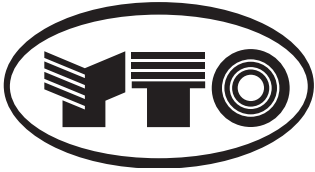


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第一拖拉机股份有限公司*
FIRST TRACTOR COMPANY LIMITED

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

(Stock Code: 0038)

DISCLOSEABLE TRANSACTION

The Board resolved that the Company will enter into the JV Agreement with ZF (China), pursuant to which, among other things, the parties agree to establish the JV Company with the total amount of investment of RMB600,000,000 (equivalent to approximately HK\$762,000,000) and the registered capital of RMB283,000,000 (equivalent to approximately HK\$359,410,000), among which the Company agrees to contribute RMB138,670,000 (equivalent to approximately HK\$176,110,900), representing 49% of the registered capital of the JV Company, and ZF (China) agrees to contribute RMB144,330,000 (equivalent to approximately HK\$183,299,100), representing 51% of the registered capital of the JV Company.

The business scope of the JV Company will include product development, application engineering, manufacturing, assembling and sales of driven steer axle products for the agricultural machinery vehicles for the local and global market.

As the applicable percentage ratios are more than 5% but less than 25%, the transaction contemplated under the JV Agreement constitutes a discloseable transaction of the Company under the Listing Rules. Accordingly, such transaction is subject to the reporting and announcement requirements only but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

The Board resolved that the Company will enter into the JV Agreement with ZF (China), pursuant to which, among other things, the parties agree to establish the JV Company. The Company will make further announcement when the JV Agreement is duly signed. Set out below is a brief summary of the principal terms of the JV Agreement:

JV AGREEMENT

(1) Expected Signing Date

21 July 2014

(2) Parties

- (a) The Company; and
- (b) ZF (China). To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, ZF (China) and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

(3) Business Scope

The business scope of the JV Company will include product development, application engineering, manufacturing, assembling and sales of driven steer axle products for the agricultural machinery vehicles for the local and global market.

(4) Total Amount of Investment and Registered Capital

The total amount of investment of the JV Company will be RMB600,000,000 (equivalent to approximately HK\$762,000,000) while the registered capital of the JV Company will be RMB283,000,000 (equivalent to approximately HK\$359,410,000), among which the Company agrees to contribute RMB138,670,000 (equivalent to approximately HK\$176,110,900), representing 49% of the registered capital of the JV Company, and ZF (China) agrees to contribute RMB144,330,000 (equivalent to approximately HK\$183,299,100), representing 51% of the registered capital of the JV Company.

(5) Establishment of the JV Company

The establishment of the JV Company is subject to the approval of the relevant PRC government authorities. The parties to the JV Agreement agree to make application to the relevant PRC government authority to obtain such approval upon execution of the JV Agreement.

There will be three steps for establishing the JV Company.

As the first step for establishing the JV Company (“**Step 1**”), the parties agree to make contributions to the JV Company as follows:

1. ZF (China) agrees to make its contribution of RMB144,330,000 (equivalent to approximately HK\$183,299,100), representing 51% of the registered capital of the JV Company, in cash, and if necessary, by its dividend income from its other investment, at a time to be decided at the first board meeting of the JV Company but in any event no later than ninety days after the issuance of the business license of the JV Company; and
2. The Company agrees to make its contribution of RMB138,670,000 (equivalent to approximately HK\$176,110,900), representing 49% of the registered capital of the JV Company, (1) by injecting the Fixed Assets within fourteen days from the issuance of the business license of the JV Company; and (2) if necessary, in cash at a time to be decided at the first board meeting of the JV Company but in any event no later than ninety days after the issuance of the business license of the JV Company.

As the second step for establishing the JV Company (“**Step 2**”), the JV Company will acquire the Intangible Assets from the Company at an expected consideration of RMB156,000,000 (equivalent to approximately HK\$198,120,000) (subject to adjustment) no later than thirty days after completion of Step 1.

As the third step for establishing the JV Company (“**Step 3**”), the JV Company will acquire the Inventories from the Company at an expected consideration of RMB60,000,000 (equivalent to HK\$76,200,000) (subject to adjustment) no later than thirty days after completion of Step 2.

Step 2 and Step 3 mentioned above have not yet been conducted. The Company will make further announcement(s) in this regard, as and when appropriate, in accordance with the Listing Rules.

(6) Products and Technologies of the JV Company

Each of the parties agrees that the product structure of the JV Company shall comprise of the driven steer axles products for the agricultural machinery currently produced by the Company, and the new high-level products to be produced after introduction of the advanced technology of ZFFN. After its establishment, the JV Company will enter into technology and trademark licensing agreement with the Company and ZF (China).

Unless otherwise agreed in the JV Agreement, after the establishment of the JV Company, the Group agrees not to develop, manufacture or license to any other manufacturers to manufacture, assemble or sell the same products within the business scope of the JV Company. ZFFN and its subsidiaries (including ZF (China) but excluding the JV Company) agree not to manufacture and/or sell the same products within the business scope of the JV Company in the PRC, unless the approval of the Company is obtained as agreed in the JV Agreement.

(7) Profit Sharing

After paying taxes in accordance with the laws and regulations, offsetting cumulative losses (if any), and drawing various fund, the remaining profits of the JV Company shall be distributed among the parties in accordance with their respective proportion of capital contribution to the JV Company.

Accordingly, the board of the JV Company shall decide on the proportion of distribution of funds and shall allocate the profits once every year.

(8) Organisational Structure

The board of directors of the JV Company will comprise of five directors, among which three directors will be nominated by ZF (China) and two directors will be nominated by the Company. The chairman and vice chairman of the board of directors shall be nominated by the Company and ZF (China) respectively. The chairman of the board of directors of the JV Company will be the legal representative of the JV Company.

(9) Pre-emptive Right

A party to the JV Agreement (the “**Assigning Party**”) may transfer all or part of its equity interest in the JV Company to a third party (the “**Third Party**”) subject to the written consent of the other party (the “**Remaining Party**”) and approval of the relevant regulatory authorities. The Remaining Party shall have a pre-emptive right in acquiring the equity interest to be disposed of by the Assigning Party. If the pre-emptive right is not exercised by the Remaining Party within the prescribed period, the written consent as required shall be deemed to be given by the Remaining Party.

If the Third Party is controlled by the Assigning Party or its holding company, no written consent of the Remaining Party shall be required.

Any assignment of equity interest in the JV Company to a competitor of the Remaining Party shall in any case be prohibited.

(10) Premises and Land

It is expected that the JV Company will enter into a formal lease agreement with the Company, pursuant to which the Company shall agree to lease to the JV Company the premises and land for the current diver steer axles business of the Company, located at 16 Hangong Western Road, Xigong District, Luoyang, Henan, the PRC. The Company will make further announcement(s) in this regard, as and when appropriate, in accordance with the Listing Rules.

INFORMATION OF THE GROUP AND ZF (CHINA)

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.

ZF (China) is an investment company incorporated in the PRC which is wholly-owned by ZFFN and is principally responsible for the regional investment of ZFFN, research and development of new products and technologies in the PRC, and provision to ZFFN of services such as market information, policy consultation and product sales in the PRC and overseas, etc. ZFFN is one of the top ten automobile components suppliers in the world and plays a leading role in the areas of the transmission system, underpan and other technologies for agricultural machinery products in the global market. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, ZF (China) and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

REASONS FOR ENTERING INTO THE JV AGREEMENT

The purpose of this transaction is to introduce the advanced driven steer axles technology of ZFFN for agricultural machinery and integrate the same closely with the existing sale and marketing channel of driven steer axles products for agricultural machinery and brand influence in the local market of the Company. The establishment of the JV Company is beneficial for the technology upgrade of the current driven steer axles for agricultural machinery of the Company; the research, development, application and manufacturing of high-level products; the exploration of global market for driven steer axles products; the satisfaction of needs for high-level driven steer axles products for hi-powered tractors of the Company; and the improvement of technology level and market competitiveness of main products of the Company.

The terms of the JV 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 JV Agreement are on normal commercial terms, fair and reasonable and in the interest of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios are more than 5% but less than 25%, the transaction contemplated under the JV Agreement constitutes a discloseable transaction of the Company under the Listing Rules. Accordingly, such transaction is subject to the reporting and announcement requirements only but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“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
“Directors”	the directors of the Company, including the independent non-executive directors
“Fixed Assets”	the machinery and equipment of the Company for the production of driven steer axles, including but not limited to pallet trucks, test bench, service cars and other production line equipment
“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
“HP”	horse power
“Intangible Assets”	the intangible assets of the Company, including but not limited to market channel, customer and supplier relations, reputation, etc.

“Inventories”	the inventories of the Company for the usual daily operation of the driven steer axle business for agricultural machinery, including but not limited to work-in-process and finished products in relation to driven steer axles for the agricultural machinery
“JV Agreement”	the joint venture agreement to be entered into between the Company and ZF (China) on 21 July 2014 in relation to the establishment of the JV Company
“JV Company”	ZF YTO (Luoyang) Axle Co., Ltd.* (采埃孚一拖(洛陽)車橋有限公司), a limited liability company to be incorporated in the PRC by the Company and ZF (China) in accordance with the JV Agreement
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“ZF (China)”	ZF (China) Investment Co., Ltd.* (采埃孚(中國)投資有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of ZFFN

“ZFFN” ZF Friedrichshafen AG, a limited liability company incorporated in Germany, holding 100% equity interest in ZF (China)

“%” per cent.

For the purpose of this announcement, the following exchange rate is used: RMB1.00 = HK\$1.27.

By Order of the Board
First Tractor Company Limited*
YU Lina
Company Secretary

Luoyang, the PRC
18 July 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 non-executive Directors, namely, Mr. Hong Xianguo, Mr. Xing Min, Mr. Wu Tak Lung and Mr. Yu Zengbiao.

* *for identification purposes only*