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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)

SUPPLEMENTARY INFORMATION ON DISCLOSEABLE TRANSACTION – THE CAPITAL INCREASE AGREEMENT

First Tractor Company Limited (the “**Company**”) and all members of the board (the “**Board**”) of directors (the “**Directors**”) of the Company hereby warrant that there are no false information, misleading statements or material omissions in this announcement, and accept several and joint responsibilities for the truthfulness, accuracy and completeness of its contents.

Reference is made to the announcement of the Company dated 11 July 2013 in relation to a discloseable transaction involving the Capital Increase Agreement (the “**Announcement**”). Unless the context otherwise requires, capitalized terms used herein shall have the same meanings as those defined in the Announcement.

As required by the Shanghai Stock Exchange, the Company would like to provide supplementary information on the Capital Increase as follows:

1. AUDIT AND ASSETS APPRAISAL OF YTO DIESEL

Luoyang Zhong Hua Certified Public Accountants Company Limited* (洛陽中華會計師事務所有限責任公司) (the “**Auditor**”) and China United Assets Appraisal Group Co., Ltd.* (中聯資產評估集團有限公司), the Valuer, have respectively conducted audit and assets appraisal for YTO Diesel as at the appraisal reference date, i.e. 31 August 2012, with the assets appraisal results set out as follows:

Table of Summary of Assets Appraisal Results

Appraisal reference date: 31 August 2012 Valuation approach: Asset-based approach Unit: RMB0'000

Item		Book Value (Audited) A	Appraised Value B	Appreciation/ Depreciation C=B-A	Appreciation Rate % D=C/A
Current assets	1	91,487.76	93,253.66	1,765.90	1.93
Non-current assets	2	43,067.78	71,341.82	28,274.04	65.65
Including: Long-term equity investment	3	22,537.51	46,716.25	24,178.74	107.28
Property held for investment	4	—	—	—	—
Fixed assets	5	15,310.90	19,440.38	4,129.48	26.97
Construction in progress	6	412.35	388.32	-24.03	-5.83
Intangible assets	7	4,549.17	4,539.03	-10.14	-0.22
Including: land use rights	8	4,448.44	4,434.03	-14.41	-0.32
Deferred income tax assets	9	257.85	257.85	—	—
Total assets	10	134,555.54	164,595.48	30,039.94	22.33
Current liabilities	11	66,329.19	66,227.39	-101.80	-0.15
Non-current liabilities	12	339.33	—	-339.33	-100.00
Total liabilities	13	66,668.53	66,227.39	-441.13	-0.66
Net assets (Owners' equity)	14	67,887.02	98,368.09	30,481.08	44.90

The appraised value of the net assets of YTO Diesel is approximately 44.90% higher than its book value, which was mainly attributable to the appreciation of 107.28% in the long-term equity investment, especially the substantial increase in the net assets of Bank of Luoyang Co. Ltd.* (洛陽銀行股份有限公司) in which YTO Diesel holds equity interest. YTO Diesel holds 4.89% equity interest in Bank of Luoyang Co. Ltd.*, with booked investment amount of RMB78,130,000. As at 31 August 2012, the net assets of Bank of Luoyang Co. Ltd.* amounted to RMB5,830 million, and the equity interest held by YTO Diesel amounted to approximately RMB285 million, representing an increase of approximately RMB210 million over the initial investment amount.

YTO Diesel distributed dividends of RMB270,354,400 to all of its shareholders in November 2012 after the appraisal reference date. After deducting the amount distributed, the equity attributable to the shareholders of YTO Diesel amounted to RMB713,326,500 (equivalent to approximately US\$112,425,200).

2. ASSETS INJECTED

(I) Hi-powered agricultural diesel engine project

(1) Overview and progress of the project

The hi-powered agricultural diesel engine project was funded by the fund raised from the initial public offering of A Shares of the Company last year, and the Company intended to invest RMB260 million out of such raised fund. The products of this project mainly provide supporting power to large-scale agricultural machineries, construction machineries, and other off-road vehicles. The project will have an annual production capacity of 40,000 units of hi-powered agricultural diesel engines upon its completion.

In accordance with the construction principle of “comprehensive planning with highlighted focus, phased implementation and progressive development”, the Company divided the project into two construction phases. As at 31 August 2012, Phase I of the hi-powered agricultural diesel engine project was basically completed, with the construction of two flexible machining processing lines for diesel engine cylinder blocks and cylinder heads, the general assembly line, painting line, repair and reconditioning packaging line, testing workshop, plants and ancillary facilities, which used raised fund of approximately RMB197 million and created an annual production capacity of 5,000 units of hi-powered diesel engines. Based on the market conditions and development strategy of the Company as well as the Phase I construction, the Company has started construction of the Phase II project, which involves the processing and production lines for cylinder blocks and cylinder heads, testing equipment and other ancillary facilities. With the Phase II construction to replenish the production capacity of the Phase I project, this project will eventually have a production capacity of 40,000 units of hi-powered agricultural diesel engines. As the construction of the Phase II project goes as scheduled, this project is expected to be completed and commence production by the end of 2014. As at 30 June 2012, the raised fund in the aggregate amount of approximately RMB221 million was used for construction of Phase I and Phase II of the project.

(2) *Information on the Assets*

The scope of the Assets mainly covers the constructed assets in Phase I of the hi-powered agricultural diesel engine project, including complex factories for engine production, production lines of cylinder blocks and cylinder heads, production lines for assembly, trial and paint spraying, machining processing workshop, assembly workshop, coating workshop and ancillary public power facilities for construction projects. The assets appraisal was conducted by the Valuer with the appraisal reference date of 31 August 2012, and the results are as follows:

Table of Summary of Assets Appraisal Results

Appraisal reference date: 31 August 2012

Valuation approach: Cost approach

Unit: RMB0'000

Item	Book Value (Audited) B	Appraised Value C	Appreciation/ Depreciation D=C-B	Appreciation Rate % E=D/B×100%
1 Non-current assets	17,429.02	20,726.95	3,297.93	18.92
2 Fixed assets	15,107.67	17,635.85	2,528.18	16.73
3 Intangible assets	2,321.35	3,091.10	769.75	33.16
4 Including: land use rights	2,321.35	3,091.10	769.75	33.16
5 Total assets	17,429.02	20,726.95	3,297.93	18.92

The book value of the Assets was RMB174,290,200 and the appraised value was RMB207,269,500 (equivalent to approximately US\$32,667,100). Among which, the fixed assets are mainly comprised of machineries, equipment and plant facilities in the Phase I project.

Certain imported equipment, which is still within the customs' supervision period, is not included in the Assets. YTO Diesel has entrusted the Company to handle the processing procedure of the production of hi-powered agricultural diesel engines that requires the use of the said imported equipment. Such assets are proposed to be injected into YTO Diesel when the customs' supervision period expires and the conditions for capital increase are mature.

(II) Audit and Assets Appraisal of YTO Power Machinery

The Auditor, Luoyang Zhong Hua Certified Public Accountants Company Limited*, and the Valuer, China United Assets Appraisal Group Co., Ltd.*, have respectively conducted audit and assets appraisal for YTO Power Machinery as at the appraisal reference date, i.e. 31 August 2012, with the assets appraisal results set out as follows:

Table of Summary of Assets Appraisal Results

Appraisal reference date: 31 August 2012

Valuation approach: Asset-based approach

Unit: RMB0'000

Item		Book Value (Audited) A	Appraised Value B	Appreciation/ Depreciation C=B-A	Appreciation Rate % D=C/A
Current assets	1	11,311.75	11,446.29	134.54	1.19
Non-current assets	2	3,522.38	4,418.00	895.62	25.43
Including: Fixed assets	3	3,099.81	4,011.13	911.32	29.40
Construction in progress	4	322.49	297.91	-24.58	-7.62
Intangible assets	5	96.12	105.00	8.88	9.24
Total assets	6	14,834.13	15,864.29	1,030.16	6.94
Current liabilities	7	9,940.68	9,940.68	—	—
Total liabilities	8	9,940.68	9,940.68	—	—
Net assets (Owners' equity)	9	4,893.45	5,923.61	1,030.16	21.05

For the purpose of this announcement, the exchange rate of US\$1.00 = RMB6.3449 have been used.

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

Luoyang, the PRC
16 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