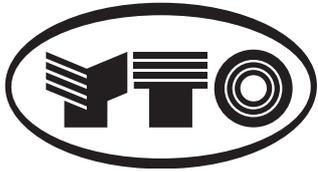


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第一拖拉机股份有限公司*
FIRST TRACTOR COMPANY LIMITED*

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

(Stock Code: 0038)

CONNECTED TRANSACTION

On 23 June 2014, the Company and SCIVIC entered into the Agreement for the purpose of the Project at the total consideration of RMB73,037,102 (equivalent to approximately HK\$93,487,491).

SCIVIC is an indirect wholly-owned subsidiary of Sinomach, the ultimate controlling shareholder of the Company. Pursuant to the Listing Rules, SCIVIC is the associate of Sinomach and is therefore regarded as a connected person of the Company. The transaction contemplated under the Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

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

INTRODUCTION

Reference is made to the Company's announcement dated 21 November 2013 in relation to the open tender for the Project.

The Board is pleased to announce that on 23 June 2014, the Company and SCIVIC entered into the Agreement for the purpose of the Project at the total consideration of RMB73,037,102 (equivalent to approximately HK\$93,487,491).

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

THE AGREEMENT

(1) Date

23 June 2014

(2) Parties

- (a) The Company; and
- (b) SCIVIC, being the contractor

(3) Details of the Agreement

Pursuant to the Agreement, SCIVIC has contracted for the Project. The services to be provided by SCIVIC to the Company under the Agreement include but not limited to the following:

- 1 Technological design: technological process design, technological equipment selection, technological and sectional plan layout design and architectural engineering design according to products provided by the Company;
- 2 Engineering design: architectural engineering design according to the technological requirements, including architectural program design, architectural design, structural design, public supporting design and public equipment selection;
- 3 Design, manufacturing, installation and adjustment of non-standard equipment: design, manufacturing, installation and adjustment of non-standard equipment according to the technological requirements; and
- 4 Architectural engineering construction.

(4) Term

The design work under the Agreement should be conducted according to the following: (1) completion of designs of technological construction drawings and basic construction drawings for new factory within 30 days from the issuance of the letter of acceptance; and (2) completion of a full set of construction drawings within 60 days from the issuance of the letter of acceptance. The construction work under the Agreement should commence from issuance of the commencement order by the supervising engineer with final examination and acceptance date of 30 October 2014.

The term of the Agreement can be delayed upon confirmation of the following factors by the Company:

- (i) force majeure; or
- (ii) any postponement without default on the part of SCIVIC.

(5) Consideration

The total consideration under the Agreement is RMB73,037,102 (equivalent to approximately HK\$93,487,491), including RMB2,580,000 for design work, RMB49,935,915 for construction and installation work, RMB7,000,000 for the public equipment, RMB10,383,466 for the non-standard equipment and RMB3,137,721 as other expenses. The consideration under the Agreement is the bidding price offered by SCIVIC at the open tender for the Project.

The consideration shall be settled by the Company out of its internal resources and in the form of commercial acceptance bill(s) in the following manner:

- (i) 20% of the consideration (i.e. RMB14,607,420.40), being prepayment, shall be paid upon signing of the Agreement;
- (ii) Up to 95% of the fees for design work shall have been paid upon provision of a full set of construction drawings for the Project by SCIVIC;
- (iii) 80% of the amount for monthly construction and installation work actually completed shall be paid monthly, and up to 80% of the construction and installation fees shall have been paid upon examination and acceptance of the Project;

- (iv) 60% of the non-standard equipment fee shall be paid upon arrival of the non-standard equipment at the site and acceptance by the Company, and up to 95% of the non-standard equipment fee shall have been paid upon completion of installation and adjustment of the equipment;
- (v) Up to 95% of other expenses shall have been paid upon examination and acceptance of the Project;
- (vi) Up to 95% of the total consideration (i.e. RMB69,385,246.90) shall have been paid upon completion, examination and acceptance of the Project as well as upon review and acceptance of the completion report by audit department of the Company or other intermediates; and
- (vii) 5% of the total consideration (i.e. RMB3,651,855.10), being the quality assurance deposit for the construction, shall be paid free of interest upon the expiry of one year after the completion, examination and acceptance of the Project and upon performance of warranty responsibility by the contractor.

(6) Other terms of the Agreement

Subject to the terms and conditions of the Agreement, SCIVIC may sub-contract the construction work of the Project to other parties upon obtaining consent from the Company. All sub-contracting projects shall not affect the obligations and duties of SCIVIC under the Agreement. SCIVIC shall be responsible for supervising and managing the process, quality and progress of the construction work conducted by the sub-contractors, and fully responsible for the sub-contractors' responsibilities under the Agreement. SCIVIC shall also be responsible for organizing all the materials held by the sub-contractors at the completion of the Project.

REASONS FOR ENTERING INTO THE AGREEMENT

SCIVIC is one of the largest surveying and design units in the PRC machinery industry, with the most comprehensive professional facilities and advanced composite technologies. SCIVIC has passed the ISO9001 quality certification and has been awarded by the State nine Grade A certificates in respect of project surveying, design, consultation and supervision, etc. SCIVIC has a strong capability of design and project management in the machinery industry in terms of construction consultation, design and contracting, etc..

In order to implement the Project, the Company proposes to construct production lines for processing of machines of the new-type hi-powered wheeled tractors. In view of the above SCIVIC's experience and qualification and SCIVIC became the contractor of the Project by way of open tender, the Company entered into the Agreement with SCIVIC to engage SCIVIC as the general contractor of design and construction for the Project.

The terms of the Agreement were determined based on the terms of the open tender and bidding and after arm's length negotiations between the parties thereto. The Directors (including the independent non-executive Directors) consider that the terms of the 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 SCIVIC

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..

SCIVIC is principally engaged in Grade-A design of machineries and civil buildings; construction survey and measurement; geotechnical and hydrology engineering; consultancy, contracting and supervision of construction; manufacturing and installation of non-standard equipment and electrical automation equipment; consultancy and design of foreign-related construction; general contracting of construction; import and export of equipment and materials; and designation of labor.

LISTING RULES IMPLICATIONS

SCIVIC is an indirect wholly-owned subsidiary of Sinomach, the ultimate controlling shareholder of the Company. Pursuant to the Listing Rules, SCIVIC is the associate of Sinomach and is therefore regarded as a connected person of the Company. The transaction contemplated under the Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

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

DEFINITIONS

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

“Agreement”	the general contract entered into between the Company and SCIVIC on 23 June 2014, pursuant to which SCIVIC has contracted for the Project
“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 (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
“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
“Project”	the project on enhancement of the core capability of the new wheeled tractors (新型輪式拖拉機核心能力提升項目) of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SCIVIC”	SCIVIC Engineering Company Limited* (機械工業第四設計研究院有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of Sinomach
“Shareholder(s)”	registered holder(s) of the shares of the Company
“Sinomach”	China National Machinery Industry Corporation* (中國機械工業集團有限公司), the controlling shareholder of YTO and 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

“%” 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
23 June 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 six Directors, namely, Mr. Yan Linjiao, Mr. Wu Zongyan, Mr. Wang Kejun, Mr. Guo Zhiqiang, Mr. Liu Jiguo and Mr. Wu Yong; and four independent nonexecutive Directors, namely, Mr. Hong Xianguo, Mr. Xing Min, Mr. Wu Tak Lung and Mr. Yu Zengbiao.

* *for identification purposes only*