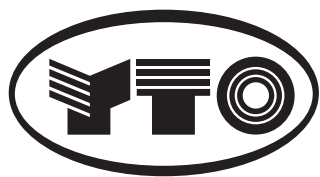


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第一拖拉机股份有限公司
FIRST TRACTOR COMPANY LIMITED*

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00038)

CONTINUING CONNECTED TRANSACTIONS

Background

References are made to the announcements of the Company dated 21 October 2009, 28 June 2010 and 21 December 2010, and the circulars of the Company dated 6 November 2009 and 20 July 2010, in respect of the existing continuing connected transactions under the Old Agreements. The Old Agreements will expire on 31 December 2012. The Board wishes to ensure the continuation of the on-going transactions of goods and services to or from the YTO Group and/or the subsidiaries of Sinomach, as well as the continued leasing of lands and properties to facilitate the Group's operational needs. YTO Group also intends to continue the existing financial services provided by First Tractor Finance. In addition, the Group also intends to continue to receive certain technology and testing services provided by Tractors Research Group.

Accordingly, on 29 October 2012, the Company and/or its subsidiaries (on behalf of the Group) entered into the New Agreements with YTO (on behalf of YTO Group and/or the subsidiaries of Sinomach) for a term of three years commencing from 1 January 2013, in respect of the transactions of certain materials, components and services, the continuations of the financial and the technology and testing services, lands and properties leasing between the Group and YTO Group, as well as the continuation of purchasing and sales of certain materials and components between the Group and the subsidiaries of Sinomach.

The entering into of the New Agreements is to renew the Old Agreements and their respective Annual Cap amounts for the three years ending 31 December 2013, 2014 and 2015 (except for the Deposit Service Agreement, which has no such Annual Cap amount), and to reflect the terms of the on-going connected transactions. Save for the effective period and the Annual Cap amounts of each of the New Agreements, the terms and conditions of each of the New Agreements are similar to those in the respective Old Agreements. Details of the New Agreements and the corresponding Annual Cap amounts (except for the Deposit Service Agreement, which has no such Annual Cap amount) are set out in this announcement. The Directors consider that the entering into of the New Agreements are on normal commercial terms and in the ordinary and usual course of business of the Group, the terms of the New Agreements are fair and reasonable and in the interests of the Shareholders and the Group as a whole.

Hong Kong Listing Rules Implications

As each of YTO and its associates are connected persons of the Company under Chapter 14A of the Hong Kong Listing Rules, the transactions contemplated under the New Agreements constitute continuing connected transactions of the Company.

As the applicable percentage ratios under each of the Non-exempt CCT Agreements, on an annual basis, are more than 5%, the transactions contemplated under the Non-exempt CCT Agreements constitute as non-exempt continuing connected transactions of the Company that are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. In addition, the Company is required to comply with the annual review requirements under Rules 14A.37 to 14A.41 of the Hong Kong Listing Rules in respect of each of the Non-exempt CCT Transactions.

As the applicable percentage ratios under each of the Other CCT Agreements, on an annual basis, are more than 0.1% but less than 5%, the transactions contemplated under the Other CCT Agreements constitute as exempt continuing connected transactions of the Company that are subject to reporting, annual review and announcement requirements, but exempt from independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The deposit services to be provided under the Deposit Service Agreement constitute financial assistance provided by YTO Group, for the benefit of First Tractor Finance on normal commercial terms where no security over the assets of the Group is granted in respect of such financial assistance. The transaction contemplated under the Deposit Service Agreement is exempted from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.65(4) of the Hong Kong Listing Rules.

Shanghai Listing Rules Implications

As the A Shares of the Company are listed on the Shanghai Stock Exchange on 8 August 2012, the Company is also required to comply with relevant requirements of the Shanghai Listing Rules. Pursuant to the Shanghai Listing Rules, the Annual Cap amounts of all the New Agreements (except for the Deposit Service Agreement, which has no such Annual Cap amount) should be aggregated and such Annual Cap amounts and all the New Agreements are subject to the Independent Shareholders' approval at the EGM.

General

A circular containing, among other things, (i) the information relating to each of the New Agreements, (ii) the advice from the Independent Board Committee to the Independent Shareholders in respect of the Non-exempt CCT Agreements, (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee in respect of the Non-exempt CCT Agreements, and (iv) a notice of the EGM to be convened for the Independent Shareholders, to approve the transactions contemplated under the New Agreements and the respective proposed Annual Cap amounts for the three years ending 31 December 2013, 2014 and 2015 (except for the Deposit Service Agreement, which has no such Annual Cap amount), is expected to be despatched to the Shareholders on or before 19 November 2012 in accordance with the Hong Kong Listing Rules.

BACKGROUND FOR THE CONTINUING CONNECTED TRANSACTIONS

References are made to the announcements of the Company dated 21 October 2009, 28 June 2010 and 21 December 2010, and the circulars of the Company dated 6 November 2009 and 20 July 2010, in respect of the existing continuing connected transactions under the Old Agreements. The Old Agreements will expire on 31 December 2012. The Board wishes to ensure the continuation of the on-going transactions of goods and services to or from the YTO Group and/or the subsidiaries of Sinomach, as well as the continued leasing of lands and properties to facilitate the Group's operational needs. YTO Group also intends to continue the existing financial services provided by First Tractor Finance. In addition, the Group also intends to continue to receive certain technology and testing services provided by Tractors Research Group.

Accordingly, on 29 October 2012, the Company and/or its subsidiaries (on behalf of the Group) entered into the New Agreements with YTO (on behalf of YTO Group and/or the subsidiaries of Sinomach) for a term of three years commencing from 1 January 2013, in respect of the transactions of certain materials, components and services, the continuations of the financial and the technology and testing services, lands and properties leasing between the Group and YTO Group, as well as the continuation of purchasing and sales of certain materials and components between the Group and the subsidiaries of Sinomach.

The entering into of the New Agreements is to renew the Old Agreements and their respective Annual Cap amounts for the three years ending 31 December 2013, 2014 and 2015 (except for the Deposit Service Agreement, which has no such Annual Cap amount), and to reflect the terms of the on-going connected transactions. Save for the effective period and the Annual Cap amounts of each of the New Agreements, the terms and conditions of each of the New Agreements are similar to those in the respective Old Agreements. Details of the New Agreements and the corresponding Annual Cap amounts (except for the Deposit Service Agreement, which has no such Annual Cap amount) are set out in this announcement. The Directors consider that the entering into of the New Agreements are on normal commercial terms and in the ordinary and usual course of business of the Group, the terms of the New Agreements are fair and reasonable and in the interests of the Shareholders and the Group as a whole.

Details of each of the New Agreements are set out below:

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

(A) Material Procurement Agreement

Date	:	29 October 2012
Parties	:	<ul style="list-style-type: none"> • YTO, on behalf of YTO Group and the subsidiaries of Sinomach, as supplier and/or supplying agent; and • The Company, on behalf of the Group, as purchaser and/or purchasing agent.
Goods to be provided/ rendered	:	Raw materials (including steel, pig iron, waste steel, coke, nonferrous metals and oil), other industrial equipment, supporting parts (including semi-finished and finished products), spare parts and other necessities.
Term	:	From 1 January 2013 to 31 December 2015.
Payment terms	:	Shall be principally cleared and settled within three months from the date of confirmation of receiving the goods by the purchaser. Subject to negotiations between the parties, prepayments of no more than 6 months from the estimated delivery of the goods are acceptable.

Historical Figures and the Proposed Annual Cap Amounts for the Transactions under the Material Procurement Agreement

In respect of the material procurement agreement dated 21 October 2009, the following table sets out the historical transaction amounts for the years ended 31 December 2010 and 2011, and for the eight months ended 31 August 2012. The table also sets out the proposed Annual Cap amounts for each of the three years ending 31 December 2013, 2014 and 2015 under the Material Procurement Agreement:

	Historical transaction amounts			Proposed Annual Cap amounts		
	For the year ended		For the eight	For the year ended 31 December		
	31 December		months ended			
	2010	2011	31 August 2012	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Material Procured by the Company	1,263,734	1,262,965	893,353	1,350,000	1,450,000	1,550,000

Pricing Standards of the Transactions contemplated under the Material Procurement Agreement

Under the Material Procurement Agreement, the price of the goods to be supplied or provided will be:

- (1) the State Price;
- (2) if there is no State Price, the governmental guidance price;
- (3) if there is no State Price nor governmental guidance price, the market price determined by an independent third party;
- (4) if there is no State Price, governmental guidance price nor market price determined by an independent third party, the transaction price between YTO and an independent third party; and
- (5) if none of the above is applicable, costs plus a percentage mark-up, which is not more than 30%.

In any event, the applicable price of the goods offered to the Group shall not be less favourable than that offered to independent third party customers of YTO Group for the same goods.

Basis for the Annual Cap Amounts under the Material Procurement Agreement

The proposed Annual Cap amounts for the years of 2013, 2014 and 2015 for the Material Procurement Agreement have been determined on the basis that such amounts will be approximately 10% of the estimated consolidated turnover of the Group for each of the three years ending 31 December 2015. The consolidated turnover of the Group is estimated with reference to the future growth and development of the Group according to the industry development, market share, capacity and business strategy of the Group. The Annual Cap amounts, being set at approximately 10% of the estimated consolidated turnover of the Group, are based on:

- (1) the historical transaction amounts in 2010 and 2011 (2010: approximately RMB1,263.73 million; and 2011: approximately RMB1,262.96 million), which on average amounted to approximately 11.6% of the consolidated turnover of the Group; and
- (2) the gradual reduction of the procurement for the materials from YTO Group due to the business integration of the Group.

(B) Composite Services Agreement

Date	:	29 October 2012
Parties	:	<ul style="list-style-type: none">• YTO, on behalf of YTO Group, as supplier and/or supplying agent; and• The Company, on behalf of the Group, as purchaser and/or purchasing agent.
Services to be provided/ rendered	:	Certain production, welfare and management services, including but not limited to storage services, transportation services, fire prevention services, security services in the factory areas, human resources training, legal affairs and consultancy services, ability testing services, landscaping and road services, cleaning services, information networking services, re-employment services, administrative services for retired employees such as social insurance services, advertising and promotion services in relation to enterprise culture and image, public relation services such as provision of conference venue, reception services, etc.
Term	:	From 1 January 2013 to 31 December 2015.

Payment terms : Storage services: shall be cleared quarterly and paid in the following month;

Transportation services: shall be principally cleared and settled within three months after confirmation by the Company (on behalf of the Group) from the date of delivering/receiving the goods; and

Management services except for the storage and transportation services: shall be cleared in the first month of each quarter for the cost of the previous quarter, and cleared and paid before the end of each financial year in accordance with the actual usage.

Historical Figures and the Proposed Annual Cap Amounts for the Transactions under the Composite Services Agreement

In respect of the composite services agreement dated 21 October 2009, the following table sets out the historical transaction amounts for the years ended 31 December 2010 and 2011, and for the eight months ended 31 August 2012. The table also sets out the proposed Annual Cap amounts for each of the three years ending 31 December 2013, 2014 and 2015 under the Composite Services Agreement:

	Historical transaction amounts			Proposed Annual Cap amounts		
	For the year ended		For the eight	For the year ended 31 December		
	31 December		months ended			
	2010	2011	31 August	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Composite Services Agreement	96,382	107,125	69,921	226,000	254,000	290,000

Pricing Standards of the Transactions contemplated under the Composite Services Agreement

Under the Composite Services Agreement, the price of the services to be provided thereunder will be:

- (1) the State Price;
- (2) if there is no State Price, the governmental guidance price;
- (3) if there is no State Price nor governmental guidance price, the market price determined by an independent third party;

- (4) if there is no State Price, governmental guidance price nor market price determined by an independent third party, the transaction price between YTO and an independent third party; and
- (5) if none of the above is applicable, costs plus a percentage mark-up, which is not more than 30%.

In any event, the applicable price of the services offered to the Group shall not be less favourable than that offered to independent third party customers of YTO Group for the same services.

Basis for the Annual Cap Amounts under the Composite Services Agreement

The proposed Annual Cap amounts for the years of 2013, 2014 and 2015 for the Composite Services Agreement have been determined on the basis that such amounts will be approximately 1.6% of the estimated consolidated turnover of the Group for each of the three years ending 31 December 2015. The estimated consolidated turnover of the Group is estimated with reference to the future growth and development of the Group according to the industry development, market share, capacity and business strategy of the Group. The Annual Cap amounts, being set at approximately 1.6% of the estimated consolidated turnover of the Group, are based on

- (1) the historical transaction amounts in 2010 and 2011 (2010: approximately RMB96.38 million; and 2011: approximately RMB107.12 million), which on average amounted to approximately 0.94% of the consolidated turnover of the Group; and
- (2) the extra increment of 0.66%, which was attributed from the net effect of:
 - (I) the transportation services: the basis for the determination of the Annual Cap amounts of the transportation services is approximately 1% of the estimated consolidated turnover of the Group for each of the three years ending 31 December 2015, and such level is based on:
 - (a) the historical transaction amounts in 2010 and 2011 (2010: approximately RMB59.47 million; and 2011: approximately RMB65.60 million), which on average amounted to approximately 0.58% of the consolidated turnover of the Group; and
 - (b) the consideration of the expected increment of annual average turnover of the Group between 2013 and 2015, the merger of businesses and the expected increment of fuel prices and salaries between 2013 and 2015; and

(II) the other services except for the transportation services: the basis for the determination of the Annual Cap amounts of the other services is approximately 0.6% of the estimated consolidated turnover of the Group for each of the three years ending 31 December 2015, and such level is based on:

(a) the historical transaction amounts in 2010 and 2011 (2010: approximately RMB36.91 million; and 2011: approximately RMB41.52 million), which on average amounted to approximately 0.36% of the consolidated turnover of the Group; and

(b) the increment of 0.24% based on:

(i) the expected annual growth rate not exceeding 15% for the salaries of the management services staffs of YTO between 2013 and 2015; and

(ii) the expected increment of services fees for security services, fire prevention services, landscaping and road services and cleaning service in the factory areas, due to the future growth and development of the Group, such as acquisition of land, development of the industrial park and business integrations.

(C) Energy Procurement Agreement

Date : 29 October 2012

Parties :

- YTO as supplier and/or supplying agent; and
- The Company, on behalf of the Group, as purchaser and/or purchasing agent.

**Energy to be provided/
rendered** : Electricity, gas, oxygen, water, heat, compressed air, acetylene, steam, etc..

Term : From 1 January 2013 to 31 December 2015.

Payment terms : Shall be cleared and paid monthly or latest in the following month; however, in order to ensure the stability of supply, subject to negotiations between the parties, prepayments of no more than 6 months are acceptable.

Historical Figures and the Proposed Annual Cap Amounts for the Transactions under the Energy Procurement Agreement

In respect of the energy procurement agreement dated 21 October 2009, the following table sets out the historical transaction amounts for the years ended 31 December 2010 and 2011 and for the eight months ended 31 August 2012. The table also sets out the proposed Annual Cap amounts for each of the three years ending 31 December 2013, 2014 and 2015 under the Energy Procurement Agreement:

	Historical transaction amounts			Proposed Annual Cap amounts		
	For the year ended		For the eight	For the year ended 31 December		
	31 December		months ended			
	2010	2011	31 August	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Energy Procurement Agreement	110,653	112,997	61,806	250,000	290,000	330,000

Pricing Standards of the Transactions contemplated under the Energy Procurement Agreement

Under the Energy Procurement Agreement, the price of the energies to be supplied or provided will be:

- (1) the State Price;
- (2) if there is no State Price, the governmental guidance price;
- (3) if there is no State Price nor governmental guidance price, the market price determined by an independent third party;
- (4) if there is no State Price, governmental guidance price nor market price determined by an independent third party, the transaction price between YTO and an independent third party; and
- (5) if none of the above is applicable, costs plus a percentage mark-up, which is not more than 30%.

In any event, the applicable price of the energies offered to the Group shall not be less favourable than that offered to independent third party customers of YTO for the same services.

Basis for the Annual Cap Amounts under the Energy Procurement Agreement

The proposed Annual Cap amounts for the years of 2013, 2014 and 2015 for the Energy Procurement Agreement have been determined on the basis that such amounts will not exceed 1.81% of the estimated consolidated turnover of the Group for each of the three years ending 31 December 2015. The estimated consolidated turnover of the Group is estimated with reference to the future growth and development of the Group according to the industry development, market share, capacity and business strategy of the Group. The Annual Cap amount, being set at approximately 1.81% of the estimated consolidated turnover of the Group, are based on:

- (1) the historical transaction amounts in 2010 and 2011 (2010: approximately RMB110.65 million; and 2011: approximately RMB112.99 million), which on average amounted to approximately 1% of the consolidated turnover of the Group; and
- (2) the increment of 0.81%, which was contributed from the net effect of:
 - (I) the projected increment of the energy prices between 2013 and 2015; and
 - (II) the expected increasing demand for the energy, due to the future growth and development of the Group, such as the development of the industrial park and the business integrations.

(D) Loan Service Agreement

Date	:	29 October 2012
Parties	:	<ul style="list-style-type: none">• First Tractor Finance, a subsidiary of the Company; and• YTO, on behalf of YTO Group.
Financial services to be provided	:	Provision of loan services by First Tractor Finance to the YTO Group.
Term	:	From 1 January 2013 to 31 December 2015.
Payment terms	:	The payment terms will be specified on each separate loan contract to be agreed by the parties.

Security	:	First Tractor Finance may request YTO Group to provide pledge of assets or other guarantees to secure YTO Group's liabilities arising from the performance of the Loan Service Agreement.
Rights to demand for early repayment	:	First Tractor Finance shall first satisfy the funding needs of the Group. Depending on the shortfall of funding of the Group, First Tractor Finance has the right to issue a termination or terms amendments notice to YTO Group, requesting for termination or amendments to the terms of the loans granted to YTO Group so as to collect the money to support the production operation of the Group

Historical Figures and the Proposed Annual Cap Amounts for the Transactions under the Loan Service Agreement

In respect of the Loan Service Agreement dated 28 June 2010, the following table sets out the historical maximum outstanding amounts for the years ended 31 December 2010 and 2011, and for the eight months ended 31 August 2012. The table also sets out the maximum outstanding Annual Cap amounts for each of the three years ending 31 December 2015:

	Historical transaction amounts			Proposed Annual Cap amounts		
	For the year ended		For the eight	For the year ended 31 December		
	31 December		months ended			
	2010	2011	31 August	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loan Service Agreement	440,200	507,020	524,120	640,000	690,000	740,000

Pricing Standards of the Transactions contemplated under the Loan Service Agreement

The service fees to be charged by First Tractor Finance to YTO Group for any loan services will be:

- (1) the rate prescribed by CBRC or PBOC;
- (2) if the above rate is not applicable, the rate charged by the industry in the PRC for comparable transactions; and
- (3) if none of the above is applicable, the service fees will be determined under the arm's length negotiations between First Tractor Finance and YTO Group, with reference to the comparable transactions in the market.

In any event, the applicable service fees offered to YTO Group shall not be more favourable than those offered to independent third party customers of First Tractor Finance for the same services.

Basis for the Annual Cap Amounts under the Loan Service Agreement

The proposed Annual Cap amounts for the loan services provided under the Loan Service Agreement are determined with reference to the following factors:

- (1) the historical figures of the average and maximum daily outstanding balance of loans (including the accrued interest and service fees) granted by First Tractor Finance to YTO Group between January 2010 and August 2012;
- (2) First Tractor Finance's historical and future financial resources; and
- (3) the percentage of increase in the total asset value of First Tractor Finance for each of the relevant year. The estimated asset of First Tractor Finance is approximately RMB2,800 million, RMB3,000 million and RMB3,200 million respectively for each of the three financial years ending 31 December 2015, taking into account the historical growth trend of its business as well as its future business prospects. The estimated percentages for the transaction amounts under the Loan Service Agreement over the total asset value of First Tractor Finance for each of the three years ending 31 December 2015 are as follows:

	For the year ending 31 December		
	2013	2014	2015
	%	%	%
Loan Service Agreement	22.9	23.0	23.1

(E) Bills Discounting Service Agreement

Date	:	29 October 2012
Parties	:	<ul style="list-style-type: none"> • First Tractor Finance, a subsidiary of the Company; and • YTO, on behalf of YTO Group.
Financial services to be provided	:	Provision of bills discounting services by First Tractor Finance to the YTO Group, whereby First Tractor Finance will pay the face value of undue bills presented by YTO Group net of the discount interests.
Term	:	From 1 January 2013 to 31 December 2015.

Payment terms : The payment terms for the bills discounting services will be specified on each separate contract to be agreed by the parties.

Historical Figures and the Proposed Annual Cap Amounts for the Transactions under the Bills Discounting Service Agreement

In respect of the Bills Discounting Service Agreement dated 28 June 2010, the following table sets out the historical maximum outstanding amounts for the years ended 31 December 2010 and 2011, and for the eight months ended 31 August 2012. The table also sets out the maximum outstanding Annual Cap amounts for each of the three years ending 31 December 2015:

	Historical transaction amounts			Proposed Annual Cap amounts		
	For the year ended		For the eight	For the year ended 31 December		
	31 December		months ended			
	2010	2011	31 August 2012	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bills Discounting Service Agreement	297,000	330,000	211,720	430,000	460,000	490,000

Pricing Standards of the Transactions contemplated under the Bills Discounting Service Agreement

The services fees charged by First Tractor Finance to YTO Group for any bills discounting services will be:

- (1) the rate prescribed by CBRC or PBOC;
- (2) if the above rate is not applicable, the rate charged by the industry in the PRC for comparable transactions; and
- (3) if none of the above is applicable, the services fees will be determined under the arm's length negotiations between First Tractor Finance and YTO Group, with reference to the comparable transactions in the market.

In any event, the applicable service fees offered to YTO Group shall not be more favourable than those offered to independent third party customers of First Tractor Finance for the same services.

Basis for the Annual Cap Amounts under the Bills Discounting Service Agreement

The proposed Annual Cap amounts for the bills discounting provided under the Bills Discounting Service Agreement are determined with reference to the following factors:

- (1) the historical figures of the average and maximum daily outstanding balance of bills discounting accepted by First Tractor Finance from the YTO Group between January 2010 and August 2012;
- (2) First Tractor Finance's historical and future financial resources; and
- (3) the percentage of increase in the total asset value of First Tractor Finance for each of the relevant year. The estimated asset value of First Tractor Finance is approximately RMB2,800 million, RMB3,000 million and RMB3,200 million respectively for each of the three financial years ending 31 December 2015, taking into account the historical growth trend of its business as well as its future business prospects. The estimated percentages for the transaction amounts under the Bills Discounting Service Agreement over the total asset value of First Tractor Finance for each of the three years ending 31 December 2015 are as following:

	For the year ending 31 December		
	2013	2014	2015
	%	%	%
Bills Discounting Service Agreement	15.4	15.3	15.3

(F) Bills Acceptance Service Agreement

Date	:	29 October 2012
Parties	:	<ul style="list-style-type: none">• First Tractor Finance, a subsidiary of the Company; and• YTO, on behalf of YTO Group.
Financial services to be provided	:	Provision of bills acceptance services by First Tractor Finance to the YTO Group, whereby First Tractor Finance guarantees the payment of bills issued by YTO Group. In return, YTO Group shall pay the services fees.
Term	:	From 1 January 2013 to 31 December 2015.

- Payment terms** : The payment terms for the service fees will specified on each separate contract to be agreed by the parties.
- Security** : First Tractor Finance may request YTO Group to provide pledge of assets or other guarantees to secure the liabilities arising from the performance of YTO Group under the Bills Acceptance Service Agreement.

Historical Figures and the Proposed Annual Cap Amounts for the Transactions under the Bills Acceptance Service Agreement

In respect of the Bills Acceptance Service Agreement dated 28 June 2010, the following table sets out the historical maximum outstanding amounts for the years ended 31 December 2010 and 2011, and for the eight months ended 31 August 2012. The table also sets out the maximum outstanding Annual Cap amounts for each of the three years ending 31 December 2015:

	Historical transaction amounts			Proposed Annual Cap amounts		
	For the year ended		For the eight	For the year ended 31 December		
	31 December		months ended			
	2010	2011	31 August	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bills Acceptance Service Agreement	39,260	283,908	305,210	380,000	400,000	420,000

Pricing Standards of the Transactions contemplated under the Bills Acceptance Service Agreement

The services fees charged by First Tractor Finance to YTO Group for any bills acceptance services will be:

- (1) the rate prescribed by CBRC or PBOC;
- (2) if the above rate is not applicable, the rate charged in the industry in the PRC for comparable transactions; and
- (3) if none of the above is applicable, then the services fees will be determined under the arm's length negotiations between First Tractor Finance and YTO Group, with reference to the comparable transactions in the market.

In any event, the applicable service fees offered to YTO Group shall not be more favourable than those offered to independent third party customers of First Tractor Finance for the same services.

Basis for the Annual Cap Amounts under the Bills Acceptance Service Agreement

The proposed Annual Cap amounts for the services provided under the Bills Acceptance Service Agreement are determined with reference to the following factors:

- (1) the historical figures of the average and maximum daily outstanding balance of bills acceptance accepted by First Tractor Finance from YTO Group between January 2010 and August 2012; and
- (2) First Tractor Finance's historical and future financial resources.

CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT BUT SUBJECT TO THE REPORTING, ANNUAL REVIEW AND ANNOUNCEMENT REQUIREMENTS

(G) Sale of Goods Agreement

Date	:	29 October 2012
Parties	:	<ul style="list-style-type: none">• The Company, on behalf of the Group, as supplier and/or supplying agent; and• YTO, on behalf of the YTO Group and the subsidiaries of Sinomach, as purchaser and/or purchasing agent.
Goods to be provided	:	Raw materials, spare parts (including casting parts), components (including semi-finished parts and finished parts), equipment and other necessary essentials.
Term	:	From 1 January 2013 to 31 December 2015.
Payment terms	:	The payment shall be settled within three months after the delivery of goods by the supplier in principal. Subject to negotiations between the parties, prepayment of no more than 6 months from the estimated delivery of the goods are acceptable.

Undertakings : Provided the Group manufactures such goods, the Group undertakes it will give priority to the YTO Group's orders for such goods over other third parties' similar orders.

Historical Figures and the Proposed Annual Cap Amounts for the Transactions under the Sale of Goods Agreement

In respect of the sale of goods agreement dated 21 October 2009, the following table sets out the historical transaction amounts for the years ended 31 December 2010 and 2011, and for the eight months ended 31 August 2012. The table also sets out the proposed Annual Cap amounts for each of the three years ending 31 December 2013, 2014 and 2015 under the Sale of Goods Agreement:

	Historical transaction amounts			Proposed Annual Cap amounts		
	For the year ended		For the eight	For the year ended 31 December		
	31 December		months ended			
	2010	2011	31 August	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sale of Goods Agreement	569,806	342,632	132,827	120,000	135,000	150,000

Pricing Standards of the Transactions under the Sale of Goods Agreement

Under the Sale of Goods Agreement, the applicable price of the goods to be supplied or provided will be:

- (1) the State Price;
- (2) if there is no State Price, the price following the governmental guidance;
- (3) if there is no State Price nor a governmental guidance price, the market price determined by an independent third party;
- (4) if there is no State Price, governmental guidance price nor market price determined by an independent third party, the transaction price between the Company and the independent third party; and
- (5) if none of the above is applicable, costs plus a percentage mark-up, which is not more than 30%.

In any event, the applicable price of the materials offered to YTO Group by the Group shall not be more favourable than that offered to independent third party customers of the Group.

Basis for the Annual Cap Amounts under the Sale of Goods Agreement

The proposed Annual Cap amounts for the years of 2013, 2014 and 2015 for the Sale of Goods Agreement have been determined on the basis that such amounts will be approximately 0.8% of the estimated consolidated turnover of the Group for each of the year ending 31 December 2015. The consolidated turnover of the Group is estimated with reference to the future growth and development of the Group according to the industry development, market share, capacity and business strategy of the Group. The Annual Cap amounts, being set at approximately 0.8% of the estimated consolidated turnover of the Group, are based on:

- (1) the historical transaction amounts in 2010 and 2011 (2010: approximately RMB569.8 million; and 2011: approximately RMB342.63 million), which on average amounted to approximately 4.2% of the consolidated turnover of the Group; and
- (2) the acquisition of 100% equity interest in YTO International Economic and Trading Company Limited (the “**YTO International**”) by the Company on 18 May 2011. Since YTO International has become a wholly-owned subsidiary of the Company, and thus any sale through YTO International by the Company would not constitute connected transactions and therefore the amounts of the connected transactions between the Company and YTO have decreased.

(H) Properties Lease Agreement

Date	:	29 October 2012
Parties	:	<ul style="list-style-type: none">• YTO, on behalf of YTO Group, as lessor; and• The Company, on behalf of the Group, as lessee.
Properties to be leased	:	The Company will lease the factory premises located in the eastern district of 154 Jianshe Road, Luoyang City, Henan Province, the PRC, with an aggregate gross floor area of approximately 56,127 sq.m., inclusive of the electric and water facilities and industrial rooms servicing the relevant premises, for storage and housing facilities which is ancillary or related to the production of agricultural machineries and power machineries, casting parts, spare parts and components, etc.
Term	:	3 years commencing from 1 January 2013 to 31 December 2015.

Pre-emptive rights : Apart from the gross floor area to be leased by the Group as mentioned above, the Group has the pre-emptive rights to lease from YTO Group, including but not limited to, additional premises with gross floor area of no more than 80,000 sq.m. at 154 Jianshe Road, Luoyang City, Henan Province, the PRC, in accordance with the terms and conditions of the Properties Lease Agreement.

Payment terms : The Group shall pay the rent for the year by the end of each financial year in cash.

Historical Figures and the Proposed Annual Cap Amounts for the Transactions under the Properties Lease Agreement

In respect of the properties lease agreement dated 21 October 2009, the following table sets out the historical transaction amounts for the years ended 31 December 2010 and 2011, and for the eight months ended 31 August 2012. The table also sets out the proposed Annual Cap amounts for each of the three years ending 31 December 2013, 2014 and 2015 under the Properties Lease Agreement:

	Historical transaction amounts			Proposed Annual Cap amounts		
	For the year ended		For the eight	For the year ended 31 December		
	31 December		months ended			
	2010	2011	31 August 2012	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Properties Lease Agreement	4,079	4,457	1,077	10,000	12,000	14,400

Pricing Standards of the Transactions under the Properties Lease Agreement

The annual rent will be:

- (1) the governmental guidance price;
- (2) if there is no governmental guidance price, the prices offered by the lessor to independent third parties; and
- (3) if none of the above is applicable, the annual rent determined based on the negotiations between both parties.

In any event, the rent offered to the Group by YTO Group shall not be less favourable than that offered to independent third party customers of YTO Group for the same property.

Basis for the Annual Cap Amounts under the Properties Lease Agreement

The Annual Cap amounts for the Properties Lease Agreement are based on:

- (1) the rental gross floor area of approximately 56,127 sq.m. and the additional buffer for the possibility of leasing additional gross floor area of no more than 80,000 sq.m. from YTO Group to the Company, depending on the Group's business expansion and operational needs; and
- (2) the market price and the expected rental increases of the properties to be leased.

(I) Land Lease Agreement

Date	:	29 October 2012
Parties	:	<ul style="list-style-type: none">• YTO, on behalf of YTO Group, as lessor; and• The Company, on behalf of the Group, as lessee.
Land to be leased	:	Land use rights on the land located at 154 Jianshe Road, Luoyang City, Henan Province, the PRC, with an aggregate gross land area of approximately 192,632 sq.m.
Term	:	3 years commencing from 1 January 2013 to 31 December 2015.
Pre-emptive rights	:	Apart from the gross land area to be leased by the Group as mentioned above, the Group has the pre-emptive rights to lease from YTO Group, including but not limited to, additional land use rights with a gross land area of no more than 280,000 sq.m. located at 154 Jianshe Road, Luoyang City, Henan Province, the PRC from YTO Group in accordance with the terms and conditions of the Land Lease Agreement.
Payment terms	:	The Group shall pay the rent for the year by the end of each financial year in cash.

Historical Figures and the Proposed Annual Cap Amounts for the Transactions under the Land Lease Agreement

In respect of the land lease agreement dated 21 October 2009, the following table sets out the historical transaction amounts for the years ended 31 December 2010 and 2011, and for the eight months ended 31 August 2012. The table also sets out the proposed Annual Cap amounts for each of the three years ending 31 December 2013, 2014 and 2015 under the Land Lease Agreement:

	Historical transaction amounts			Proposed Annual Cap Amounts		
	For the year ended		For the eight	For the year ended 31 December		
	31 December		months ended			
	2010	2011	31 August	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Land Lease Agreement	16,790	12,351	3,710	13,500	16,500	19,500

Pricing Standards of the Transaction under the Land Lease Agreement

The annual rent will be:

- (1) the governmental guidance price;
- (2) if there is no governmental guidance price, the prices offered by the lessor to the independent third parties; and
- (3) if none of the above is applicable, the annual rent determined based on the negotiations between both parties.

In any event, the rent offered to the Group by YTO Group shall not be less favourable than that offered to independent third party lessee of YTO Group.

Basis for the Annual Cap Amounts under the Land Lease Agreement

The Annual Cap amounts for the Land Lease Agreement are based on:

- (1) the rental gross land area of approximately 192,632 sq.m. and the additional buffer for the possibility of leasing additional land use rights with gross land area of no more than 280,000 sq.m. from YTO Group to the Company, depending on the Group's business expansion and operational needs; and
- (2) the market price and the expected rental increases of the land to be leased.

(J) Technology Services Agreement

Date	:	29 October 2012
Parties	:	<ul style="list-style-type: none">• Tractors Research Company, on behalf of Tractors Research Group. Tractors Research Company is not only a non-wholly owned subsidiary of the Company, but also an associate of YTO.• The Company, on behalf of the Group (excluding Tractors Research Group).
Services to be provided	:	<p>Tractors Research Group shall provide the Group with services including technology research and development, technology consultation, other technology services and other special services in connection with the tractors and diesel engines related products.</p> <p>The parties further agree that the Group may engage other technology research and development centers for the services to be provided under the Technology Services Agreement.</p>
Term	:	From 1 January 2013 to 31 December 2015.
Payment terms	:	The payment terms for the service fees will be specified on each separate contract to be agreed by the parties.
Undertaking	:	<p>Pursuant to the Technology Services Agreement, Tractors Research Company undertakes that:</p> <ol style="list-style-type: none">(1) Tractors Research Company shall and shall procure Tractors Research Group not to provide the same or similar services under the Technology Services Agreement to other corporate legal persons or institutions which operate business in competition with the Group; and(2) save and except for the state's research or development project(s) undertaken, Tractors Research Company shall and shall procure Tractors Research Group to give priority to the Group's research and development projects over other third parties' projects.

Intellectual Property derived : Unless otherwise agreed by the parties, all the Intellectual Property derived from the technology services provided under the Technology Services Agreement as well as the application rights of and the rights to use such Intellectual Property shall belong to the Group. Tractors Research Group is entitled to use such Intellectual Property at nil consideration but shall not by any means transfer the rights to use such Intellectual Property to any third parties.

Where it is agreed between the parties that any Intellectual Property derived from the technology services provided under the Technology Services Agreement belongs to Tractors Research Group, the Group shall be entitled to use such Intellectual Property at nil consideration during and after the term of the Technology Services Agreement.

Historical Figures and the Proposed Annual Cap Amounts for the Transactions under the Technology Services Agreement

In respect of the technology services agreement dated 21 December 2010, the following table sets out the historical transaction amounts for the years ended 31 December 2010 and 2011, and for the eight months ended 31 August 2012. The table also sets out the proposed Annual Cap amounts for each of the three years ending 31 December 2013, 2014 and 2015 under the Technology Services Agreement:

	Historical transaction amounts			Proposed Annual Cap amounts		
	For the year ended		For the eight	For the year ended 31 December		
	31 December		months ended			
	2010	2011	31 August 2012	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Technology Services Agreement	137,540	115,256	66,174	100,000	110,000	120,000

Pricing Standards of the Transaction under the Technology Services Agreement

Under the Technology Services Agreement, the service fees will be:

- (1) the governmental guidance price;
- (2) if there is no governmental guidance price, the prices offered by Tractors Research Group to independent third parties; and

- (3) if none of the above is applicable, the price determined based on the negotiations between both parties.

In any event, the service fees offered to the Group by Tractors Research Group shall not be less favourable than those offered to other independent third parties of Tractors Research Group for the same services.

Basis for the Annual Cap Amounts under the Technology Services Agreement

The proposed Annual Cap amounts for the years of 2013, 2014 and 2015 for the Technology Services Agreement have been determined on the basis that such amounts will be approximately 0.7% of the estimated consolidated turnover of the Group for each of the three years ending 31 December 2015. The consolidated turnover of the Group is estimated with reference to the future growth and development of the Group according to the industry development, market share, capacity and business strategy of the Group. The Annual Cap amounts, being set at approximately 0.7% of the estimated consolidated turnover of the Group, are based on:

- (1) the historical transaction amounts in 2010 and 2011 (2010: approximately RMB137.54 million; and 2011: approximately RMB115.25 million), which on average amounted to approximately 1.1% of the consolidated turnover of the Group; and
- (2) the “Twelfth-Five” investment plan of the Group to be put in research and development in connection with the tractors, diesel engines and other products.

CONTINUING CONNECTED TRANSACTION EXEMPT FROM THE REPORTING, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS’ APPROVAL REQUIREMENTS

(K) Deposit Service Agreement

Date	:	29 October 2012
Parties	:	<ul style="list-style-type: none">• First Tractor Finance, a subsidiary of the Company; and• YTO, on behalf of YTO Group.
Financial services to be provided	:	Provision of depository services by First Tractor Finance to YTO Group
Term	:	From 1 January 2013 to 31 December 2015

Undertaking from YTO : YTO undertakes that under the same terms and conditions as offered by other parties, YTO will procure YTO Group, to prioritize in depositing their fund with First Tractor Finance.

YTO undertakes that the deposit maintained by YTO with First Tractor Finance should be greater than the loan balance at all time. If YTO breaches such undertaking, First Tractor Finance has the right to restrict payment to any third parties by YTO from its deposit maintained with First Tractor Finance, or request YTO to increase its deposit balance with First Tractor Finance.

Right to offset : YTO irrevocably grants, and procures YTO Group to irrevocably grants, to First Tractor Finance a right to offset all liabilities arising from the performance of the Loan Service Agreement and/or the Bills Acceptance Service Agreement by YTO Group from the relevant deposit accounts of that member entity under YTO Group in default.

Pricing Standards of the Transactions contemplated under the Deposit Service Agreement

The interest rates for all amount deposited by YTO Group to First Tractor Finance will be:

- (1) the relevant interest rates set by CBRC or PBOC from time to time;
- (2) if the above rates are not applicable, the relevant interest rates set by the same industry in the PRC for comparable transactions; and
- (3) if none of the above is applicable, the interest rates determined under the arm's length negotiations between First Tractor Finance and YTO, which will be determined with reference to comparable transactions in the market.

In any event, the depositary interest rates offered to YTO Group shall not be more favourable than those offered to independent third party customers of First Tractor Finance for the same services.

CONDITION PRECEDENT

All the New Agreements shall take effect upon obtaining the Shareholders' approval at the EGM.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS CONTEMPLATED UNDER THE NEW AGREEMENTS

The Group and YTO Group have been carrying out transactions with each other to facilitate their productions and operations since 1997. In view of the long-established relationship between the Group and YTO Group, the reliability of the materials supply and services provisions, including the technology-related services provided by Tractors Research Company, in terms of operational integration and the geographical convenience among the Group and YTO Group, and the Company's operations would be adversely affected if the cross-supply of materials and services are terminated.

Furthermore, in considering the reasons and benefits for entering into the Loan Service Agreement, Bills Discounting Service Agreement, Bills Acceptance Service Agreement and Deposit Service Agreement, the Directors have also considered the following key factors:

- (a) the operation of First Tractor Finance is one of the four key business segments of the Group and has contributed to the consolidated profit before tax of the Group for the three years ended 31 December 2011 with amounts of approximately RMB33.4 million, RMB37.1 million and RMB53.8 million respectively, which represented approximately 9.1%, 5.8% and 10.0% of the Group's consolidated profit before tax of the three respective financial years;
- (b) implementation of a more effective cash management system for the Group;
- (c) the provision of financial services to the member entities under the Group and YTO Group enables the Group to earn the interest rate differential between the applicable fee of the relevant financial services and the deposit interest paid to YTO Group. The financial operation is the most profitable business segment of the Group in terms of profit margin; and
- (d) The continuation of the Loan Service Agreement, Bills Discounting Service Agreement, Bills Acceptance Service Agreement and Deposit Service Agreement is critical for First Tractor Finance to achieve economies of scale and the Loan Service Agreement, Bills Discounting Service Agreement and Bills Acceptance Service Agreement are efficient channels to deploy any excess idle cash from its depositors.

Accordingly, the Directors are of the view that (i) the continuing connected transactions contemplated under the New Agreements will be carried out in the ordinary and usual course of business and in the interest of the Company and its Shareholders as a whole; (ii) the terms of the New Agreements are on normal commercial terms or on terms not less favorable than those of similar transactions with independent third parties and are fair and reasonable to the Company and its Shareholders; and (iii) the proposed Annual Cap amounts of the transactions contemplated under the New Agreements for the three years ending 31 December 2013, 2014 and 2015 are fair and reasonable so far as the Shareholders are concerned.

INFORMATION OF THE GROUP, YTO GROUP, SINOMACH, FIRST TRACTOR FINANCE AND TRACTORS RESEARCH COMPANY

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, forklifts and mining trucks, etc.

Sinomach is principally engaged in the business of heavy machineries and engineering projects domestically and internationally, sales of automotive and parts, contracting of international projects and tendering of domestic and international projects, and import and export business.

YTO Group is principally engaged in the production of transporting machineries, casting parts, vehicles products and components.

First Tractor Finance, a subsidiary of the Company, is a non-banking financial institution approved and regulated by the relevant PRC regulatory authorities. Its principal activities include the provision of non-banking financial services to members of the Group as well as members of YTO Group. It has a registered capital of RMB500 million.

Tractors Research Company is a company incorporated with limited liability in the PRC. Its principal activities include research and development as well as examination and testing of products such as tractors, engines, construction machineries and agricultural transporters; research and development of equipment as well as technology development, transfer, consultancy services and sales.

LISTING RULES IMPLICATIONS

Connected Persons

As at the date of this announcement, YTO beneficially owns approximately 44.574% of the issued share capital of the Company and is the controlling shareholder of the Company. As Sinomach holds 82.02% of the shareholding interest in YTO, Sinomach is a controlling shareholder of YTO. Therefore, Sinomach and its subsidiaries are deemed as connected persons of the Company according to the Hong Kong Listing Rules.

Tractors Research Company is not only a non-wholly-owned subsidiary of the Company, which is owned as to 51% by the Company and 49% by YTO, but also an associate of YTO. Thus, YTO and its associates should be regarded as connected persons of the Company under the Hong Kong Listing Rules.

First Tractor Finance is a non-wholly owned subsidiary of the Company, which is owned as to approximately 88.6% by the Company and approximately 0.6% by YTO.

Accordingly, the transactions contemplated under the New Agreements entered into between the Company and YTO, First Tractor Finance and YTO, and the Company and Tractors Research Company, constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

YTO and its associates are required under the Hong Kong Listing Rules to abstain from voting on the resolutions to be proposed to approve the Non-exempt CCT Agreements and their respective Annual Cap amounts at the EGM to be convened.

Hong Kong Listing Rules Implications

(1) Non-exempt CCT Agreements

As the applicable percentage ratios under each of the Non-exempt CCT Agreements, on an annual basis, are more than 5%, the transactions contemplated under the Non-exempt CCT Agreements are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. In addition, the Company is required to comply with the annual review requirements under Rules 14A.37 to 14A.41 of the Hong Kong Listing Rules in respect of each of the Non-exempt CCT Transactions.

(2) Other CCT Agreements

As the applicable percentage ratios under each of the Other CCT Agreements, on an annual basis, are more than 0.1% but less than 5%, the transactions contemplated under the Other CCT Agreements are subject to the reporting, annual review and announcement requirements only, but exempt from independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

(3) Deposit Service Agreement

The deposit services to be provided under the Deposit Service Agreement constitute financial assistance provided by YTO Group, for the benefit of First Tractor Finance on normal commercial terms where no security over the assets of the Group is granted in respect of such financial assistance. The transaction contemplated under the Deposit Service Agreement is exempted from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.65(4) of the Hong Kong Listing Rules.

The Directors are of the view that the New Agreements have been entered into on normal commercial terms and in the ordinary and usual course of business of the Company, and that the terms of each of the New Agreements, together with the respective Annual Cap amounts for 2013, 2014 and 2015 (except for

the Deposit Service Agreement, which has no such Annual Cap amount), are fair and reasonable and in the interests of the Company and its Shareholders as whole.

Shanghai Listing Rules Implications

As the A Shares of the Company are listed on the Shanghai Stock Exchange on 8 August 2012, the Company is also required to comply with relevant requirements of the Shanghai Listing Rules. Pursuant to the Shanghai Listing Rules, the Annual Cap amounts of all the New Agreements (except for the Deposit Service Agreement, which has no such Annual Cap amount) should be aggregated and such Annual Cap amounts and all the New Agreements are subject to the Independent Shareholders' approval at the EGM.

GENERAL INFORMATION

The Company will comply with the continuing obligations under Rules 14A.37 to 14A.41 of the Hong Kong Listing Rules and/or any other applicable requirements under the Hong Kong Listing Rules at the relevant time.

An EGM will be convened at which, among other things, ordinary resolutions will be proposed to seek Independent Shareholders' approval for each of the New Agreements and their respective proposed Annual Cap amounts (except for the Deposit Service Agreement, which has no such Annual Cap amount). In view of the interests of YTO and its associates in the transactions contemplated under each of the New Agreements, YTO and its associates will abstain from voting on the resolutions in relation to each of the New Agreements and their respective proposed Annual Cap amounts at the EGM. Voting on such resolutions shall be taken by poll.

Pursuant to the Hong Kong Listing Rules, the Independent Board Committee will be formed by the Company to consider the transactions contemplated under each of the Non-exempt CCT Agreements and their respective proposed Annual Cap amounts for the three years ending 31 December 2013, 2014 and 2015 (except for the Deposit Service Agreement, which has no such Annual Cap amount), and to advise the Independent Shareholders as to whether each of the Non-exempt CCT Agreements and their respective proposed Annual Cap amounts for the three years ending 31 December 2013, 2014 and 2015 are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

A circular containing, among other things, (i) the information relating to each of the New Agreements, (ii) the advice from the Independent Board Committee to the Independent Shareholders in respect of the Non-exempt CCT Agreements, (iii) the letter of advice from the Independent Financial Adviser to the

Independent Board Committee in respect of the Non-exempt CCT Agreements, and (iv) a notice of the EGM to be convened for the Independent Shareholders to approve the transactions contemplated under the New Agreements and their respective proposed Annual Cap amounts for the three years ending 31 December 2013, 2014 and 2015 (except for the Deposit Service Agreement, which has no such Annual Cap amount), is expected to be despatched to the Shareholders on or before 19 November 2012 in accordance with the Hong Kong Listing Rules.

DEFINITIONS

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

“Annual Cap(s)”	the maximum aggregate annual values/outstanding amounts for each of the transactions contemplated under the Old Agreements and New Agreements;
“A Share(s)”	the domestic ordinary share(s) of RMB1.00 each in the share capital of the Company, which are listed on the Shanghai Stock Exchange and subscribed for and traded in RMB;
“associate(s)”	has the same meaning as ascribed to this term under the Hong Kong Listing Rules;
“Bills Acceptance Service Agreement”	the agreement dated 29 October 2012 entered into between First Tractor Finance and YTO for the provision of the bills acceptance services by First Tractor Finance to YTO Group;
“Bills Discounting Service Agreement”	the agreement dated 29 October 2012 entered into between First Tractor Finance and YTO for the provision of the bills discounting services by First Tractor Finance to YTO Group;
“Board”	the board of Directors of the Company;
“CBRC”	China Banking Regulatory Commission* (中國銀行業監督管理委員會);
“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 and A Shares of which are listed on the main board of the Stock Exchange and the Shanghai Stock Exchange respectively;

“Composite Services Agreement”	the agreement dated 29 October 2012 entered into between YTO, on behalf of YTO Group, as supplier and/or supplying agent and the Company, on behalf of the Group, as purchaser and/or purchasing agent pursuant to which YTO Group agreed to provide certain welfare and other services, including but not limited to storage services, transportation services, management services and other services, to the Group;
“connected person(s)”	has the same meaning as ascribed to this term under the Hong Kong Listing Rules;
“controlling shareholder”	has the same meaning as ascribed to this term under the Hong Kong Listing Rules;
“Deposit Service Agreement”	the agreement dated 29 October 2012 entered into between First Tractor Finance and YTO, on behalf of YTO Group, for the provision of the depository services by First Tractor Finance to YTO Group;
“Director(s)”	the director(s) of the Company;
“EGM”	an extraordinary general meeting of the Company to be convened on 20 December 2012, among other things, for the purposes of considering and approving, among other things, each of the New Agreements and their respective proposed Annual Cap amounts (except for the Deposit Service Agreement, which has no such Annual Cap amount);
“Energy Procurement Agreement”	the agreement dated 29 October 2012 entered into between YTO as supplier and/or supplying agent and the Company, on behalf of the Group, as purchaser and/or purchasing agent pursuant to which YTO agreed to supply various kinds of energies to the Group;
“First Tractor Finance”	China First Tractor Group Finance Company Limited* (中國一拖集團財務有限責任公司), a company incorporated in the PRC with limited liability and a subsidiary of the Company owned as to 88.6% by the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;

“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time);
“Independent Board Committee”	an independent committee of the Board comprising the independent non-executive Directors;
“Independent Financial Adviser”	Bridge Partners Capital Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt CCT Transactions;
“Independent Shareholder(s)”	Shareholder(s) other than YTO and its associate(s);
“Intellectual Property”	any forms of intellectual property derived from the technology services provided under the Technology Services Agreement, including but not limited to any patents, copyrights, trademarks, trade secrets, and other technical know how;
“Land Lease Agreement”	the agreement dated 29 October 2012 entered into between YTO, on behalf of YTO Group, as lessor and the Company, on behalf of the Group, as lessee, pursuant to which YTO agreed to lease land use rights with a gross land area of approximately 192,632 sq.m. to the Company, as well as the additional land use rights with a gross land area of no more than 280,000 sq.m.;
“Loan Service Agreement”	the agreement dated 29 October 2012 entered into between First Tractor Finance and YTO for the provision of the loan services by First Tractor Finance to YTO Group;
“Material Procurement Agreement”	the agreement dated 29 October 2012 entered into between YTO, on behalf of YTO Group and the subsidiaries of Sinomach, as supplier and/or supplying agent and the Company, on behalf of the Group, as purchaser and/or purchasing agent pursuant to which YTO Group and the subsidiaries of Sinomach agreed to supply certain materials to the Group;
“New Agreements”	Non-exempt CCT Agreements, Other CCT Agreements and the Deposit Service Agreement;

“Non-exempt CCT Agreements”	Composite Services Agreement, Energy Procurement Agreement, Material Procurement Agreement, Loan Service Agreement, Bills Discounting Service Agreement and Bills Acceptance Service Agreement;
“Non-exempt CCT Transactions”	the transactions contemplated under the Non-exempt CCT Agreements;
“Old Agreements”	(i) the composite services agreement, energy procurement agreement and material procurement agreement, all dated 21 October 2009 entered into between YTO, on behalf of YTO Group, as supplier and supplying agent, and the Company, on behalf of the Group, as purchaser; (ii) the loan service agreement, bills discounting service agreement, bills acceptance service agreement and deposit service agreement, all dated 28 June 2010 entered into between First Tractor Finance and YTO, on behalf of YTO Group; (iii) the sale of goods agreement dated 21 October 2009 entered into between the Company, on behalf of the Group, as supplier and supplying agent and YTO, on behalf of YTO Group, as purchaser and purchasing agent; (iv) the technology services agreement dated 21 December 2010 entered into between Tractors Research Company, on behalf of Tractors Research Group, and the Company, on behalf of the Group; (v) properties lease agreement dated 21 October 2009 entered into between YTO, on behalf of YTO Group as lessor and the Company, on behalf of the Group as lessee; and (vi) the land lease agreement dated 21 October 2009 entered into between the YTO, on behalf of YTO Group, as lessor, and the Company, on behalf of the Group as lessee;
“Other CCT Agreements”	Sale of Goods Agreement, Technology Services Agreement, Properties Lease Agreement and Land Lease Agreement;
“PBOC”	the People’s Bank of China;
“percentage ratios”	has the same meaning as ascribed to it under the Hong Kong Listing Rules, as application to a transaction;
“PRC” or “China”	The People’s Republic of China which, for the purpose of this announcement only, does not include the Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;

“Properties Lease Agreement”	the agreement dated 29 October 2012 entered into between YTO, on behalf of YTO Group, as lessor and the Company, on behalf of the Group, as lessee, pursuant to which YTO Group agreed to lease to the Group premises with a gross floor area of approximately 56,127 sq.m. and give the Group pre-emptive rights of leasing additional premises with a gross floor area of no more than 80,000 sq.m.;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale of Goods Agreement”	the sale of goods agreement dated 29 October 2012 entered into between the Company, on behalf of the Group, as supplier and/or supplying agent and YTO, on behalf of YTO Group and the subsidiaries of Sinomach, as purchaser and/or purchasing agent pursuant to which the Group agreed to supply certain materials to YTO Group and the subsidiaries of Sinomach;
“Shanghai Listing Rules”	Shanghai Stock Exchange Share Listing Rules;
“Shareholder(s)”	the shareholder(s) of the Company;
“Sinomach”	China National Machinery Industry Corporation* (中國機械工業集團有限公司), a limited liability company incorporated in the PRC and a controlling shareholder of YTO having 82.02% shareholding interest in YTO;
“sq.m.”	square metre;
“State Price”	mandatory price of certain goods and services promulgated by the relevant governmental authorities of the PRC;
“Stock Exchange”	the Stock Exchange of Hong Kong Limited;
“Technology Services Agreement”	the technology services agreement dated 29 October 2012 entered into between Tractors Research Company, on behalf of Tractors Research Group, and the Company, on behalf of the Group, pursuant to which Tractors Research Group has agreed to provide certain technology services to the Group;
“Tractors Research Company”	Luoyang Tractors Research Company Limited* (洛陽拖拉機研究所有限公司), a limited liability company incorporated in the PRC and a non-wholly owned subsidiary of the Company;

“Tractors Research Group”	Tractors Research Company, Luoyang Xinyan Material Mechanical Engineering Company Limited* (洛陽鑫研機械材料工程有限公司), Luoyang Xiyuan Motor Power Test Company Limited* (洛陽西苑車輛動力檢驗所有限公司) and Luoyang Tuoqi Engineering Company Limited* (洛陽拖汽工程車輛科技有限公司), being the service providers who provide technology services under the Technology Services Agreement to the Group;
“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 44.574% equity interest in the Company;
“YTO Group”	YTO and its controlled companies/entities (the “ Relevant Parties ”) and/or the non-wholly owned subsidiaries of the Company in which the Relevant Parties has 10% or more voting rights; and
“%”	per cent.

By Order of the Board
First Tractor Company Limited
Yu Lina
Company Secretary

Luoyang City, Henan Province, the PRC
29 October 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*