an independent PRC professional valuer, by using the asset based valuation approach.

Payment terms

The consideration of the Target Interest shall be paid by the Company to YTO within 20 working days upon signing of the Equity Transfer Agreement. The Company intends to satisfy the above consideration in cash by its internal resources.

INFORMATION OF YTO SHENTONG

As at the date hereof, the registered capital of YTO Shentong is RMB13,000,000, among which RMB9,880,000 was contributed by the Company while RMB3,120,000 was contributed by YTO. Immediately before completion of the Acquisition, YTO Shentong is owned as to 76% by the Company and 24% by YTO. It is principally engaged in the manufacture and sales of mining trucks. In 2011, YTO Shentong sold 605 mining trucks in the PRC market, increased by 42% as compared to the sales amount in 2010.

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

Book value of the total assets as at 31 December 2011 (audited)	RMB235,100,000
Book value of the net assets as at 31 December 2011 (audited)	RMB-14,266,500
Appraised value of the total assets as at 30 June 2011	RMB255,912,100
Appraised value of the net assets as at 30 June 2011	RMB-2,936,900
Revenue for the year ended 31 December 2010 (audited)	RMB259,000,000
Revenue for the year ended 31 December 2011 (audited)	RMB325,540,000
Net profits / (net loss) before taxation and extraordinary items for the year ended 31 December 2010 (audited)	RMB3,367,000
Net profits / (net loss) after taxation and extraordinary items for the year ended 31 December 2010 (audited)	RMB3,367,000

Net profits / (net loss) before taxation and extraordinary items for the year ended 31 December 2011 (audited)	RMB168,000
Net profits / (net loss) after taxation and extraordinary items for the year ended 31 December 2011 (audited)	RMB86,200

REASONS FOR THE ACQUISITION

With the continuous growth of domestic surface mining activities over the years, mining trucks have been experiencing year-on-year increase in the market demand and thus have a promising market prospect. In recent years, the mining truck business of YTO Shentong witnessed rapid growth and thus has a positive profit prospect. Meanwhile, mining truck is a new type of product that the Company endeavours to develop.

The reason for YTO Shentong having a net liabilities position currently is that the principal business of YTO Shentong in or before 2011 includes the manufacture, sales and maintenance of mining trucks and agricultural construction machineries such as low-powered agricultural loaders and low-powered agricultural excavators, etc. Due to the low added value and technological barriers to the low-powered agricultural construction machinery products as well as the increase in market competition, there was a decrease in the sales volume of low-powered agricultural construction machinery products of YTO Shentong in recent years and the profit ratio was decreasing, which resulted in losses of YTO Shentong. However, the sales volume of mining truck products of YTO Shentong has been increasing since 2009. The mining truck business of YTO Shentong has been profitable with its operating results being improved year-on-year. In May 2011, the Company (being the shareholder holding 76% equity interest in YTO Shentong) and YTO Shentong decided that, except for those for the purpose of performance of its existing low-powered agricultural construction machinery contracts and consumption of its inventory, YTO Shentong should not sign new sales contracts and should cease the manufacture and sales of low-powered agricultural construction machinery products. Since 2012, the principal business of YTO Shentong was changed to the manufacture and sales of mining trucks.

The Company shall, through acquisition of the Target Interest, simplify the shareholding structure of YTO Shentong, which is beneficial for the Company to increase investment and make overall product planning in accordance with the strategic positioning, so as to provide support for further development of mining truck products and make mining truck products as a new profit driver of the Company in the future. Therefore, despite the present net liabilities position of YTO Shentong (as of 30 June 2011, the appraised net liabilities were RMB2,936,900), the acquisition of 24% equity interest in YTO Shentong is beneficial to the long term development of the Company.

The terms of the Equity Transfer Agreement have been determined after arm's length negotiations between the Company and YTO. The Directors (including the independent non-executive Directors) consider that the Equity Transfer Agreement was entered into in the ordinary course of business of the Company and on normal commercial terms and the terms thereof are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP AND YTO

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

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

RELATIONSHIP BETWEEN THE PARTIES AND THE LISTING RULES IMPLICATIONS

As mentioned above, YTO is the controlling shareholder of the Company. Accordingly, YTO is regarded as a connected person of the Company pursuant to the Listing Rules. The Acquisition contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company.

Since the applicable percentage ratios are less than 5%, the Equity 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, the non-executive Director of the Company, are all senior management of YTO. Mr. Zhao, Mr. Su, Mr. Yan, Ms. Dong, Mr. Qu and Mr. Liu have therefore abstained from voting on the Board resolutions approving the Equity Transfer Agreement.

DEFINITIONS

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

“Acquisition”	the acquisition of the Target Interest by the Company from YTO pursuant to the Equity 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
“Equity Transfer Agreement”	the equity transfer agreement dated 19 March 2012 entered into between the Company and YTO for the acquisition of 24% equity interest in YTO Shentong by the Company from YTO
“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, 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 Interest”	the 24% equity interest in YTO Shentong owned by YTO, being the subject matter under the Equity Transfer Agreement
“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 approximately 52.48% equity interest in the Company as at the date hereof
“YTO Shentong”	YTO (Luoyang) Shentong Construction Machinery Co., Ltd* (一拖(洛陽)神通工程機械有限公司), a limited liability company incorporated in the PRC and owned as to 76% and 24% by the Company and YTO respectively prior to the Acquisition
“%”	per cent

For the purpose of this announcement, the exchange rate of RMB1.00 = HK\$1.24 has been used.

By Order of the Board
FIRST TRACTOR COMPANY LIMITED
YU Lina
Company Secretary

Luoyang, the PRC
19 March 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; two non-executive Directors, namely, Mr. Yan Linjiao and Mr. Liu Yongle; 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*