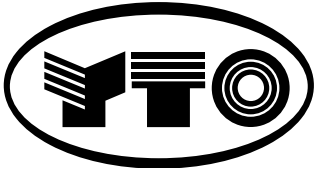


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**第一拖拉机股份有限公司**  
**FIRST TRACTOR COMPANY LIMITED**\*

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

(Stock Code: 0038)

## **CONNECTED TRANSACTIONS**

Reference is made to the overseas regulatory announcements of the Company dated 21 January 2014 and 21 March 2014.

As disclosed in the Company's announcement dated 21 January 2014, the Board resolved to proceed with the sale of the Zhongcheng Equity Interest by way of listing-for-sale. As a condition to the sale of Zhongcheng Equity Interest, the successful bidder at the listing-for-sale should have to purchase the Zhongcheng Tangible Assets at their appraised asset value as at 31 October 2013. The sale of the Zhongcheng Equity Interest and Zhongcheng Tangible Assets by the Company shall therefore take place simultaneously.

The listing-for-sale of the Zhongcheng Equity Interest was organized by the Beijing Equity Exchange as disclosed in the Company's announcement dated 21 March 2014. On 28 April 2014, the results of the listing-for-sale were confirmed and YTO became the successful bidder for the Zhongcheng Equity Interest.

In respect of the formal sale and purchase of the Zhongcheng Equity Interest and Zhongcheng Tangible Assets, the Company and YTO entered into the Equity Transfer Agreement and Assets Transfer Agreement on 5 May 2014.

YTO is the immediate controlling shareholder of the Company. Pursuant to the Listing Rules, YTO is a connected person of the Company. The Disposal constitutes connected transactions of the Company under Chapter 14A of the Listing Rules.

The transactions contemplated under the Equity Transfer Agreement and the Assets Transfer Agreement should be aggregated pursuant to Rule 14A.25 of the Listing Rules. Since the applicable percentage ratios (after aggregation) are more than 0.1% but less than 5%, the Equity Transfer Agreement and the Assets Transfer Agreement are subject to the reporting and announcement requirements only but are exempt from the independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

Reference is made to the overseas regulatory announcements of the Company dated 21 January 2014 and 21 March 2014.

As disclosed in the Company's announcement dated 21 January 2014, the Board resolved to proceed with the sale of the Zhongcheng Equity Interest by way of listing-for-sale. As a condition to the sale of Zhongcheng Equity Interest, the successful bidder at the listing-for-sale should have to purchase the Zhongcheng Tangible Assets at their appraised asset value as at 31 October 2013. The sale of the Zhongcheng Equity Interest and Zhongcheng Tangible Assets by the Company shall therefore take place simultaneously.

The listing-for-sale of the Zhongcheng Equity Interest was organized by the Beijing Equity Exchange as disclosed in the Company's announcement dated 21 March 2014. On 28 April 2014, the results of the listing-for-sale were confirmed and YTO became the successful bidder for the Zhongcheng Equity Interest.

In respect of the formal sale and purchase of the Zhongcheng Equity Interest and Zhongcheng Tangible Assets, the Company and YTO entered into the Equity Transfer Agreement and Assets Transfer Agreement on 5 May 2014.

Set out below is a brief summary of the principal terms of the Equity Transfer Agreement and Assets Transfer Agreement:

## **THE EQUITY TRANSFER AGREEMENT**

### **(1) Date**

5 May 2014

### **(2) Parties**

(a) The Company, as the vendor; and

(b) YTO, as the purchaser (the successful bidder at the listing-for-sale)

### **(3) Equity interest to be disposed**

Pursuant to the Equity Transfer Agreement, the Company has agreed to sell and YTO has agreed to purchase the Zhongcheng Equity Interest, i.e. 73% equity interest in YTO Zhongcheng Machinery owned by the Company.

### **(4) Consideration**

The Company has set the lowest bidding price for the listing-for-sale of the Zhongcheng Equity Interest, being the appraised value of the Zhongcheng Equity Interest as at 31 October 2013 of RMB10,563,900 (equivalent to approximately HK\$13,521,792). The above 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 (資產基礎法).

According to the results of the listing-for-sale of the Zhongcheng Equity Interest, the consideration for the Zhongcheng Equity Interest was RMB10,563,900 (equivalent to approximately HK\$13,521,792), being the bidding price offered by YTO. Such bidding price is the same as the above lowest bidding price.

The consideration for the Zhongcheng Equity Interest represents a gain of approximately RMB2,848,603 as compared to the audited net book value of the Zhongcheng Equity Interest as at 31 October 2013.

The consideration for the Zhongcheng Equity Interest shall be paid by YTO in one lump sum to the settlement account designated by the Beijing Equity Exchange within five days after the effective date of the Equity Transfer Agreement. Such amount will be transferred to the Company thereafter.

#### **(5) Completion**

Within seven Business Days after the date of issuance of the equity transfer certificate by the Beijing Equity Exchange, the Company shall procure YTO Zhongcheng Machinery to complete the necessary registration procedures for the change of shareholding with the relevant authorities in the PRC. Completion of the transfer of the Zhongcheng Equity Interest shall take place when the above registration procedures for the change of shareholding are completed and a new business licence is issued to YTO Zhongcheng Machinery.

#### **(6) Other major terms**

The loss and profit (after special audit) of the Zhongcheng Equity Interest during the period from the appraisal date (i.e. 31 October 2013) to completion of transfer of the Zhongcheng Equity Interest shall be negotiated and settled by the parties.

### **THE ASSETS TRANSFER AGREEMENT**

#### **(1) Date**

5 May 2014

#### **(2) Parties**

- (a) The Company, as the vendor; and
- (b) YTO, as the purchaser

### **(3) Assets to be disposed**

As a condition to the sale of Zhongcheng Equity Interest, the successful bidder at the listing-for-sale shall purchase the Zhongcheng Tangible Assets at their appraised asset value as at 31 October 2013. The sale of the Zhongcheng Equity Interest and Zhongcheng Tangible Assets by the Company shall therefore take place simultaneously.

Pursuant to the Assets Transfer Agreement, the Company has agreed to sell and YTO had agreed to purchase the Zhongcheng Tangible Assets, i.e. part of the tangible assets currently leased to YTO Zhongcheng Machinery by the Company, including but not limited to machineries such as CNC turning machines, vertical drills, cylindrical grinding machines and precision marking machines, etc.

### **(4) Consideration**

The consideration for the Zhongcheng Tangible Assets was RMB4,271,300 (equivalent to approximately HK\$5,467,264), which was determined with reference to the appraised value of the Zhongcheng Tangible Assets as at 31 October 2013 of RMB4,271,300, which had been approved by and reported to Sinomach (a government authorized entity). The above 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 cost approach (成本法).

The consideration for the Zhongcheng Tangible Assets represents a gain of approximately RMB681,200 as compared to the audited net book value of the Zhongcheng Tangible Assets as at 31 October 2013.

The consideration for the Zhongcheng Tangible Assets shall be paid by YTO to the settlement account designated by the Beijing Equity Exchange at the same time of making payment of the consideration for the Zhongcheng Equity Interest.

## INFORMATION OF YTO ZHONGCHENG MACHINERY AND ZHONGCHENG TANGIBLE ASSETS

As at the date of this announcement, YTO Zhongcheng Machinery is a subsidiary of the Company, owned as to 73% by the Company, 20% by the labour union of Luoyang YTO Dongfang Shiye Company Limited\* (洛陽一拖東方實業有限公司) and 7% by nine natural person shareholders. YTO Zhongcheng Machinery is principally engaged in the manufacturing and sale of components of agricultural machineries.

The Zhongcheng Tangible Assets include part of the tangible assets currently leased to YTO Zhongcheng Machinery by the Company, including but not limited to machineries such as CNC turning machines, vertical drills, cylindrical grinding machines and precision marking machines, etc.

Set out below is the basic financial information of YTO Zhongcheng Machinery and Zhongcheng Tangible Assets prepared under the Generally Accepted Accounting Standard of the PRC:

	<b>YTO Zhongcheng Machinery</b> <i>(Approximately RMB0'000)</i>	<b>Zhongcheng Tangible Assets</b> <i>(Approximately RMB0'000)</i>
Book value of the net assets as at 31 October 2013 (audited)	1,056.89	359.01
Appraised net asset value as at 31 October 2013	1,447.10	427.13
Net profit before taxation for the year ended 31 December 2012 (audited)	63.91	N/A
Net profit after taxation for the year ended 31 December 2012 (audited)	64.00	N/A
Net profit before taxation for the year ended 31 December 2013 (audited)	1,017.05	N/A
Net profit after taxation for the year ended 31 December 2013 (audited)	890.94	N/A

## **REASONS FOR ENTERING INTO THE EQUITY TRANSFER AGREEMENT AND THE ASSETS TRANSFER AGREEMENT**

The transfers of Zhongcheng Equity Interest and Zhongcheng Tangible Assets can revitalize the stock assets of the Company, further optimize allocation of resources of the Company, develop the core business and improve the overall return rate on assets of the Company. The sales proceeds of the Disposal will be used as general working capital for the future development of the Company.

If the Disposal is completed, YTO Zhongcheng Machinery will no longer be a subsidiary of the Company.

The terms of the Equity Transfer Agreement and the Assets Transfer Agreement were determined after arm's length negotiations between the parties thereto. The Directors (including the independent non-executive Directors) consider that the terms of the Equity Transfer Agreement and the Assets Transfer Agreement are 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 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 immediate 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 immediate controlling shareholder of the Company. Pursuant to the Listing Rules, YTO is a connected person of the Company. The Disposal constitutes connected transactions of the Company under Chapter 14A of the Listing Rules.

The transactions contemplated under the Equity Transfer Agreement and the Assets Transfer Agreement should be aggregated pursuant to Rule 14A.25 of the Listing Rules. Since the applicable percentage ratios (after aggregation) are more than 0.1% but less than 5%, the Equity Transfer Agreement and the Assets Transfer Agreement are subject to the reporting and announcement requirements only but are exempt from the independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

On 20 January 2014, the Board resolved to sell the Zhongcheng Equity Interest by way of listing-for-sale and as a condition to the sale of Zhongcheng Equity Interest, the successful bidder at the listing-for-sale should have to purchase the Zhongcheng Tangible Assets at their appraised asset value. Since the Disposal was conducted by way of listing-for-sale, all Directors have not abstained from voting in respect of the Disposal at the above Board meeting.

## **DEFINITIONS**

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

“Assets Transfer Agreement”	the assets transfer agreement entered into between the Company and YTO on 5 May 2014 in relation to the sale and purchase of the Zhongcheng Tangible Assets
“Beijing Equity Exchange”	China Beijing Equity Exchange* (中國北京產權交易所)
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or a Sunday) on which banks are open for general business in the PRC
“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 (Stock Code: 601038) 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
“Disposal”	the disposal by the Company of the Zhongcheng Equity Interest and Zhongcheng Tangible Assets
“Equity Transfer Agreement”	the equity transfer agreement entered into between the Company and YTO on 5 May 2014 in relation to the sale and purchase of the Zhongcheng Equity Interest
“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 immediate controlling Shareholder of the Company, holding 443,910,000 A Shares of the Company
“YTO Zhongcheng Machinery”	YTO (Luoyang) Zhongcheng Machinery Company Limited* (一拖(洛陽)中成機械有限公司), a limited liability company incorporated in the PRC, a subsidiary of the Company as at the date of this announcement
“Zhongcheng Equity Interest”	73% equity interest in YTO Zhongcheng Machinery owned by the Company
“Zhongcheng Tangible Assets”	part of the tangible assets currently leased to YTO Zhongcheng Machinery by the Company, including but not limited to machineries such as CNC turning machines, vertical drills, cylindrical grinding machines and precision marking machines, 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  
5 May 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*