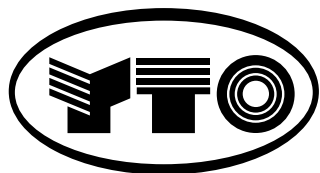


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第一拖拉机股份有限公司
FIRST TRACTOR COMPANY LIMITED*

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

(Stock Code: 0038)

DISCLOSEABLE TRANSACTION CAPITAL INCREASE AGREEMENT

On 11 July 2013, the Company entered into the Capital Increase Agreement with BCM, Yunhao Company and YTO Diesel, pursuant to which the Company agreed to make capital contribution to YTO Diesel in the total amount of RMB231,223,707 (equivalent to approximately HK\$293,654,108 or US\$36,442,451) by way of Assets Injection and Equity Injection.

As the applicable percentage ratios are more than 5% but less than 25%, the Capital Increase constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements, but is exempt from the shareholders' approval requirements pursuant to the Listing Rules.

However, according to the "Shanghai Stock Exchange Administrative Measures on Raised Fund (上海證券交易所募集資金管理辦法)", since the Assets Injection involves the Assets which were created by the fund raised from the initial public offering of the Company's A Shares last year, the Assets Injection shall be subject to the Shareholders' approval at the EGM. A supplemental notice of the EGM will be dispatched to the Shareholders as soon as possible.

The Board is pleased to announce that on 11 July 2013, the Company entered into the Capital Increase Agreement with BCM, Yunhao Company and YTO Diesel, pursuant to which the Company agreed to make capital contribution to YTO Diesel in the total amount of RMB231,223,707 (equivalent to approximately HK\$293,654,108 or US\$36,442,451) by way of Assets Injection and Equity Injection.

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

CAPITAL INCREASE AGREEMENT

Date

11 July 2013

Parties

1. The Company;
2. BCM;
3. Yunhao Company; and
4. YTO Diesel

Proposed Capital Increase

Immediately prior to Completion, the registered capital of YTO Diesel is US\$6,000,000 (equivalent to approximately RMB38,069,400 or HK\$48,348,138) and YTO Diesel is owned as to 58.8%, 25.0% and 16.2% by the Company, BCM and Yunhao Company respectively.

Pursuant to the Capital Increase Agreement, the Company agreed to make capital contribution to YTO Diesel in the total amount of RMB231,223,707 (equivalent to approximately HK\$293,654,108 or US\$36,442,451) by way of Assets Injection in the total amount of RMB207,269,495 (equivalent to approximately HK\$263,232,259 or US\$32,667,102) and Equity Injection in the total amount of RMB23,954,212 (equivalent to approximately HK\$30,421,849 or US\$3,775,349).

The aggregate amount of the Capital Increase (i.e. RMB231,223,707 (equivalent to approximately HK\$293,654,108 or US\$36,442,451)) will be divided into two parts with RMB12,340,133 (equivalent to approximately HK\$15,671,969 or US\$1,944,890) being the registered capital of YTO Diesel and RMB218,883,574 (equivalent to approximately HK\$277,982,139 or US\$34,497,561) being the capital reserve of YTO Diesel.

Immediately after Completion, the registered capital of YTO Diesel will increase from US\$6,000,000 to US\$7,944,890 (equivalent to approximately RMB50,409,533 or HK\$64,020,107) and YTO Diesel will be owned as to 68.8857%, 18.8800% and 12.2343% by the Company, BCM and Yunhao Company respectively (assuming no Adjustments as described below are being made and the Shareholders' approval for the Assets Injection having been obtained).

Consideration

The initial consideration of the Capital Increase is RMB231,223,707 (equivalent to approximately HK\$293,654,108 or US\$36,442,451), which was determined after arm's length negotiations between the parties to the Capital Increase Agreement with reference to:

- (i) the appraised value of the net assets of YTO Diesel as at 31 August 2012, being RMB983,680,907 (equivalent to approximately HK\$1,249,274,752 or US\$155,034,895). The asset appraisal was conducted by the Valuer by using the asset based valuation approach;
- (ii) the net assets of YTO Diesel, being RMB713,326,531 (equivalent to approximately HK\$905,924,694 or US\$112,425,181), which was calculated by deducting the above appraised value of RMB983,680,907 by the dividend of RMB270,354,375.52 distributed by YTO Diesel after 31 August 2012;
- (iii) in relation to the Assets Injection, the appraised value of the Assets as at 31 August 2012, being RMB207,269,495 (equivalent to approximately HK\$263,232,259 or US\$32,667,102). The asset appraisal was conducted by the Valuer by using the cost approach (成本法); and

(iv) in relation to the Equity Injection, the appraised value of the net assets of YTO Power Machinery as at 31 August 2012, being RMB59,236,085 (equivalent to approximately HK\$75,229,828 or US\$9,336,016). The asset appraisal was conducted by the Valuer by using the asset based valuation approach. The Equity Injection in the amount of RMB23,954,212 (equivalent to approximately HK\$30,421,849 or US\$3,775,349) was calculated by deducting the above appraised value by the dividend of RMB2,202,246.7 distributed by YTO Power Machinery after 31 August 2012 and then multiplying the equity interest of the Company in YTO Power Machinery.

The above appraisal reports in relation to YTO Diesel, the Assets and YTO Power Machinery will be subject to the reporting to and confirmation by China National Machinery Industry Corporation, an entity authorised by the relevant PRC government department. The Company expects that the final consideration of the Capital Increase will not exceed $\pm 1\%$ of the above initial consideration. The Company will make further announcement upon completion of the reporting work.

Adjustments

Taking into account the profit and loss of YTO Diesel and YTO Power Machinery during the period from 1 September 2012 to 30 June 2013, the final shareholding of the Company, BCM and Yunhao Company in YTO Diesel upon Completion shall be subject to adjustments with reference to the audited results of the profit and loss of YTO Diesel and YTO Power Machinery for the 10 months ended 30 June 2013 and the results of the reporting work of the above appraisal reports (the “**Adjustments**”).

Since the audited results are yet to be available as at the date of this announcement, the final shareholding of the Company, BCM and Yunhao Company in YTO Diesel cannot be ascertained at the moment. However, the Company expects that upon Adjustments (if any), the Company will hold approximately 68% equity interest in YTO Diesel while BCM and Yunhao Company will hold approximately 19% and 13% equity interest in YTO Diesel respectively.

Payment terms

The Company shall carry out the Assets Injection and Equity Injection within twenty (20) working days upon the relevant terms of the Capital Increase Agreement taking effect.

Conditions precedent

The Capital Increase Agreement shall take effect upon being duly signed and sealed by the legal representatives or authorized representatives of all parties and being approved by the respective board of directors of YTO Diesel and the Company.

According to the “Shanghai Stock Exchange Administrative Measures on Raised Fund (上海證券交易所募集資金管理辦法)”, the Assets Injection shall only be conducted upon the Company obtaining the approval for the same from its Shareholders.

Other major terms

- (i) The Company shall engage a PRC qualified accounting firm to issue a capital verification report and shall apply for registration in accordance with such report.
- (ii) The parties to the Capital Increase Agreement agree to amend the articles of association of YTO Diesel in accordance with the Capital Increase Agreement.

INFORMATION ON YTO DIESEL AND YTO POWER MACHINERY

YTO Diesel

YTO Diesel is principally engaged in the design, production and sales of diesel engines and its parts and components. As at the date of this announcement, YTO Diesel has a registered capital of US\$6,000,000 (equivalent to approximately RMB38,069,400 or HK\$48,348,138) and is owned as to 58.8%, 25.0% and 16.2% by the Company, BCM and Yunhao Company respectively.

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

Unaudited net assets as at 31 March 2013	RMB451,365,611
Unaudited total assets as at 31 March 2013	RMB1,346,904,441
Appraised net assets as at 31 August 2012	RMB983,680,907
Audited net profits (before taxation) for the financial year ended 31 December 2012	RMB117,977,400
Audited net profits (before taxation) for the financial year ended 31 December 2011	RMB176,240,000
Audited net profits (after taxation) for the financial year ended 31 December 2012	RMB113,521,300
Audited net profits (after taxation) for the financial year ended 31 December 2011	RMB154,079,000

Immediately after Completion of the Capital Increase Agreement, YTO Diesel will have a registered capital of US\$7,944,890 (equivalent to approximately RMB50,409,533 or HK\$64,020,107) and will be owned as to 68.8857%, 18.8800% and 12.2343% by the Company, BCM and Yunhao Company respectively (assuming no Adjustments are being made and the Shareholders' approval for the Assets Injection having been obtained).

YTO Power Machinery

YTO Power Machinery is principally engaged in the development, design, production, sales and after-sale services of engines, power engines units, electric generator units and their components, etc. As at the date of this announcement, YTO Power Machinery has a registered capital of RMB38,000,000 and is owned as to 42%, 50% and 8% by the Company, YTO Diesel and 19 natural person investors respectively.

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

Unaudited net assets as at 31 March 2013	RMB53,031,471
Unaudited total assets as at 31 March 2013	RMB183,743,483
Appraised net assets as at 31 August 2012	RMB59,236,085
Audited net profits (before taxation) for the financial year ended 31 December 2012	RMB3,631,900
Audited net profits (before taxation) for the financial year ended 31 December 2011	RMB23,084,100
Audited net profits (after taxation) for the financial year ended 31 December 2012	RMB3,617,900
Audited net profits (after taxation) for the financial year ended 31 December 2011	RMB15,505,400

At the same time of the Capital Increase, YTO Diesel shall acquire a total of 8% equity interest in YTO Power Machinery held by the above 19 natural person investors (the “**Equity Acquisition**”). Upon completion of the Capital Increase Agreement and Equity Acquisition, YTO Diesel is still a subsidiary of the Company. YTO Power Machinery is a wholly-owned subsidiary of YTO Diesel.

REASONS FOR AND BENEFIT OF ENTERING INTO THE CAPITAL INCREASE AGREEMENT

Currently, the Group's power machinery businesses are operated by five members within the Group, namely the Company's headquarters, YTO Diesel, YTO Power Machinery, YTO (Jiangyan) Power Machinery Co., Ltd and YTO (Luoyang) Fuel Injection Pump Co., Ltd. YTO Diesel is the core enterprise for the Company's power machinery operations, with boasting strengths in technology, product offerings and managerial expertise.

Considering the current status and future development of the Company's power machinery business, in order to optimize the resource allocation within the Company, the Company intends to inject the Assets and its equity interest in YTO Power Machinery into YTO Diesel, to push ahead with the integration of power machinery business and further enhance the driving effect of YTO Diesel in the power machinery business of the Company, and accelerate the progress of the high-powered agricultural diesel engine project and its commercialization.

The terms of the Capital Increase Agreement have been determined after arm's length negotiations among the Company, BCM, Yunhao Company and YTO Diesel. 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 ON THE GROUP, BCM AND YUNHAO 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.

BCM is an investment holding company and owned as to 90.1% by the Company and 9.9% by Brilliance China Holdings Limited, an independent third party to the Company. BCM is a non wholly-owned subsidiary of the Company.

Yunhao Company is principally engaged in consultancy services in relation to economic, technical, financial and sales management.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios are more than 5% but less than 25%, the Capital Increase constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements, but is exempt from the shareholders' approval requirements pursuant to the Listing Rules.

However, according to the “Shanghai Stock Exchange Administrative Measures on Raised Fund (上海證券交易所募集資金管理辦法)”, since the Assets Injection involves the Assets which were created by the fund raised from the initial public offering of the Company's A Shares last year, the Assets Injection shall be subject to the Shareholders' approval at the EGM.

In view of the reasons as set out in the section “Reasons for and Benefit of Entering into the Capital Increase Agreement” above, the Board recommends the Shareholders to vote in favour of the relevant ordinary resolution(s) in respect of the Assets Injection to be proposed at the EGM.

No Directors have abstained from voting on the relevant Board resolution approving the Capital Increase Agreement and the transaction contemplated thereunder.

HI-POWERED AGRICULTURAL DIESEL ENGINE PROJECT

The Company intends to inject the whole hi-powered agricultural diesel engine project into YTO Diesel. Currently, the constructed Assets are first injected into YTO Diesel (i.e. Assets Injection). Upon completion of the project construction, the Company intends to continuously inject the relevant assets of the project into YTO Diesel by way of capital contribution. The Company proposes the Shareholders to grant the Board an authority to consider and approve the matter in relation to the capital contribution to YTO Diesel by injecting the subsequent constructed assets of the hi-powered agricultural diesel engine project with assets valuation (the “**Board Authorization Matter**”) at the EGM.

GENERAL INFORMATION

According to Article 78 of the articles of association of the Company, Shareholders individually or jointly holding more than 3% of the Company's Shares may raise a provisional proposal and submit to the Board in writing 10 days prior to the date of the general meeting. The Board shall issue a supplemental notice of general meeting announcing the contents of the provisional proposals within 2 days upon receipt of the proposals. On 11 July 2013, YTO sent a written request to the Company requesting for the inclusion of new ordinary resolution(s) to consider and approve the Assets Injection and the Board Authorization Matter by the Shareholders at the EGM, a notice of which has already been sent to the Shareholders on 27 June 2013. On 11 July 2013, the Board agreed to put forward the said new ordinary resolution(s) at the EGM for the Shareholders' consideration and approval.

The EGM will be held on 19 August 2013, at which, among other things, ordinary resolution(s) will be proposed to seek Shareholders' approval for the Assets Injection and the Board Authorization Matter. At the EGM, voting for the proposed ordinary resolution(s) shall be taken by way of poll. A supplemental notice of the EGM will be dispatched to the Shareholders as soon as possible.

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
“Assets”	the assets of the hi-powered agricultural diesel engine project (大功率農用柴油機項目資產) owned by Company as at the date hereof including but not limited to building structures, machines and equipment, electronic equipment, office utensils and industrial land use right
“Assets Injection”	the proposed injection of the Assets into YTO Diesel in the total amount of RMB207,269,495 (equivalent to approximately HK\$263,232,259 or US\$32,667,102)

“BCM”	Brilliance China Machinery Holdings Limited (華晨中國機械控股有限公司), a limited liability company incorporated in Bermuda and a non wholly-owned subsidiary of the Company
“Board”	the board of Directors of the Company
“Capital Increase”	the capital contribution to YTO Diesel made by the Company in the total amount of RMB231,223,707 (equivalent to approximately HK\$293,654,108 or US\$36,442,451) by way of Assets Injection and Equity Injection as contemplated under the Capital Increase Agreement
“Capital Increase Agreement”	the capital increase agreement dated 11 July 2013 entered into among the Company, BCM, Yunhao Company and YTO Diesel 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
“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
“EGM”	an extraordinary general meeting of the Company to be held on 19 August 2013 for the purposes of considering and approving, among other things, the Assets Injection and the Board Authorization Matter

“Equity Injection”	the proposed injection of the 42% equity interest in YTO Power Machinery owned by the Company as at the date hereof in the total amount of RMB23,954,212 (equivalent to approximately HK\$30,421,849 or US\$3,775,349)
“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)
“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
“US\$”	US dollars, the lawful currency of the United States of America
“Valuer”	China United Assets Appraisal Group Co., Ltd.* (中聯資產評估集團有限公司), an independent PRC professional valuer

“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 Power Machinery”	YTO (Luoyang) Power Machinery Co., Ltd* (一拖(洛陽)動力機械有限公司), a limited liability company incorporated in the PRC and a non wholly-owned subsidiary of the Company
“Yunhao Company”	Luoyang Yunhao Enterprise Management Consultancy Company Limited* (洛陽雲昊企業管理諮詢有限公司), a limited liability company incorporated in the PRC, holding approximately 16.2% equity interest in YTO Diesel prior to Completion
“%”	per cent.

For the purpose of this announcement, the exchange rates of RMB1.00 = HK\$1.27 and US\$1.00 = RMB6.3449 have been used.

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

Luoyang, the PRC
11 July 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*