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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 CAPITAL INCREASE AGREEMENT

On 14 June 2013, the Company entered into the Capital Increase Agreement with YTO Injection Pump, pursuant to which the Company agreed to make capital contribution of RMB105,000,000 (equivalent to approximately HK\$133,350,000) in cash to YTO Injection Pump.

As at the date of this announcement, the Company directly owns 42.544% equity interest in YTO Injection Pump and indirectly owns 39.272% equity interest in YTO Injection Pump through YTO Diesel, a non wholly-owned subsidiary of the Company. Therefore, YTO Injection Pump is a non wholly-owned subsidiary of the Company. YTO is the controlling shareholder of the Company and therefore is a connected person of the Company. Since YTO Injection Pump is a non wholly-owned subsidiary of the Company where YTO (being the connected person of the Company) holds more than 10% of its voting shares, YTO Injection Pump is also a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

In light of the above, the capital contribution by the Company to YTO Injection Pump (being a connected person of the Company) under the Capital Increase Agreement constitutes a connected transaction of the Company. As the applicable percentage ratios exceed 0.1% but below 5%, the Capital Increase Agreement is subject to the reporting and announcement requirements only but exempt from the independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

The Board is pleased to announce that on 14 June 2013, the Company entered into the Capital Increase Agreement with YTO Injection Pump, pursuant to which the Company agreed to make capital contribution of RMB105,000,000 (equivalent to approximately HK\$133,350,000) in cash to YTO Injection Pump.

CAPITAL INCREASE AGREEMENT

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

Date: 14 June 2013

Parties: 1) The Company; and
2) YTO Injection Pump

Capital Increase: The Company will make capital contribution of RMB105,000,000 (equivalent to approximately HK\$133,350,000) in cash to YTO Injection Pump, out of which (a) RMB67,801,000 will be included in the registered capital of YTO Injection Pump and (b) RMB37,199,000 will be included in the capital reserve of YTO Injection Pump.

As at the date of this announcement and immediately before the Completion, the registered capital of YTO Injection Pump is RMB94,114,000, and the equity interest in YTO Injection Pump is owned as to 42.544% by the Company, 39.272% by YTO Diesel and 18.184% by YTO. Following Completion, the registered capital of YTO Injection Pump will increase from RMB94,114,000 to RMB161,915,000 and the equity interest in YTO Injection Pump will be owned as to 66.603% by the Company, 22.827% by YTO Diesel and 10.570% by YTO.

Consideration: The amount of the Capital Increase of RMB105,000,000 (equivalent to approximately HK\$133,350,000) was determined after arm's length negotiations between the parties to the Capital Increase Agreement with reference to the appraised value of the net assets of YTO Injection Pump, being RMB145,026,700 as at 31 August 2012 (the “**Appraisal Date**”) and the result of specific audit on profit and loss of YTO Injection Pump during the period from 1 September 2012 to 30 April 2013, being RMB727,702.71. The asset 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.

The Company intends to satisfy the above amount of the Capital Increase in cash from its internal resources, where RMB103,733,129 is part of the funds raised from A Shares IPO.

Payment terms: The amount of the Capital Increase shall be contributed by the Company in one lump sum within thirty (30) days upon the effective date of the Capital Increase Agreement.

Conditions precedent: The Capital Increase Agreement shall take effect upon being duly signed and sealed by the legal representatives or authorized representatives of both parties and the fulfillment of the following conditions precedent:

- (i) YTO Injection Pump obtaining the approval from its general meeting; and
- (ii) the approval from the Board of the Company.

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

Other terms: The Company shall engage a verification institution to issue a capital verification report. The change of industry and business registration should be applied for by YTO Injection Pump within 3 working days after the issuing of such capital verification report.

INFORMATION OF YTO INJECTION PUMP

YTO Injection Pump is a limited liability company incorporated in the PRC. As at the date hereof, the registered capital of YTO Injection Pump is RMB94,114,000, and the equity interest in YTO Injection Pump is owned as to 42.544%, 39.272% and 18.184% by the Company, YTO Diesel and YTO respectively. YTO Injection Pump is principally engaged in the design, manufacture and sale of injection pumps, fuel injectors, electronically controlled common rail equipment and the components of the aforesaid products, etc.

Set out below is the basic financial information of YTO Injection Pump prepared in accordance with the PRC accounting standards:

| | |
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| Audited net assets as at 31 December 2012 | RMB120,628,984.84 |
| Audited total assets as at 31 December 2012 | RMB229,643,373.58 |
| Appraised net assets as at the Appraisal Date | RMB145,026,700.00 |
| Audited net profits (before taxation) for the financial year ended 31 December 2012 | RMB-6,197,093.20 |
| Audited net profits (before taxation) for the financial year ended 31 December 2011 | RMB9,911,223.70 |
| Audited net profits (after taxation) for the financial year ended 31 December 2012 | RMB-6,339,774.96 |
| Audited net profits (after taxation) for the financial year ended 31 December 2011 | RMB6,718,221.93 |

Upon Completion, the registered capital of YTO Injection Pump will increase to RMB161,915,000 and YTO Injection Pump will be owned as to 66.603% by the Company, 22.827% by YTO Diesel and 10.570% by YTO.

REASONS FOR ENTERING INTO THE CAPITAL INCREASE AGREEMENT AND ITS BENEFIT

In the prospectus of the A Shares IPO, it was clearly stated that part of the funds raised would be used for project of upgrading, expansion and renovation of fuel injection systematic products, by way of capital contribution to YTO Injection Pump.

The source of the funds of this Capital Increase is mainly the funds raised from the A Shares IPO. The main purpose of the Capital Increase is to implement the upgrading, expansion and renovation project of fuel injection systematic products, which is one of the investment projects of the A Shares IPO. The implementation of this project could enhance the fuel injection products technology of the Company, produce new generation of electronically controlled fuel injection systematic unit pumps, and make up the shortage of production capacity for traditional P series pump products.

Upon implementation of the upgrading, expansion and renovation project of fuel injection systematic products, the Company could realize the upgrading of diesel engines products, increase the energy conservation and environmental protection standard of diesel engines products, and further enhance the core competitiveness of the Company's diesel engines business.

The terms of the Capital Increase Agreement have been determined after arm's length negotiations between the Company and YTO Injection Pump. 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 interest of the Group 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, forklifts and mining trucks, etc.

YTO is the controlling shareholder of the Company, holding 44.574% equity interest in the Company, and is principally engaged in the production of transporting machineries, casting parts, vehicles products and components, etc.

RELATIONSHIP BETWEEN THE PARTIES AND THE LISTING RULES IMPLICATIONS

As at the date of this announcement, the Company directly owns 42.544% equity interest in YTO Injection Pump and indirectly owns 39.272% equity interest in YTO Injection Pump through YTO Diesel, a non wholly-owned subsidiary of the Company. Therefore, YTO Injection Pump is a non wholly-owned subsidiary of the Company. YTO is the controlling shareholder of the Company and therefore is a connected person of the Company. Since YTO Injection Pump is a non wholly-owned subsidiary of the Company where YTO (being the connected person of the Company) holds more than 10% of its voting shares, YTO Injection Pump is also a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

In light of the above, the capital contribution by the Company to YTO Injection Pump (being a connected person of the Company) under the Capital Increase Agreement constitutes a connected transaction of the Company. As the applicable percentage ratios exceed 0.1% but below 5%, the Capital Increase Agreement is subject to the reporting and announcement requirements only but exempt from the independent shareholders' approval requirement pursuant to 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, 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:

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| “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 |
| “A Shares IPO” | the initial public offering of the Company's A Shares last year |

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| “Board” | the board of Directors of the Company |
| “Capital Increase” | the capital contribution made to YTO Injection Pump by the Company in the total amount of RMB105,000,000 in cash as contemplated under the Capital Increase Agreement |
| “Capital Increase Agreement” | the capital increase agreement dated 14 June 2013 entered into between the Company and YTO Injection Pump in respect of the Capital Increase |
| “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 |
| “Director(s)” | the director(s) of the Company, including the independent non-executive directors |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | Hong Kong Special Administrative Region of the PRC |
| “Listing Rules” | The Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time) |

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| “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, does not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Share(s)” | share(s) of the Company |
| “Shareholder(s)” | shareholder(s) of the Company |
| “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 |
| “YTO Diesel” | YTO (Luoyang) Diesel Engine Company Limited* (一拖(洛陽)柴油機有限公司), a limited liability company incorporated in the PRC and a non wholly-owned subsidiary of the Company |
| “YTO Injection Pump” | YTO (Luoyang) Fuel Injection Pump Company Limited* (一拖(洛陽)燃油噴射有限公司), a limited liability company incorporated in the PRC and a non wholly-owned subsidiary of the Company |
| “%” | per cent. |

For the purpose of this announcement, the exchange rate of RMB1.00 = HK\$1.27 has been used.

By order of the Board
First Tractor Company Limited
YU Lina
Company Secretary

Luoyang, the PRC
14 June 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 identification purposes only*