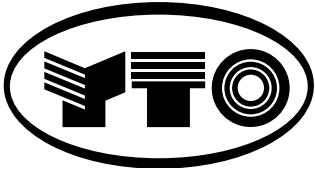


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第一拖拉机股份有限公司*
FIRST TRACTOR COMPANY LIMITED

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

(Stock Code: 0038)

CONNECTED TRANSACTION — ACQUISITION OF ASSETS

The Board announces that on 21 January 2014, the Company and YTO entered into the Acquisition Agreement, pursuant to which the Company has agreed to purchase the YTO Target Assets from YTO at a total consideration of RMB36,865,930.13 (equivalent to approximately HK\$47,188,390.57).

YTO is the controlling shareholder of the Company and therefore is a connected person of the Company. Accordingly, the transaction contemplated under the Acquisition Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios are more than 0.1% but less than 5%, the Acquisition is subject to the reporting and announcement requirements only and is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Board announces that on 21 January 2014, the Company and YTO entered into the Acquisition Agreement, pursuant to which the Company has agreed to purchase the YTO Target Assets from YTO at a total consideration of RMB36,865,930.13 (equivalent to approximately HK\$47,188,390.57).

Set out below is a summary of the principal terms of the Acquisition Agreement:

The Acquisition Agreement

Date

21 January 2014

Parties

- (1) The Company, as purchaser; and
- (2) YTO, the controlling shareholder of the Company, as vendor

Assets to be acquired

Pursuant to the Acquisition Agreement, the Company has agreed to purchase from YTO the YTO Target Assets, details of which are set out in the paragraph headed “Information of YTO Target Assets” below.

Consideration and payment terms

The total consideration in respect of the YTO Target Assets is RMB36,865,930.13 (equivalent to approximately HK\$47,188,390.57). The consideration in respect of the YTO Target Assets was determined by the Company and YTO after arm’s length negotiations with reference to the total appraised net asset value of the YTO Target Assets, being RMB36,865,930.13, as at 31 October 2013. 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 professional valuer in the PRC, by using the asset based valuation approach. The asset appraisal result has been reported to Sinomach (a government authorized entity).

The consideration will be settled by the Company in one lump-sum within five business days after the effective date of the Acquisition Agreement. The Company intends to satisfy the above consideration in cash from its internal resources.

Other information

Since YTO Target Assets include relevant rights of debts and liabilities, YTO will arrange for notifying the debtors as well as obtaining the consents and confirmations from the creditors regarding the transfer of the relevant rights of debts and liabilities. If any liabilities cannot be transferred because written consents from the creditors cannot be obtained, YTO will continue to fulfill its repayment obligations. The Company undertakes to reimburse YTO in full the actual amount that YTO has repaid, after YTO has fully complied with its repayment obligations.

In case YTO received repayment from relevant debtors after the effective date of the Acquisition Agreement, it shall transfer the full amount to the Company within 2 days upon receipt of such repayment.

Information of YTO Target Assets

The YTO Target Assets are the assets and liabilities of the techniques and materials research centre and the calibration and testing centre of YTO, including but not limited to inventories such as raw materials, revolving materials and office utensils, fixed assets such as machineries and electronic devices, and intangible assets such as software, etc.

Set out below is the basic financial information of the YTO Target Assets prepared under the Generally Accepted Accounting Standard of the PRC:

	Assets of the techniques and materials research centre of YTO	Assets of the calibration and testing centre of YTO	Total
	<i>(Approximately RMB0'000)</i>	<i>(Approximately RMB0'000)</i>	<i>(Approximately RMB0'000)</i>
Original acquisition costs by YTO	911.10	156.10	1,067.20
Book net asset value as at			
31 October 2013 (audited)	2,902.50	24.82	2,927.32
Appraised net asset value as at 31 October 2013	3,628.84	57.75	3,686.59
Net profit before taxation for			
the year ended 31 December 2011	571.38	-70.81	500.57
Net profit after taxation for			
the year ended 31 December 2011	571.38	-70.81	500.57

	Assets of the techniques and materials research centre of YTO <i>(Approximately RMB0'000)</i>	Assets of the calibration and testing centre of YTO <i>(Approximately RMB0'000)</i>	Total <i>(Approximately RMB0'000)</i>
Net profit before taxation for the year ended 31 December 2012	548.01	-77.20	470.81
Net profit after taxation for the year ended 31 December 2012	548.01	-77.20	470.81

Reasons for Entering into the Acquisition Agreement

Since the techniques and materials research and the calibration technology are all related to the business chain of agricultural machinery business of the Company, the Acquisition of the YTO Target Assets (1) can perfect the business chain of the Company and enhance the research and development level of foundation techniques and materials as well as the quality of the materials of the products. Such development synchronizes with the research and development of the Company's core machinery products, and thereby effectively improving the overall quality and standard of the Company's products; and (2) can enhance the productivity of accessories as well as the precision and quality control of the products, and thereby improving the overall competitiveness of the Company's products.

The terms of the Acquisition Agreement were determined after arm's length negotiations between the Company and YTO. The Directors (including the independent non-executive Directors) consider that the terms of the Acquisition Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Information of the Group and YTO

The Group is principally engaged in the production and sale 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, forklift and mining trucks, etc.

YTO is the controlling shareholder of the Company, holding 443,910,000 A Shares or 44.57% of the voting Shares of the Company, and is principally engaged in the production of specific transporting machineries, vehicles products and components, etc.

Listing Rules Implications

As mentioned above, YTO is the controlling shareholder of the Company and therefore is a connected person of the Company. Accordingly, the transaction contemplated under the Acquisition Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios are more than 0.1% but less than 5%, the Acquisition is subject to the reporting and announcement requirements only and is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Zhao Yanshui, Mr. Wang Erlong, Mr. Yan Linjiao, Mr. Guo Zhiqiang, 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 Acquisition Agreement and the transaction contemplated thereunder.

DEFINITIONS

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

“Acquisition”	the acquisition of the YTO Target Assets pursuant to the Acquisition Agreement
“Acquisition Agreement”	the net asset transfer agreement dated 21 January 2014 entered into between the Company and YTO, pursuant to which the Company has agreed to acquire the YTO Target Assets from YTO
“Board”	the board of Directors

“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 (Stock Code: 0038) and the Shanghai Stock Exchange respectively
“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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	registered holder(s) of the Shares
“Shares”	share(s) of RMB1.00 each of the Company

“Sinomach”	China National Machinery Industry Corporation* (中國機械工業集團有限公司), the ultimate controlling shareholder 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 443,910,000 A Shares of the Company
“YTO Target Assets”	assets and liabilities of the techniques and materials research centre and the calibration and testing centre of YTO, including but not limited to inventories such as raw materials, revolving materials and office utensils, fixed assets such as machineries and electronic devices, and intangible assets such as software, etc.
“%”	per cent.

For the purpose of this announcement, the following exchange rate is used: RMB1.00 = HK\$1.28

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

Luoyang, the PRC
21 January 2014

As at the date of this announcement, Mr. Zhao Yanshui is the Chairman of the Company and Mr. Wang Erlong is the vice Chairman of the Company. Other members of the Board are four Directors, namely, Mr. Yan Linjiao, Mr. Guo Zhiqiang, 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*