

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.



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 CAPITAL INCREASE AGREEMENT

On 8 February 2013, Sinomach, Changchun Investment, the Company and Changtuo Company entered into the Capital Increase Agreement, pursuant to which the Company agreed to make capital contribution of RMB94,250,000 (equivalent to approximately HK\$117,812,500) in cash to Changtuo Company. Upon Completion, the registered capital of Changtuo Company will increase from RMB188,000,000 to RMB282,000,000 and the equity interest in Changtuo Company will be owned as to one-third by each of Sinomach, Changchun Investment and the Company.

Sinomach is the controlling shareholder of YTO holding 82.02% equity interest in YTO, which in turn is the controlling shareholder of the Company. Changtuo Company is owned as to 50% by Sinomach. Therefore, Sinomach and Changtuo Company shall be regarded as connected persons of the Company under the Listing Rules. The transaction among Sinomach, Changchun Investment, the Company and Changtuo Company contemplated under the Capital Increase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios exceed 0.1% but below 5%, the Capital Increase is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Board is pleased to announce that on 8 February 2013, Sinomach, Changchun Investment, the Company and Changtuo Company entered into the Capital Increase Agreement, pursuant to which the Company agreed to make capital contribution of RMB94,250,000 (equivalent to approximately HK\$117,812,500) in cash to Changtuo Company.

Summary of the principal terms of the Capital Increase Agreement is set out below:

CAPITAL INCREASE AGREEMENT

Date: 8 February 2013

Parties:

- (1) Sinomach;
- (2) Changchun Investment;
- (3) The Company; and
- (4) Changtuo Company

Capital Increase: The Company will make capital contribution of RMB94,250,000 (equivalent to approximately HK\$117,812,500) in cash to Changtuo Company, out of which (a) RMB94,000,000 will be included in the registered capital of Changtuo Company and (b) RMB250,000 will be included in the capital reserve of Changtuo Company.

As at the date of this announcement and immediately before the Completion, the registered capital of Changtuo Company is RMB188,000,000, and the equity interest in Changtuo Company is owned as to 50% by Sinomach and 50% by Changchun Investment. Following Completion, the registered capital of Changtuo Company will increase from RMB188,000,000 to RMB282,000,000 and the equity interest in Changtuo Company will be owned as to one-third by each of Sinomach, Changchun Investment and the Company.

Consideration:

The amount of the Capital Increase of RMB94,250,000 (equivalent to approximately HK\$117,812,500) was determined after arm's length negotiations among the parties to the Capital Increase Agreement with reference to the appraised value of the net assets of Changtuo Company, being RMB188,499,900 as at 31 March 2012 (the “**Appraisal Date**”). The appraisal was conducted by China United Assets Appraisal Group 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, and has already been reported to Sinomach, an entity authorised by the State-owned Assets Supervision and Administration Commission.

The Company intends to satisfy the above amount of the Capital Increase in cash from its internal resources.

Payment terms:

The amount of the Capital Increase shall be contributed by the Company in one lump sum within seven working days upon the effective date of the Capital Increase Agreement.

Conditions precedent:

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

- (i) the Capital Increase Agreement duly signed by all four parties;
- (ii) Changtuo Company obtaining the approval from its board of directors and general meeting;
- (iii) internal approval procedure of the Company, Sinomach and Changchun Investment being completed; and
- (iv) all necessary approvals from the relevant government authorities as required by the applicable laws and regulations being obtained.

As at the date of this announcement, the above conditions precedent were fulfilled and the Capital Increase Agreement took effect.

Completion:

Upon fulfillment of the conditions precedent set out above, Completion will take place after completing the following within 15 working days of Changtuo Company's confirmation of receipt of payment of the Capital Increase amount:

- (i) capital verification;
- (ii) registration for changes in state-owned assets; and
- (iii) registration for changes with the Changchun Administration for Industry and Commerce.

Other major terms:

Profit and loss of Changtuo Company after the Appraisal Date shall be shared by Sinomach, Changchun Investment and the Company in proportion to their respective equity interest in Changtuo Company after Completion.

Sinomach shall, upon Completion, entrust the Company with powers, among other things, to exercise (a) its one-third voting right in Changtuo Company, (b) its nomination rights of directors, supervisors and senior management of Changtuo Company, and (c) its supervising and management rights in Changtuo Company. Notwithstanding such entrustment arrangement, profit and loss of Changtuo Company shall be shared by Sinomach, Changchun Investment and the Company in proportion to their respective equity interest in Changtuo Company. No fee shall be payable by Sinomach to the Company under such entrustment arrangement.

INFORMATION OF CHANGTUO COMPANY

Changtuo Company is a company incorporated in the PRC with limited liability and as at the date of this announcement, the registered capital of Changtuo Company is RMB188,000,000. Changtuo Company is currently owned as to 50% by Changchun Investment and 50% by Sinomach. Changtuo Company is one of the main enterprises in the agricultural machinery industry of Changchun. It is principally engaged in the research and development, manufacture and sale of tractors, agricultural machineries and their accessories, etc.

Set out below is some of the key financial information of Changtuo Company:

Unaudited net assets as at 31 December 2012	RMB126,829,349.12
Unaudited total assets as at 31 December 2012	RMB224,165,398.43
Appraised net assets as at the Appraisal Date	RMB188,499,900.00
Unaudited net profit (before taxation) for the financial year ended 31 December 2012	RMB-35,299,697.38
Audited net profit (before taxation) for the financial year ended 31 December 2011	RMB-63,352,954.44
Unaudited net profit (after taxation) for the financial year ended 31 December 2012	RMB-35,299,697.38
Audited net profit (after taxation) for the financial year ended 31 December 2011	RMB-63,352,954.44

The costs of investment in Changtuo Company by Sinomach were RMB74,000,000.

Upon Completion and due to the above entrustment arrangement, Changtuo Company will become a subsidiary of the Company, and its accounts will be consolidated into the Group's accounts.

REASONS FOR ENTERING INTO THE CAPITAL INCREASE AGREEMENT AND ITS BENEFIT

Changtuo Company is located in the Changchun Jiutai Agricultural Machinery Equipment Manufacturing Park and has the production and sale capacity for wheeled tractors of hi-powered and mid-powered. The northeast region is an important food production base and a major market for the sale of agricultural machineries in the PRC. Upon Completion of the Capital Increase, the Company can further strengthen its business in the northeast region and enhance the Company's competitive advantage in the market. Leveraging on the local favourable preferential agricultural policy, the Company can strengthen its leading position in the local agricultural equipment products market.

The Directors (including the independent non-executive Directors) consider the terms of the Capital Increase Agreement to be on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP, SINOMACH AND CHANGCHUN INVESTMENT

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.

Changchun Investment is principally engaged in the business of investment and operation by using state-owned capital. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Changchun Investment and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

LISTING RULES IMPLICATIONS

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. Sinomach is the controlling shareholder of YTO holding 82.02% equity interest in YTO. Changtuo Company is owned as to 50% by Sinomach. Therefore, Sinomach and Changtuo Company shall be regarded as connected persons of the Company under the Listing Rules. The transaction among Sinomach, Changchun Investment, the Company and Changtuo Company contemplated under the Capital Increase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios exceed 0.1% but below 5%, the Capital Increase is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Zhao Yanshui, Mr. Su Weike, Mr. Yan Linjiao, Mr. Guo Zhiqiang, Ms. Dong Jianhong, Mr. Qu Dawei, Mr. Liu Jiguo and Mr. Wu Yong, being the Directors of the Company and having connected relationship with YTO (with Sinomach being its controlling shareholder), have abstained from voting on the relevant Board resolutions approving the Capital Increase Agreement and the transaction contemplated thereunder.

DEFINITIONS

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

“A Share(s)”	the domestic 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
“Board”	the board of Directors of the Company
“Capital Increase”	the capital contribution made to Changtuo Company by the Company in the total amount of RMB94,250,000 in cash as contemplated under the Capital Increase Agreement

“Capital Increase Agreement”	the capital increase agreement dated 8 February 2013 entered into among Sinomach, Changchun Investment, the Company and Changtuo Company, in respect of the Capital Increase
“Changchun Investment”	Changchun State-owned Capital Investment and Operation Co., Ltd.* (長春市國有資本投資經營有限公司), a company incorporated in the PRC with limited liability
“Changtuo Company”	Changtuo Agricultural Machinery Equipment Group Company Limited* (長拖農業機械裝備集團有限公司), a company incorporated in the PRC with limited liability and owned as to 50% by Changchun Investment and 50% by Sinomach as at the date of this announcement
“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 Stock Exchange and the Shanghai Stock Exchange respectively
“Completion”	completion of the Capital Increase under the Capital Increase Agreement
“connected person(s)”	has the same meaning as ascribed to this term under the Listing Rules
“controlling shareholder”	has the same meaning as ascribed to this term under the Listing Rules
“Directors”	the directors of the Company, including the independent non-executive directors
“Group”	the Company and its subsidiaries

“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of the Company
“Shareholder(s)”	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% equity interest in YTO
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“YTO”	YTO Group Corporation* (中國一拖集團有限公司), a limited liability company incorporated in the PRC and the controlling shareholder of the Company, holding approximately 44.574% equity interest in the Company
“%”	per cent

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

Luoyang, the PRC
8 February 2013

As at the date of this announcement, Mr. Zhao Yanshui is the Chairman of the Company and Mr. Su Weike is the vice Chairman of the Company. Other members of the Board are six Directors, namely, Mr. Yan Linjiao, Mr. Guo Zhiqiang, Ms. Dong Jianhong, Mr. Qu Dawei, Mr. Liu Jiguo and Mr. Wu Yong; and four independent non-executive Directors, namely, Mr. Hong Xianguo, Mr. Zhang Qiusheng, Mr. Xing Min and Mr. Wu Tak Lung.

For the purpose of this announcement, the exchange rate of RMB1.00 = HK\$1.25 has been used, where applicable, for purposes of illustration only and does not constitute a representation that any amounts have been, could have been or may be exchanged, at this or any other rates.

** For identification purposes only*