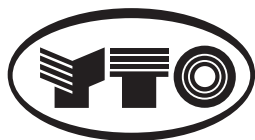


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第一拖拉机股份有限公司
FIRST TRACTOR COMPANY LIMITED*

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

(Stock Code: 0038)

CONTINUING CONNECTED TRANSACTIONS

Background

References are made to the announcements of the Company dated 29 October 2012 and 24 September 2014, the overseas regulatory announcement of the Company dated 27 March 2013, and the circulars of the Company dated 28 November 2012 and 16 October 2014, in respect of, among other things, the existing continuing connected transactions under the Old Agreements and their respective Annual Cap amounts and the revised Annual Cap amounts for the sale of goods agreement dated 29 October 2012 entered into between the Company and YTO.

The Old Agreements will expire on 31 December 2015. The Board wishes to ensure the continuation of the on-going transactions of goods and services under the Old Agreements. Apart from the Old Agreements, First Tractor Finance and Sinomach Finance intend to provide interbank business services to each other.

Accordingly, on 25 August 2015, the Company (on behalf of the Group) and/or its subsidiary, First Tractor Finance, entered into the New Agreements and the Deposit Service Agreement with YTO and/or YTO (on behalf of YTO Group and/or Sinomach and/or the subsidiaries of Sinomach and/or associates of YTO and/or YTO Extended Group) and/or its controlled subsidiary, Tractors Research Company (on behalf of Tractors Research Group) and/or Sinomach Finance for a term of three years commencing from 1 January 2016, in respect of the transactions of certain materials, the provision of certain production-related services, energy procurement, research and development and consultation on technology and technology services, financial services and interbank business services, and the leasing of lands and properties. Save for the effective period and Annual Cap amounts of each of the New Agreements and the Deposit Service Agreement and the change in scope of services to be provided under the Composite Services Agreement, the terms and conditions of each of the New Agreements (excluding the Interbank Business Services Agreement) and the Deposit Service Agreement are similar to those in the respective Old Agreements.

The Directors are of the view that (i) the continuing connected transactions contemplated under the New Agreements and the Deposit Service Agreement will be carried out in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole; (ii) the terms of the New Agreements and the Deposit Service Agreement are on normal commercial terms or on terms not less favourable than those of similar transactions with independent third parties and are fair and reasonable; and (iii) the proposed Annual Cap amounts of the transactions contemplated under the New Agreements and the Deposit Service Agreement for the three years ending 31 December 2016, 2017 and 2018 are fair and reasonable.

Hong Kong Listing Rules Implications

As YTO, Sinomach, Sinomach Finance and Tractor Research Company are connected persons of the Company under Chapter 14A of the Hong Kong Listing Rules, the transactions contemplated under the New Agreements and the Deposit Service Agreement constitute continuing connected transactions of the Company.

As the applicable percentage ratios under each of the Non-exempt CCT Agreements, on an annual basis, are more than 5%, the Non-exempt CCT Transactions are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. In addition, the Company is required to comply with the annual review requirements under the Hong Kong Listing Rules in respect of each of the Non-exempt CCT Transactions.

As the applicable percentage ratios under each of the Other CCT Agreements, on an annual basis, are more than 0.1% but less than 5%, the transactions contemplated under the Other CCT Agreements are subject to the reporting, annual review and announcement requirements and exempt from Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The deposit services to be provided under the Deposit Service Agreement constitute financial assistance provided by YTO Group, for the benefit of First Tractor Finance on normal commercial terms where no security over the assets of the Group is granted in respect of such financial assistance. The transaction contemplated under the Deposit Service Agreement is exempted from the reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.90 of the Hong Kong Listing Rules. Announcement on the Deposit Service Agreement is made voluntarily by the Company.

Shanghai Listing Rules Implications

As the A Shares of the Company are listed on the Shanghai Stock Exchange, the Company is also required to comply with relevant requirements of the Shanghai Listing Rules. Pursuant to the Shanghai Listing Rules, the Annual Cap amounts of all the New Agreements and the Deposit Service Agreement should be aggregated and are subject to the Independent Shareholders' approval at the EGM.

The Company has applied for and the Shanghai Stock Exchange has granted to the Company a waiver that the transaction contemplated under the Deposit Service Agreement is exempted from the Independent Shareholders' approval requirement.

General Information

A circular containing, among other things, (i) the information relating to each of the New Agreements and the Deposit Service Agreement, (ii) the advice from the Independent Board Committee to the Independent Shareholders in respect of the Non-exempt CCT Agreements, (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee in respect of the Non-exempt CCT Agreements, and (iv) a notice of the EGM to be convened for the Independent Shareholders, to approve the transactions contemplated under the New Agreements and their respective proposed Annual Cap amounts for the three years ending 31 December 2016, 2017 and 2018, is expected to be despatched to the Shareholders on or before 16 September 2015.

BACKGROUND FOR THE CONTINUING CONNECTED TRANSACTIONS

References are made to the announcements of the Company dated 29 October 2012 and 24 September 2014, the overseas regulatory announcement of the Company dated 27 March 2013, and the circulars of the Company dated 28 November 2012 and 16 October 2014, in respect of, among other things, the existing continuing connected transactions under the Old Agreements and their respective Annual Cap amounts and the revised Annual Cap amounts for the sale of goods agreement dated 29 October 2012 entered into between the Company and YTO.

The Old Agreements will expire on 31 December 2015. The Board wishes to ensure the continuation of the on-going transactions of goods and services under the Old Agreements. Apart from the Old Agreements, First Tractor Finance and Sinomach Finance intend to provide interbank business services to each other.

Accordingly, on 25 August 2015, the Company (on behalf of the Group) and/or its subsidiary, First Tractor Finance, entered into the New Agreements and the Deposit Service Agreement with YTO and/or YTO (on behalf of YTO Group and/or Sinomach and/or the subsidiaries of Sinomach and/or associates of YTO and/or YTO Extended Group) and/or its controlled subsidiary, Tractors Research Company (on behalf of Tractors Research Group) and/or Sinomach Finance for a term of three years commencing from 1 January 2016, in respect of the transactions of certain materials, the provision of certain production-related services, energy procurement, research and development and consultation on technology and technology services, financial services and interbank business services, and the leasing of lands and properties. Save for the effective period and Annual Cap amounts of each of the New Agreements and the Deposit Service Agreement and the change in scope of services to be provided under the Composite Services Agreement, the terms and conditions of each of the New Agreements (excluding the Interbank Business Services Agreement) and the Deposit Service Agreement are similar to those in the respective Old Agreements.

Details of each of the New Agreements, the Deposit Service Agreement and their corresponding Annual Cap amounts are set out below:

NON-EXEMPT CCT TRANSACTIONS SUBJECT TO THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

(A) Material Procurement Agreement

- Date** : 25 August 2015
- Parties** :
 - YTO, on behalf of YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach, as supplier and/or supplying agent; and
 - The Company, on behalf of the Group, as purchaser and/or purchasing agent.
- Goods to be provided** : Including but not limited to raw materials (including steel, pig iron, waste steel, coke, nonferrous metals and oil), other industrial equipment, components (including semi-finished and finished products), spare parts and other necessities.

- Term** : From 1 January 2016 to 31 December 2018.
- Payment terms** : Shall be principally settled within three months from the date of confirmation of receiving the goods by the purchaser. Subject to negotiations between the parties, prepayments by the purchaser of no more than six months from the estimated date of delivery of the goods are acceptable.

Pricing Standards of the Transaction contemplated under the Material Procurement Agreement

Under the Material Procurement Agreement, the price of the goods to be provided will be:

- (1) the market price determined by an independent third party (i.e. the price of the same or similar product provided to independent third parties by suppliers other than YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach in the same region during the ordinary course of business on normal commercial terms);
- (2) if there is no market price determined by an independent third party, the transaction price between YTO Group, associates of YTO, Sinomach or the subsidiaries of Sinomach and an independent third party (which is determined after arm's length negotiation and after considering the reasonable cost and profit for the goods); and
- (3) if none of the above is applicable, costs plus a percentage mark-up (tax-inclusive), which is not more than 30% (i.e. price = cost x (1 + percentage mark-up)).

YTO undertakes that the applicable price of the goods offered to the Group shall not be less favourable than that offered to independent third party customers of YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach for the same goods.

Historical Figures and the Proposed Annual Cap Amounts for the Transaction under the Material Procurement Agreement

In respect of the material procurement agreement dated 29 October 2012, the following table sets out the historical transaction amounts for the years ended 31 December 2013 and 2014, and for the six months ended 30 June 2015. The table also sets out the proposed Annual Cap amounts for each of the three years ending 31 December 2016, 2017 and 2018 under the Material Procurement Agreement:

	Historical transaction amounts			Proposed Annual Caps amounts		
	For the year ended		For the six	For the year ending		
	31 December		months ended	31 December		
	2013	2014	30 June	2016	2017	2018
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Material Procured by the Company	764,694	376,160	286,050	500,000	500,000	500,000

Basis for the Proposed Annual Cap Amounts under the Material Procurement Agreement

The proposed Annual Cap amounts for the years of 2016, 2017 and 2018 for the Material Procurement Agreement are based on:

- (1) the historical transaction amounts and the estimated transaction amount in 2015 (approximately RMB500 million) after taking into account of the expected increase in the proportion of procurement from independent third parties due to the expected adjustment in procurement structure of the Company (resulted from the products technological advancement, generation upgrade and the increase in centralized procurement capacity), especially in procurement of spare parts that are able to adapt to the technological upgrade of the Company; and
- (2) the relatively steady sales volume of tractors, power machineries and other major products from 2016 to 2018 due to the overall slowdown in the growth of the agricultural machinery industry since 2014 and the structural adjustment period in the future.

(B) Sale of Goods Agreement

- Date** : 25 August 2015
- Parties** :
 - The Company, on behalf of the Group, as supplier and/or supplying agent; and
 - YTO, on behalf of YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach, as purchaser and/or purchasing agent.
- Goods to be provided** : Including but not limited to raw materials, spare parts (including casting parts), components (including semi-finished parts and finished parts), equipment and other necessary essentials.
- Term** : From 1 January 2016 to 31 December 2018.
- Payment terms** : Shall be principally settled within three months after the date of delivery of goods by the supplier. Subject to negotiation between the parties, prepayments by the purchaser of no more than six months from the estimated date of delivery of the goods are acceptable.
- Undertaking** : Provided that the Group manufactures such goods, the Group undertakes to give priority to YTO Group for supply of such goods over other third parties' under the same condition.

Pricing Standards of the Transaction under the Sale of Goods Agreement

Under the Sale of Goods Agreement, the applicable price of the goods to be provided will be:

- (1) the market price determined by an independent third party (i.e. the price of the same or similar product provided to independent third parties by suppliers other than the Group in the same region during the ordinary course of business on normal commercial terms);

- (2) if there is no market price determined by an independent third party, the transaction price between the Group and an independent third party (which is determined after arm's length negotiation and after considering the reasonable cost and profit for the goods); and
- (3) if none of the above is applicable, costs plus a percentage mark-up (tax-inclusive), which is not more than 30% (i.e. price = cost x (1 + percentage mark-up)).

In any event, the applicable price of the goods offered to YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach by the Group shall not be more favourable than that offered to independent third party customers of the Group.

Historical Figures and the Proposed Annual Cap Amounts for the Transactions under the Sale of Goods Agreement

In respect of the sale of goods agreement dated 29 October 2012, the following table sets out the historical transaction amounts for the years ended 31 December 2013 and 2014, and for the six months ended 30 June 2015. The table also sets out the proposed Annual Cap amounts for each of the three years ending 31 December 2016, 2017 and 2018 under the Sale of Goods Agreement:

	Historical transaction amounts			Proposed Annual Cap amounts		
	For the year ended		For the six	For the year ending		
	31 December		months ended	31 December		
	2013	2014	30 June	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Sale of Goods Agreement	119,516	113,450	98,230	350,000	200,000	210,000

Basis for the Proposed Annual Cap Amounts under the Sale of Goods Agreement

The proposed Annual Cap amounts for the years of 2016, 2017 and 2018 for the Sale of Goods Agreement are based on:

- (1) the historical transaction amounts in 2013, 2014 and the six months ended 30 June 2015;

- (2) the expected growth in sales of spare parts to YTO Group. The Company intends to sell spare parts to YTO Group for YTO Group to resell them to its distributors in order to (i) make use of the existing well-established distribution network of YTO Group to increase the sales of spare parts; and (ii) reduce the expenses in storage, logistics, transportation and distribution network maintenance arose from the sales of spare parts;
- (3) the expected increase in the volume of procurement by YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach conducted via the procurement platform of the Group; and
- (4) the expected increase in demand for tractors and spare parts by YTO in 2016 as YTO (as the contractor) has entered into an agreement with foreign government, of which YTO agreed to supply tractors and spare parts and provide the related after-sales services. The agreement is expected to complete in 2016.

(C) Loan Service Agreement

Date	:	25 August 2015
Parties	:	<ul style="list-style-type: none"> • First Tractor Finance, a subsidiary of the Company; and • YTO, on behalf of YTO Extended Group.
Financial services to be provided	:	Provision of loan services by First Tractor Finance to the YTO Group.
Term	:	From 1 January 2016 to 31 December 2018.
Payment terms	:	Shall be specified on each separate loan contract to be agreed by the parties.
Security	:	First Tractor Finance may request YTO Extended Group to provide pledge of assets or other guarantees to secure YTO Extended Group's liabilities arising from the performance of the Loan Service Agreement.

- Undertaking** : YTO undertakes that the deposit maintained by YTO Extended Group with First Tractor Finance should be greater than the loan balance at all time. If YTO Extended Group breaches such undertaking, First Tractor Finance has the right to restrict payment to any third parties by YTO Extended Group from its deposit maintained with First Tractor Finance, or request YTO Extended Group to increase its deposit balance with First Tractor Finance.
- Rights to demand for early repayment** : First Tractor Finance shall first satisfy the funding needs of the Group. Depending on the condition of shortfall of funding of the Group, First Tractor Finance has the right to issue a termination or terms amendment notice to YTO Extended Group, requesting for termination or amendments to the terms of the loans granted to YTO Extended Group so as to collect the money to support the production operation of the Group.

Pricing Standards of the Transaction contemplated under the Loan Service Agreement

The service fees to be charged by First Tractor Finance for any loan services will be:

- (1) the rate prescribed by CBRC or PBOC (including the benchmark interest rate prescribed by the PBOC from time to time and published on PBOC's website for the same type of loans (PBOC will also notify all relevant institutions of any updates of such interest rate in writing));
- (2) if the above rate is not applicable, the rate charged by the same industry in the PRC or the rate for comparable transactions; and
- (3) if none of the above is applicable, determined after arm's length negotiation between First Tractor Finance and YTO Extended Group after considering the fair rate offered by the third party on the same or comparable transactions in the same industry as the main factor.

First Tractor Finance undertakes that the applicable service fees offered to YTO Extended Group by First Tractor Finance shall not be more favourable than those offered to independent third party customers of First Tractor Finance for the same services.

Historical Figures and the Proposed Annual Cap Amounts for the Transaction under the Loan Service Agreement

In respect of the loan service agreement dated 29 October 2012, the following table sets out the historical maximum outstanding amounts for the years ended 31 December 2013 and 2014, and for the six months ended 30 June 2015. The table also sets out the maximum outstanding Annual Cap amounts for each of the three years ending 31 December 2018:

	Historical transaction amounts			Proposed Annual Cap amounts		
	For the year ended		For the six	For the year ending		
	31 December		months ended	31 December		
	2013	2014	30 June	2016	2017	2018
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Loan Service Agreement	569,620	689,340	581,550	800,000	850,000	900,000

Basis for the Proposed Annual Cap Amounts under the Loan Service Agreement

The proposed Annual Cap amounts for the loan services provided under the Loan Service Agreement are determined with reference to the following factors:

- (1) First Tractor Finance's historical average financial resources at the end of each month (2013: RMB2.6 billion; 2014: RMB3.1 billion; January to June 2015: RMB4.0 billion) and expected average financial resources at the end of each month (2015: approximately RMB3.3 billion; 2016: approximately RMB3.5 billion; 2017: approximately RMB4.0 billion; and 2018: approximately RMB4.5 billion);
- (2) the business plans and capital requirements of YTO Extended Group;
- (3) the expected proportion of the maximum outstanding Annual Cap amount for the loan provided to YTO Extended Group by First Tractor Finance in 2016 to 2018 to the expected average financial resources of First Tractor Finance in 2016 to 2018, amounting to 23%, 21% and 20% respectively, which is close to the proportion of the actual highest balance of loan provided to YTO Extended Group by First Tractor Finance to the average financial resources of First Tractor Finance in each of 2013 and 2014; and

- (4) the total annual caps for loan and bills discounting services provided to YTO Extended Group by First Tractor Finance in each of the three years ending 31 December 2016, 2017 and 2018 are approximately RMB1.23 billion, RMB1.31 billion and RMB1.39 billion respectively. The historical figures of the loan and bills discounting provided to YTO Extended Group by First Tractor Finance amounted to 65% and 35% of the total loan amount (including both loan and bills discounting), respectively. Hence the annual caps for loan services for the same period are RMB800 million, RMB850 million and RMB900 million respectively.

(D) Bills Discounting Service Agreement

- Date** : 25 August 2015
- Parties** : • First Tractor Finance, a subsidiary of the Company; and
- YTO, on behalf of YTO Extended Group.
- Financial services to be provided** : Provision of bills discounting services by First Tractor Finance to the YTO Extended Group, whereby First Tractor Finance will pay the face value of undue bills presented by YTO Extended Group net of the discount interests.
- Term** : From 1 January 2016 to 31 December 2018.
- Payment terms** : Shall be specified on each separate contract to be agreed by the parties.

Pricing Standards of the Transaction contemplated under the Bills Discounting Service Agreement

The service fees charged by First Tractor Finance for any bills discounting services will be:

- (1) the rate in relation to the same type of bills discounting services prescribed by CBRC or PBOC;
- (2) if the above rate is not applicable, the rate charged by the same industry in the PRC for comparable transactions; and
- (3) if none of the above is applicable, determined after arm's length negotiation between First Tractor Finance and YTO Extended Group after considering the fair rate offered by the third party on the same or comparable transactions in the same industry as the main factor.

First Tractor Finance undertakes that the applicable service fees charged to YTO Extended Group by First Tractor Finance shall not be more favourable than those charged to independent third party customers of First Tractor Finance for the same services.

Historical Figures and the Proposed Annual Cap Amounts for the Transaction under the Bills Discounting Service Agreement

In respect of the bills discounting service agreement dated 29 October 2012, the following table sets out the historical maximum outstanding amounts for the years ended 31 December 2013 and 2014, and for the six months ended 30 June 2015. The table also sets out the maximum outstanding Annual Cap amounts for each of the three years ending 31 December 2018:

	Historical transaction amounts			Proposed Annual Cap amounts		
	For the year ended		For the six	For the year ending		
	31 December		months ended	31 December		
	2013	2014	30 June	2016	2017	2018
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Bills Discounting Service Agreement	72,000	181,780	235,130	430,000	460,000	490,000

Basis for the Proposed Annual Cap Amounts under the Bills Discounting Service Agreement

The proposed Annual Cap amounts for the bills discounting services provided under the Bills Discounting Service Agreement are determined with reference to the following factors:

- (1) First Tractor Finance's historical average financial resources at the end of each month (2013: RMB2.6 billion; 2014: RMB3.1 billion; January to June 2015: RMB4.0 billion) and the expected average financial resources at the end of each month (2015: RMB3.3 billion; 2016: RMB3.5 billion; 2017: RMB4.0 billion; and 2018: RMB4.5 billion);
- (2) the business plans and capital requirements of YTO Extended Group;

- (3) the total Annual Caps for loan and bills discounting services provided to YTO Extended Group by First Tractor Finance in each of the three years ending 31 December 2016, 2017 and 2018 are approximately RMB1.23 billion, RMB1.31 billion and RMB1.39 billion respectively. The historical figures of the loan and bills discounting provided to YTO Extended Group by First Tractor Finance amounted to 65% and 35% of the total loan amount (including both loan and bills discounting), respectively. Hence the Annual Caps for bills discounting services for the same period are RMB430 million, RMB460 million and RMB490 million respectively; and
- (4) the on-going expansionary monetary policy in PRC that sharply lowers the discounting interest rate (which drops lower than the loan interest rate) and hence results in an increase in demand for bills discounting services from YTO Extended Group.

(E) Bills Acceptance Service Agreement

- Date** : 25 August 2015
- Parties** :
 - First Tractor Finance, a subsidiary of the Company; and
 - YTO, on behalf of YTO Extended Group.
- Financial services to be provided** : Provision of bills acceptance services by First Tractor Finance to the YTO Extended Group, whereby First Tractor Finance guarantees the payment of bills issued by YTO Extended Group. In return, YTO Extended Group shall pay the service fees.
- Term** : From 1 January 2016 to 31 December 2018.
- Payment terms** : Shall be specified on each separate contract to be agreed by the parties.
- Security** : First Tractor Finance may request YTO Extended Group to provide pledge of assets or other guarantees to secure the liabilities of YTO Extended Group arising from its performance under the Bills Acceptance Service Agreement.

Pricing Standards of the Transaction contemplated under the Bills Acceptance Service Agreement

The service fees charged by First Tractor Finance for any bills acceptance services will be:

- (1) the rate in relation to the same type of bills acceptance services prescribed by CBRC or PBOC;
- (2) if the above rate is not applicable, the rate charged by the same industry in the PRC for comparable transactions; and
- (3) if none of the above is applicable, determined after arm's length negotiation between First Tractor Finance and YTO Extended Group after considering the fair rate offered by the third party on the same or comparable transactions in the same industry as the main factor.

First Tractor Finance undertakes that the applicable service fees charged to YTO Extended Group by First Tractor Finance shall not be more favourable than those charged to independent third party customers of First Tractor Finance for the same services.

Historical Figures and the Proposed Annual Cap Amounts for the Transaction under the Bills Acceptance Service Agreement

In respect of the bills acceptance service Agreement dated 29 October 2012, the following table sets out the historical maximum outstanding amounts for the years ended 31 December 2013 and 2014, and for the six months ended 30 June 2015. The table also sets out the maximum outstanding Annual Cap amounts for each of the three years ending 31 December 2018:

	Historical transaction amounts			Proposed Annual Cap amounts		
	For the year ended		For the six	For the year ending		
	31 December		months ended	31 December		
	2013	2014	30 June	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bills Acceptance Service Agreement	214,192	167,570	149,100	250,000	280,000	300,000

Basis for the Proposed Annual Cap Amounts under the Bills Acceptance Service Agreement

The proposed Annual Cap amounts for the services provided under the Bills Acceptance Service Agreement are determined with reference to the following factors:

- (1) the historical figures of the average and maximum amounts of bills acceptance provided by First Tractor Finance to YTO Extended Group between January 2013 and June 2015;
- (2) First Tractor Finance's historical and expected future financial resources. As at the end of June 2015, the total shareholders' equity of First Tractor Finance amounted to approximately RMB720 million, and is expected to reach RMB790 million, RMB850 million and RMB900 million in 2016, 2017 and 2018 respectively; and
- (3) the future plan of YTO Extended Group and the just-in-time payment policy implemented by YTO Extended Group in its procurement business which will increase YTO Extended Group's demand for bills acceptance and hence increase the amount of bills acceptance business of First Tractor Finance.

(F) Interbank Business Services Agreement

Date	:	25 August 2015
Parties	:	<ul style="list-style-type: none">• First Tractor Finance, a subsidiary of the Company; and• Sinomach Finance, a subsidiary of Sinomach.
Financial services to be provided	:	Mutual provision of financing services between First Tractor Finance and Sinomach Finance including interbank deposit, lending and credit assets transfer and other interbank business services.
Term	:	From 1 January 2016 to 31 December 2018.
Payment terms	:	Shall be specified on each separate contract to be agreed by the parties whereas the party with capital inflow from another party shall pay the service fees.

Security : First Tractor Finance may request Sinomach Finance to provide pledge of assets or other guarantees to secure the liabilities of Sinomach Finance arising from its performance under the Interbank Business Services Agreement.

Pricing Standards of the Transaction contemplated under the Interbank Business Services Agreement

The service fees charged by First Tractor Finance and Sinomach Finance to each other for different financing services will be determined:

- (1) based on the SHIBOR announced by Shanghai Interbank Offered Market;
- (2) if the above rate is not applicable, with reference to the deposit rates for the same type of funds announced by other financial institutions;
- (3) if the above rates are not applicable, with reference to the market price of the target assets in capital financing announced by other financial institutions in the case of capital financing by way of sale and purchase or pledge of financial assets; and
- (4) if none of the above is applicable, after arm's length negotiation between the counterparties after considering their financial positions and terms, size and quality of the financial assets.

Sinomach Finance undertakes that the applicable price of the capital inflow service offered to First Tractor Finance, being the party with capital inflow from the other party, by Sinomach Finance shall not be less favourable than those offered to independent third party customers of Sinomach Finance for the same services. On the other hand, First Tractor Finance undertakes that the applicable price of the capital outflow service offered from First Tractor Finance to Sinomach Finance, being the party with capital inflow from the other party, shall not be more favourable than those offered to independent third party customers of First Tractor Finance for the same services.

Proposed Annual Cap Amounts for the Transaction under the Interbank Business Services Agreement

The following table sets out the maximum outstanding Annual Cap amounts under the Interbank Business Services Agreement for each of the three years ending 31 December 2018:

	Proposed Annual Cap amounts		
	For the year ending 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interbank Business Services Agreement	<u>700,000</u>	<u>800,000</u>	<u>900,000</u>

The Company confirms that there is no historical transaction for mutual provision of financing services between First Tractor Finance and Sinomach Finance including interbank deposit, lending and credit assets transfer and other interbank business services.

Basis for the Proposed Annual Cap Amounts under the Interbank Business Services Agreement

The proposed Annual Cap amounts for the services provided under the Interbank Business Services Agreement are determined with reference to the following factors:

- (1) the historical figures of the transaction amount of interbank business services conducted with independent third parties in 2013, 2014 and the six months ended 30 June 2015; and
- (2) the risk control policy for interbank business services between financial institutions implemented by the CBRC: (i) interbank lending from a commercial bank to a single financial institution (the net amount after deducting risk free assets) shall not exceed 50% of the bank's primary capital; and (ii) the balance of interbank borrowing of a commercial bank shall not exceed one-third of the bank's total liability.

OTHER CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT BUT SUBJECT TO THE REPORTING, ANNUAL REVIEW AND ANNOUNCEMENT REQUIREMENTS

(G) Composite Services Agreement

- Date** : 25 August 2015
- Parties** :
 - YTO, on behalf of YTO, its controlled companies and their associates, as supplier and/or supplying agent; and
 - The Company, on behalf of the Group, as purchaser and/or purchasing agent.
- Services to be provided** : Storage services and transportation services.
- Term** : From 1 January 2016 to 31 December 2018.
- Payment terms** : Storage services: shall be billed quarterly and paid in the following month.
- Transportation services: shall be principally settled within three months after confirmation by the Company (on behalf of the Group) from the date of delivering or receiving the goods.

Pricing Standards of the Transaction contemplated under the Composite Services Agreement

Under the Composite Services Agreement, the price of the services to be provided thereunder will be:

- (1) the market price determined by an independent third party (i.e. the price of the same or similar services provided to independent third parties by other suppliers other than YTO, its controlled companies and their associates in the same region during the ordinary course of business on normal commercial terms);
- (2) if there is no market price determined by an independent third party, the transaction price between YTO, its controlled companies and their associates and an independent third party; and
- (3) if none of the above is applicable, costs plus a percentage mark-up (tax-inclusive), which is not more than 30% (i.e. price = cost x (1 + percentage mark-up)).

YTO undertakes that the applicable price of the services offered to the Group shall not be less favourable than that offered to independent third party customers of YTO, its controlled companies and their associates for the same services.

Historical Figures and the Proposed Annual Cap Amounts for the Transaction under the Composite Services Agreement

In respect of provision of the storage services and transportation services under the composite services agreement dated 29 October 2012, the following table sets out the historical transaction amounts of storage services and transportation services for the years ended 31 December 2013 and 2014, and for the six months ended 30 June 2015. The table also sets out the proposed Annual Cap amounts for each of the three years ending 31 December 2016, 2017 and 2018 under the Composite Services Agreement:

	Historical transaction amounts			Proposed Annual Cap amounts		
	For the year ended		For the six	For the year ending		
	31 December		months ended	31 December		
	2013	2014	30 June	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Composite Services Agreement	158,387	228,880	100,710	147,200	157,200	167,200
Storage Services	4,230	5,100	2,770	7,200	7,200	7,200
Transportation Services	80,600	148,160	80,720	140,000	150,000	160,000

Basis for the Proposed Annual Cap Amounts under the Composite Services Agreement

The basis for determining the proposed Annual Cap amounts for the years of 2016, 2017 and 2018 for the Composite Services Agreement is as follows:

- (1) The proposed Annual Cap amounts for storage services have been determined with reference to:
 - (i) the historical transaction amounts in 2013 and 2014; and
 - (ii) the increase in storage services fee resulting from (a) the integration of related businesses between the Company and YTO, its controlled companies and their associate; (b) the increase in depreciation due to improvement in storage services equipment; and (c) the increase in salaries of employees that leads to an increase in storage services fees.

- (2) The proposed Annual Cap amounts for transportation services have been determined with reference to:
 - (i) the historical transaction amount in 2013 and 2014;
 - (ii) the expected increase in the amount of tractors and other agricultural machinery products sold by the Company transported by YTO, its controlled companies and their associates, for the reason that the Company intends to (a) improve the quality of service and efficiency in sales of products, (b) to make use of its controlled companies and their associates' experience and scale advantages in logistics and transportation business, and (c) reduce the operation risk arose from disputes in relation to transportation; and
 - (iii) the expected increase in transportation services in 2017 and 2018 resulting from the gradual adjustment in the sales mix of the major product of the Group, the increase in proportion of large tractors sold, the expected improvement in business and the expected changes in fuel price and labour costs.

(H) Energy Procurement Agreement

- Date** : 25 August 2015
- Parties** : • YTO as supplier and/or supplying agent; and
• The Company, on behalf of the Group, as purchaser and/or purchasing agent.
- Energy to be provided** : Including but not limited to electricity, gas, oxygen, water, heat, compressed air, acetylene, steam, etc.
- Term** : From 1 January 2016 to 31 December 2018.
- Payment terms** : Shall be billed and paid monthly or latest in the following month. Subject to negotiation between the parties, prepayments by purchaser of no more than six months are acceptable.

Pricing Standards of the Transaction contemplated under the Energy Procurement Agreement

Under the Energy Procurement Agreement, the price of the energies to be provided will be:

- (1) the governmental guidance price (any pricing guidelines or recommended price set by the PRC government or any regulatory authorities);
- (2) if there is no governmental guidance price, the market price determined by an independent third party (i.e. the price of the same or similar energy provided to independent third parties by suppliers other than YTO in the same region during the ordinary course of business on normal commercial terms);
- (3) if there is no governmental guidance price nor market price determined by an independent third party, the transaction price between YTO and an independent third party (which is determined after arm's length negotiation); and
- (4) if none of the above is applicable, costs plus a percentage mark-up (tax-inclusive), which is not more than 30% (i.e. price = cost x (1 + percentage mark-up)).

YTO undertakes that the applicable price of the energy offered to the Group shall not be less favourable than that offered to independent third party customers of YTO for the same energy.

Historical Figures and the Proposed Annual Cap Amounts for the Transactions under the Energy Procurement Agreement

In respect of the energy procurement agreement dated 29 October 2012, the following table sets out the historical transaction amounts for the years ended 31 December 2013 and 2014 and for the six months ended 30 June 2015. The table also sets out the proposed Annual Cap amounts for each of the three years ending 31 December 2016, 2017 and 2018 under the Energy Procurement Agreement:

	Historical transaction amounts			Proposed Annual Cap amounts		
	For the year ended		For the six	For the year ending		
	31 December		months ended	31 December		
	2013	2014	30 June	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Energy Procurement Agreement	202,450	173,220	90,430	185,000	192,000	200,000

Basis for the Proposed Annual Cap Amounts under the Energy Procurement Agreement

The proposed Annual Cap amounts for the years of 2016, 2017 and 2018 for the Energy Procurement Agreement are determined with reference to:

- (1) the historical transaction amounts of the energy procurement fee (approximately RMB202.45 million, approximately RMB173.22 million and approximately RMB90.43 million in 2013, 2014 and the six months ended 30 June 2015 respectively) due to the effect of the higher efficiency in energy usage resulting from the recent energy saving project of the Company, including but not limited to the upgrade of energy-consuming equipment, the adoption of new production techniques and the higher labour productivity, etc. There was a decreasing trend for the annual energy procurement fee of the company in 2013 and 2014; and
- (2) the expected slight increase in energy procurement fee in 2016 to 2018 due to (i) the relatively stable amount of business in the Company's leading products in the future (the energy procurement fee is strongly correlated with the amount of business in the Company's leading products); and (ii) the price changes in energy products in the future.

(I) Properties Lease Agreement

- Date** : 25 August 2015
- Parties** :
 - YTO, on behalf of YTO, its controlled companies or entities and their associates, as lessor; and
 - The Company, on behalf of the Group, as lessee.
- Properties to be leased** : Including but not limited to the properties located in No. 154 Jianshe Road, Luoyang City, Henan Province, the PRC, with an aggregate gross floor area of approximately 120,000 sq.m., inclusive of the electric and water facilities and industrial rooms.
- Term** : From 1 January 2016 to 31 December 2018.
- Pre-emptive rights** : The Group has the pre-emptive rights to lease from YTO, its controlled companies or entities and their associates, including but not limited to, additional properties with gross floor area of no more than 80,000 sq.m. at No. 154 Jianshe Road, Luoyang City, Henan Province, the PRC, in accordance with the terms and conditions of the Properties Lease Agreement.
- Payment terms** : The Group shall pay the annual rent in cash by the end of each financial year which is from 1 January to 31 December.

Pricing Standards of the Transaction under the Properties Lease Agreement

Under the Properties Lease Agreement, the annual rent will be:

- (1) the transaction price between the lessor and an independent third party; and
- (2) if the above is not applicable, determined after arm's length negotiation between the parties.

YTO undertakes that the rent offered to the Group by YTO, its controlled companies or entities and their associates shall not be less favourable than that offered to independent third party customers of YTO, its controlled companies or entities and their associates for the same property.

Historical Figures and the Proposed Annual Cap Amounts for the Transaction under the Properties Lease Agreement

In respect of the properties lease agreement dated 29 October 2012, the following table sets out the historical transaction amounts for the years ended 31 December 2013 and 2014, and for the six months ended 30 June 2015. The table also sets out the proposed Annual Cap amounts for each of the three years ending 31 December 2016, 2017 and 2018 under the Properties Lease Agreement:

	Historical transaction amounts			Proposed Annual Cap amounts		
	For the year ended		For the six	For the year ending		
	31 December		months ended	31 December		
	2013	2014	30 June	2016	2017	2018
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Properties Lease Agreement	5,843	8,600	6,920	15,000	18,000	18,000

Basis for the Proposed Annual Cap Amounts under the Properties Lease Agreement

The Annual Cap amounts for the Properties Lease Agreement are based on:

- (1) the rental gross floor area of approximately 200,000 sq.m. (including the additional properties with gross floor area of 80,000 sq.m. in accordance with the production and operational needs of the Company) from YTO, its controlled companies or entities and their associates to the Company; and
- (2) the rental price of the surrounding properties, the depreciation rate of the properties and the rental prices offered by independent third parties.

(J) Land Lease Agreement

- Date** : 25 August 2015
- Parties** :
 - YTO, on behalf of YTO, its controlled companies or other associates, as lessor; and
 - The Company, on behalf of the Group, as lessee.
- Land use rights to be leased** : Including but not limited to the land use rights of the land located at No. 154 Jianshe Road, Luoyang City, Henan Province, the PRC, with an aggregate gross land area of approximately 435,000 sq.m.
- Term** : From 1 January 2016 to 31 December 2018.
- Pre-emptive rights** : The Group has the pre-emptive rights to lease from YTO, its controlled companies or other associates additional land use rights with a gross land area of no more than 100,000 sq.m. located at No. 154 Jianshe Road, Luoyang City, Henan Province, the PRC from YTO, its controlled companies or other associates in accordance with the terms and conditions of the Land Lease Agreement.
- Payment terms** : The Group shall pay the annual rent in cash for the year by the end of each year.

Pricing Standards of the Transaction under the Land Lease Agreement

Under the Land Lease Agreement, the annual rent will be:

- (1) the transaction price between the lessor and an independent third party; and
- (2) if the above is not applicable, determined after arm's length negotiation between the parties.

YTO undertakes that the rent offered to the Group by YTO, its controlled companies or other associates shall not be less favourable than that offered to independent third party lessee of YTO, its controlled companies or other associates.

Historical Figures and the Proposed Annual Cap Amounts for the Transaction under the Land Lease Agreement

In respect of the land lease agreement dated 29 October 2012, the following table sets out the historical transaction amounts for the years ended 31 December 2013 and 2014, and for the six months ended 30 June 2015. The table also sets out the proposed Annual Cap amounts for each of the three years ending 31 December 2016, 2017 and 2018 under the Land Lease Agreement:

	Historical transaction amounts			Proposed Annual Cap amounts		
	For the year ended		For the six	For the year ending		
	31 December		months ended	31 December		
	2013	2014	30 June	2016	2017	2018
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Land Lease Agreement	11,701	11,580	12,960	16,000	19,000	19,000

Basis for the Proposed Annual Cap Amounts under the Land Lease Agreement

The Proposed Annual Cap amounts for the Land Lease Agreement are based on:

- (1) the rental gross land area of approximately 535,000 sq.m. (including the additional land use rights with gross land area of 100,000 sq.m. in accordance with the production and operational needs of the Company) from YTO, its controlled companies or other associates to the Company; and
- (2) the rental price of the surrounding land, the depreciation rate of the land and the rental prices offered by independent third parties.

(K) Technology Services Agreement

- Date** : 25 August 2015
- Parties** :
 - Tractors Research Company, on behalf of Tractors Research Group, as supplier and/or supplying agent; and
 - The Company, on behalf of the Group (excluding Tractors Research Group), as purchaser and/or purchasing agent.
- Services to be provided** : Including but not limited to technology research and development, technology consultation, other technology services and other special services in connection with the tractors and diesel engines related products.
- The parties further agree that the Group may engage other technology research and development centers for the services to be provided under the Technology Services Agreement.
- Term** : From 1 January 2016 to 31 December 2018.
- Payment terms** : Shall be specified on each separate contract to be agreed by the parties.
- Undertaking** : Tractors Research Company undertakes:
- (1) to procure Tractors Research Group not to provide the same or similar services under the Technology Services Agreement to other corporate legal persons or institutions which operate business in competition with the Group; and
 - (2) save and except for the state's research or development project(s) of the PRC government, to procure Tractors Research Group to give priority to the Group's research and development projects over other third parties' projects.

Intellectual Property derived : Unless otherwise agreed by the parties, all the Intellectual Property derived from the technology services provided under the Technology Services Agreement as well as the application rights of and the rights to use such Intellectual Property shall belong to the Group. With the written consent obtained from the Group, Tractors Research Group is entitled to use such Intellectual Property at nil consideration but shall not by any means transfer the rights to use such Intellectual Property to any third parties.

Where it is agreed between the parties that any Intellectual Property derived from the technology services provided under the Technology Services Agreement belongs to Tractors Research Group, the Group shall be entitled to use such Intellectual Property at nil consideration during and after the term of the Technology Services Agreement.

Pricing Standards of the Transaction under the Technology Services Agreement

Under the Technology Services Agreement, the service fees will be:

- (1) the transaction price between Tractors Research Group and an independent third party; and
- (2) if the above is not applicable, determined after arm's length negotiation between the parties.

Tractors Research Company undertakes that the service fees offered to the Group by Tractor Research Group shall not be less favourable than those offered to other independent third parties of Tractor Research Group for the same services.

Historical Figures and the Proposed Annual Cap Amounts for the Transactions under the Technology Services Agreement

In respect of the technology services agreement dated 29 October 2012, the following table sets out the historical transaction amounts for the years ended 31 December 2013 and 2014, and for the six months ended 30 June 2015. The table also sets out the proposed Annual Cap amounts for each of the three years ending 31 December 2016, 2017 and 2018 under the Technology Services Agreement:

	Historical transaction amounts			Proposed Annual Cap amounts		
	For the year ended		For the six	For the year ending		
	31 December		months ended	31 December		
	2013	2014	30 June	2016	2017	2018
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Technology Services Agreement	91,189	97,030	45,170	104,500	110,000	115,200

Basis for the Proposed Annual Cap Amounts under the Technology Services Agreement

The proposed Annual Cap amounts for the years of 2016, 2017 and 2018 for the Technology Services Agreement are based on:

- (1) the historical transaction amounts (approximately RMB91.19 million, approximately RMB97.03 million and approximately RMB45.17 million in 2013, 2014 and the six months ended 30 June 2015 respectively) and the estimated transaction amount in 2015, with a 5% average increment in research and development fee paid to Tractors Research Group by the Company; and
- (2) the current and future services to be provided by Tractors Research Company for the technological research and development and upgrade in tractors and engine products of the Company, due to the Company's intention to make use of the advantages of Tractors Research Group of (i) being a state-level corporate technological research and development center for PRC agricultural machinery products; and (ii) having the capacity to research and develop industrial advanced agricultural machineries and power machinery products.

FULLY EXEMPTED CONTINUING CONNECTED TRANSACTION

(L) Deposit Service Agreement

- Date** : 25 August 2015
- Parties** :
 - First Tractor Finance, a subsidiary of the Company; and
 - YTO, on behalf of YTO Extended Group.
- Financial services to be provided** : Provision of depository services by First Tractor Finance to YTO Extended Group.
- Term** : From 1 January 2016 to 31 December 2018.
- Payment terms** : Shall be specified on each contract to be agreed by the parties.
- Undertaking** : YTO undertakes:
- (1) to procure YTO Extended Group to give priority in depositing their fund with First Tractor Finance; and
 - (2) that the deposit maintained by YTO Extended Group with First Tractor Finance should be greater than the loan balance at all time. If YTO Extended Group breaches such undertaking, First Tractor Finance has the right to restrict payment to any third parties by YTO Extended Group from its deposit maintained with First Tractor Finance, or request YTO Extended Group to increase its deposit balance with First Tractor Finance.
- Right to offset** : YTO irrevocably grants, and procures YTO Extended Group to irrevocably grant, to First Tractor Finance a right to offset all liabilities arising from the performance of the Loan Service Agreement and/or the Bills Acceptance Service Agreement by YTO Extended Group from the relevant deposit accounts of that defaulting member entity under YTO Extended Group.

Pricing Standards of the Transaction contemplated under the Deposit Service Agreement

Under the Deposit Service Agreement, the interest rates for all amount deposited by YTO Extended Group will be the relevant interest rates prescribed by PBOC.

Historical Figures and the Proposed Annual Cap Amounts for the Transaction under the Deposit Service Agreement

In respect of the deposit service agreement dated 27 March 2013 entered into between First Tractor Finance and YTO Extended Group, the following table sets out the historical maximum outstanding amounts for the years ended 31 December 2013 and 2014, and for the six months ended 30 June 2015. The table also sets out the maximum outstanding Annual Cap amounts for each of the three years ending 31 December 2018:

	Historical transaction amounts			Proposed Annual Cap amounts		
	For the year ended		For the six	For the year ending		
	31 December		months ended	31 December		
	2013	2014	30 June	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deposit Service Agreement	740,624	865,360	1,121,320	1,400,000	1,600,000	1,800,000

Basis for the Proposed Annual Cap Amounts under the Deposit Service Agreement

The proposed Annual Cap amounts for the deposit services provided under the Deposit Service Agreement are determined with reference to the following factors:

- (1) the historical transaction amounts and the increase in the highest amount of deposit in 2014 and from January to June 2015 of approximately 16.84% and 29.58% respectively when compared to the previous year; and
- (2) the future capital budget of YTO Extended Group.

CONDITION PRECEDENT

All the New Agreements shall take effect upon obtaining the Shareholders' approval at the EGM.

MEASURES OF INTERNAL CONTROL

To ensure the Group's conformity with the pricing policies of the New Agreements and the Deposit Service Agreement from time to time, the Group adopts a series of internal control policies on its daily operation. Such internal control policies are conducted and supervised by the finance department, office of the Board, the independent non-executive Directors and audit department of the Company and the relevant committee of First Tractor Finance:

- (1) the Company's management policies for connected transactions clearly stated the principle for determining the prices for connected transactions. When each unit of business enters into contracts in accordance with the framework agreements of the continuing connected transactions, the price must be determined in accordance with the pricing standards as agreed in the continuing connected transaction agreements;
- (2) the office of the Board and finance department are responsible for gathering information and monitoring connected transactions, and conducting review on the fairness of the transaction and pricing terms. As the administrative department of the pricing of connected transactions, the financial department is responsible for reviewing the prices contemplated under the Company's transactions with independent third parties and connected persons. Currently, the procurement, sales, storage, transportation, energy procurement, technological services and property leasing agreements (for both connected transactions and non-connected transactions) in relation to daily operation of the Group are required to perform online assessment procedures via the information system for agreement management. Hence the finance department can monitor the prices of each type of transactions (including but not limited to every transaction of the Company with independent third parties and connected persons) in real-time and review if the transaction prices of the connected transactions are fair to the Company;
- (3) the independent non-executive Directors of the Company have also reviewed and would continue to review each of the continuing connected transactions under the New Agreements and to ensure each of the agreements is entered into on normal commercial terms, fair and reasonable, and carried out pursuant to the terms of each agreement, and the auditors of the Company would also conduct an annual review on the pricing and Annual Caps of the continuing connected transactions under each of the New Agreements the Deposit Service Agreement;

- (4) the audit department of the Company will conduct periodical monitoring and evaluation, on whether the procedures of the entering into of the connected transactions are in compliance with the internal control requirements of the Company;
- (5) the financial services provided by the Group to YTO Extended Group and Sinomach Finance are in strict compliance with (i) the relevant laws and regulations; and (ii) the internal control policies and business procedures of First Tractor Finance. The prices of different businesses are reviewed under the audit procedures of First Tractor Finance, and the pricing standards are applicable to all customers of First Tractor Finance (including YTO Extended Group, Sinomach Finance and other members). The standardization and execution of relevant pricing policies will be reviewed by the risk control department of First Tractor Finance and CBRC on a regular or irregular basis; and
- (6) in conducting interbank business services, First Tractor Finance will obtain quotations for each specific business from 2 to 3 target banks and submit to the relevant committee of First Tractor Finance for reviewing the prices of interbank business services and making decision on the relevant transactions.

The Directors are of the view that the above internal control measures can ensure that the transactions under the New Agreements and the Deposit Service Agreement will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and the Shareholders.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS CONTEMPLATED UNDER THE NEW AGREEMENTS AND THE DEPOSIT SERVICE AGREEMENT

The Group and YTO Extended Group have been carrying out transactions with each other to facilitate their productions and operations since 1997. In view of the long-established relationship between the Group and YTO Extended Group, the geographical convenience between the Group and YTO Extended Group provides a reliable supply of raw material and provision of services, which are favourable to (i) the Company's effective control over the product performance and quality and (ii) the after-sales services as it offers fast, convenient and timely communication and coordination between the transaction parties. The entering into of the New Agreements and the Deposit Service Agreement can effectively lower the operation risk of both the Group and YTO Extended Group, and is favourable to the Company's daily operation and management of production.

The entering into of the New Agreements (excluding the Interbank Business Services Agreement) and the Deposit Service Agreement is to renew the Old Agreements. Furthermore, in considering the reasons and benefits for entering into the financial services agreements (including Loan Service Agreement, Bills Discounting Service Agreement, Bills Acceptance Service Agreement and Deposit Service Agreement) between the First Tractor Financial and YTO, the Directors have also considered the following key factors:

- (1) there are continuing connected transactions related to production between YTO Extended Group and the Group, including the mutual supply of certain materials and provision of various services, hence daily settlement services are needed. First Tractor Finance is the key platform for business settlement between the Group and YTO Extended Group. The settlement services offered by First Tractor Finance provide timely settlement in internal capital, and hence foster the settlement efficiency, accelerate the Company's cash flow, and increase the liquidity of the Company. Comparing with external financial institutions, the settlement services offered by First Tractor Finance under the financial agreements can save time of settlement of at least one day;
- (2) due to the long-term business relationship between YTO Extended Group and First Tractor Finance, there are (i) lower risks in transactions; and (ii) a significant advantage of First Tractor Finance in business efficiency over other commercial banks, with strict compliance with the loan credit rating requirements and loan approval procedures in all transactions; and
- (3) due to an increase in financial resources of First Tractor Finance and the seasonal characteristics in sales of agricultural machinery products, First Tractor Finance will have excess capital reserves in certain period. And in recent year, YTO Extended Group has a sound operation and good progresses in its business development including industrial equipment, tobacco machineries, special vehicles manufacturing, etc. Providing financial services to YTO Extended Group could effectively increase the Company's capital efficiency, enhance liquidity and will benefit the Group.

The Group's production and sales of agricultural machinery products has significant seasonal characteristics, which imposes pressure to the liquidity of First Tractor Finance in certain period. In order to ensure sufficient funds required for the production operation of the Group, First Tractor Finance is currently using interbank business services to deal with short-term liquidity problem. Meanwhile, in the case of excess reserves, interbank business services can improve capital efficiency and profitability of First Tractor Finance. The main purpose of entering into of the Interbank Business Service Agreement is to further expand the choices in selecting counterparties of First Tractor Finance and to improve its bargaining power.

Accordingly, the Directors are of the view that (i) the continuing connected transactions contemplated under the New Agreements and the Deposit Service Agreement will be carried out in the ordinary and usual course of business of the Group and in the interest of the Company and its Shareholders as a whole; (ii) the terms of the New Agreements and the Deposit Service Agreement are on normal commercial terms or on terms not less favorable than those of similar transactions with independent third parties and are fair and reasonable; and (iii) the proposed Annual Cap amounts of the transactions contemplated under the New Agreements and the Deposit Service Agreement for the three years ending 31 December 2016, 2017 and 2018 are fair and reasonable.

INFORMATION OF THE GROUP, YTO, YTO GROUP, SINOMACH, SINOMACH FINANCE, FIRST TRACTOR FINANCE AND TRACTORS RESEARCH COMPANY

The Group is principally engaged in the production and sales 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, forklifts and mining trucks, etc.

YTO is the immediate controlling Shareholder of the Company, holding 443,910,000 A Shares of the Company, and is principally engaged in the production of specific transporting machineries, vehicles products and components, etc.

YTO Group is principally engaged in the production of transporting machineries, vehicles products, industrial equipments and components.

Sinomach is principally engaged in the business of research and development and manufacturing of machinery equipment, heavy machineries and engineering projects domestically and internationally, sales of automotive and parts, contracting of international projects and tendering of domestic and international projects, and import and export business.

Sinomach Finance is principally engaged in the provision of financial services including deposits taking, provision of loans, underwriting of corporate bonds, as well as finance leasing, financial and financing consultation, credit certification and related consultation and agency services, settlement services, provision of letters of guarantee and letters of credit, entrusted loan, handling bills acceptance and discounting, and other financial services that may be approved by the CBRC, to members of the Sinomach group.

First Tractor Finance, a subsidiary of the Company, is a non-banking financial institution approved and regulated by the relevant PRC regulatory authorities. Its principal activities include the provision of non-banking financial services to members of the Group as well as members of YTO Group. It has a registered capital of RMB500 million.

Tractors Research Company is a company incorporated with limited liability in the PRC. Its principal activities include research and development as well as examination and testing of products such as tractors, engines, construction machineries and agricultural transporters; research and development of equipment as well as technology development, transfer, consultancy services and sales.

LISTING RULES IMPLICATIONS

Connected Persons

As at the date of this announcement, YTO beneficially owns approximately 44.57% of the issued share capital of the Company and is the controlling shareholder of the Company. As Sinomach holds approximately 83.71% of the shareholding interest in YTO, Sinomach is a controlling shareholder of YTO. Therefore, Sinomach and its subsidiaries are deemed as connected persons of the Company according to the Hong Kong Listing Rules.

Tractors Research Company, which is owned as to 51% by the Company and 49% by YTO, is not only a non-wholly-owned subsidiary of the Company, but also an associate of YTO. Thus, Tractors Research Company is a connected person of the Company under the Hong Kong Listing Rules.

First Tractor Finance is a non-wholly-owned subsidiary of the Company, which is owned as to approximately 88.6% by the Company and approximately 0.6% by YTO.

Accordingly, the transactions contemplated under the New Agreements and the Deposit Service Agreement entered into between the Company and YTO, First Tractor Finance and YTO, First Tractor Finance and Sinomach Finance, and the Company and Tractors Research Company, constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

Hong Kong Listing Rules Implications

(1) Non-exempt CCT Agreements

As the applicable percentage ratios under each of the Non-exempt CCT Agreements, on an annual basis, are more than 5%, the Non-exempt CCT Transactions are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. In addition, the Company is required to comply with the annual review requirements under the Hong Kong Listing Rules in respect of each of the Non-exempt CCT Transactions.

(2) *Other CCT Agreements*

As the applicable percentage ratios under each of the Other CCT Agreements, on an annual basis, are more than 0.1% but less than 5%, the transactions contemplated under the Other CCT Agreements are subject to the reporting, annual review and announcement requirements and exempt from Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

(3) *Deposit Service Agreement*

The deposit services to be provided under the Deposit Service Agreement constitute financial assistance provided by YTO Group, for the benefit of First Tractor Finance on normal commercial terms where no security over the assets of the Group is granted in respect of such financial assistance. The transaction contemplated under the Deposit Service Agreement is exempted from the reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.90 of the Hong Kong Listing Rules. Announcement on the Deposit Service Agreement is made voluntarily by the Company.

Shanghai Listing Rules Implications

As the A Shares of the Company are listed on the Shanghai Stock Exchange, the Company is also required to comply with relevant requirements of the Shanghai Listing Rules. Pursuant to the Shanghai Listing Rules, the Annual Cap amounts of all the New Agreements and the Deposit Service Agreement should be aggregated and are subject to the Independent Shareholders' approval at the EGM.

The Company has applied for and the Shanghai Stock Exchange has granted to the Company a waiver that the transaction contemplated under the Deposit Service Agreement is exempted from the Independent Shareholders' approval requirement.

GENERAL INFORMATION

The EGM will be convened at which, among other things, ordinary resolutions will be proposed to seek Independent Shareholders' approval for each of the New Agreements and their respective proposed Annual Cap amounts. In view of the interests of YTO and its associates in the transactions contemplated under each of the New Agreements, YTO and its associates will abstain from voting on the resolutions in relation to each of the New Agreements and their respective proposed Annual Cap amounts at the EGM. Voting on such resolutions shall be taken by poll.

Pursuant to the Hong Kong Listing Rules, the Independent Board Committee will be formed to consider the transactions contemplated under each of the Non-exempt CCT Agreements and their respective proposed Annual Cap amounts for the three years ending 31 December 2016, 2017 and 2018, and to advise the Independent Shareholders as to whether each of the Non-exempt CCT Agreements and their respective proposed Annual Cap amounts for the three years ending 31 December 2016, 2017 and 2018 are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) the information relating to each of the New Agreements and the Deposit Service Agreement, (ii) the advice from the Independent Board Committee to the Independent Shareholders in respect of the Non-exempt CCT Agreements, (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee in respect of the Non-exempt CCT Agreements, and (iv) a notice of the EGM to be convened for the Independent Shareholders to approve the transactions contemplated under the New Agreements and their respective proposed Annual Cap amounts for the three years ending 31 December 2016, 2017 and 2018, is expected to be despatched to the Shareholders on or before 16 September 2015.

DEFINITIONS

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

“Annual Cap(s)”	the maximum aggregate annual value(s) or outstanding amounts for each of the transactions contemplated under the Old Agreements, New Agreements and the Deposit Service Agreement;
“A Share(s)”	the domestic ordinary share(s) of RMB1.00 each in the share capital of the Company, which are listed on the Shanghai Stock Exchange and subscribed for and traded in RMB;
“associate(s)”	has the same meaning as ascribed to this term under the Hong Kong Listing Rules;
“Bills Acceptance Service Agreement”	the agreement dated 25 August 2015 entered into between First Tractor Finance and YTO on behalf of YTO Extended Group for the provision of the bills acceptance services by First Tractor Finance to YTO Extended Group;

“Bills Discounting Service Agreement”	the agreement dated 25 August 2015 entered into between First Tractor Finance and YTO on behalf of YTO Extended Group for the provision of the bills discounting services by First Tractor Finance to YTO Extended Group;
“Board”	the board of Directors;
“CBRC”	China Banking Regulatory Commission;
“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 and the Shanghai Stock Exchange respectively;
“Composite Services Agreement”	the agreement dated 25 August 2015 entered into between YTO, on behalf of YTO, its controlled companies and their associates, as supplier and/or supplying agent and the Company, on behalf of the Group, as purchaser and/or purchasing agent pursuant to which YTO Group agreed to provide storage services and transportation services to the Group;
“connected person(s)”	has the same meaning as ascribed to this term under the Hong Kong Listing Rules;
“controlling shareholder”	has the same meaning as ascribed to this term under the Hong Kong Listing Rules;
“Deposit Service Agreement”	the agreement dated 25 August 2015 entered into between First Tractor Finance and YTO, on behalf of YTO Extended Group, for the provision of the depository services by First Tractor Finance to YTO Extended Group;
“Director(s)”	the director(s) of the Company;

“EGM”	the extraordinary general meeting of the Company to be convened for the purposes of considering and approving, among other things, each of the New Agreements and their respective proposed Annual Cap amounts;
“Energy Procurement Agreement”	the agreement dated 25 August 2015 entered into between YTO as supplier and/or supplying agent and the Company, on behalf of the Group, as purchaser and/or purchasing agent pursuant to which YTO agreed to supply various kind of energy to the Group;
“First Tractor Finance”	China First Tractor Group Finance Company Limited* (中國一拖集團財務有限責任公司), a company incorporated in the PRC with limited liability and a subsidiary of the Company owned as to 88.6% by the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time);
“Independent Board Committee”	an independent committee of the Board comprising the independent non-executive Directors;
“Independent Financial Adviser”	Veda Capital Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt CCT Transactions and their respective Annual Cap amounts;
“Independent Shareholder(s)”	Shareholder(s) other than YTO and its associate(s);
“Intellectual Property”	any forms of intellectual property derived or created from the technology services or labour or intellectual results under the Technology Services Agreement, including but not limited to any patents, copyrights, trademarks, trade secrets, and other technical know-how;

“Interbank Business Services Agreement”	the agreement dated 25 August 2015 entered into between First Tractor Finance and Sinomach Finance pursuant to which both parties agreed to provide financial supporting services to each other;
“Land Lease Agreement”	the agreement dated 25 August 2015 entered into between YTO, on behalf of YTO, its controlled companies or other associates, as lessor and the Company, on behalf of the Group, as lessee, pursuant to which YTO, its controlled companies or other associates agreed to lease land use rights with a gross land area of approximately 435,000 sq.m. to the Group, as well as give the Company pre-emptive rights to lease additional land use rights with a gross land area of no more than 100,000 sq.m.;
“Loan Service Agreement”	the agreement dated 25 August 2015 entered into between First Tractor Finance and YTO on behalf of YTO Extended Group for the provision of the loan services by First Tractor Finance to YTO Extended Group;
“Material Procurement Agreement”	the agreement dated 25 August 2015 entered into between YTO, on behalf of YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach, as supplier and/or supplying agent and the Company, on behalf of the Group, as purchaser and/or purchasing agent pursuant to which YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach agreed to supply certain materials to the Group;
“New Agreements”	Non-exempt CCT Agreements and Other CCT Agreements;
“Non-exempt CCT Agreements”	the Material Procurement Agreement, the Sale of Goods Agreement, the Loan Service Agreement, the Bills Discounting Service Agreement, the Bills Acceptance Service Agreement and the Interbank Business Services Agreement;

“Non-exempt CCT Transactions”	the transactions contemplated under the Non-exempt CCT Agreements;
“Old Agreements”	<p>(i) the composite services agreement dated 29 October 2012 entered into between YTO, on behalf of YTO Extended Group and the Company, on behalf of the Group; (ii) the energy procurement agreement dated 29 October 2012 entered into between YTO and the Company, on behalf of the Group; (iii) the material procurement agreement dated 29 October 2012 entered into between YTO, on behalf of YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach and the Company, on behalf of the Group; (iv) the loan service agreement, bills discounting service agreement and bills acceptance service agreement, all dated 29 October 2012, and the deposit service agreement dated 27 March 2013, entered into between First Tractor Finance and YTO Extended Group; (v) the sale of goods agreement dated 29 October 2012 entered into between the Company, on behalf of the Group and YTO, on behalf of YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach; (vi) the technology services agreement dated 29 October 2012 entered into between Tractors Research Company, on behalf of Tractors Research Group, and the Company, on behalf of the Group; (vii) the land lease agreement dated 29 October 2012 entered into between YTO, on behalf of YTO, its controlled companies or other associates and the Company, on behalf of the Group; and (viii) the properties lease agreement dated 29 October 2012 entered into between YTO, on behalf of YTO, its controlled companies or entities and their associates as lessor and the Company, on behalf of the Group as lessee;</p>
“Other CCT Agreements”	the Composite Services Agreement, the Energy Procurement Agreement, the Properties Lease Agreement, the Land Lease Agreement and the Technology Services Agreement;

“PBOC”	the People’s Bank of China;
“percentage ratios”	has the same meaning as ascribed to it under the Hong Kong Listing Rules, as applicable to a transaction;
“PRC”	The People’s Republic of China which, for the purpose of this announcement only, does not include the Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Properties Lease Agreement”	the agreement dated 25 August 2015 entered into between YTO, on behalf of YTO, its controlled companies or entities and their associates, as lessor and the Company, on behalf of the Group, as lessee, pursuant to which YTO, its controlled companies or entities and their associates agreed to lease to the Group premises with a gross floor area of approximately 120,000 sq.m. and give the Company pre-emptive rights of leasing additional premises with a gross floor area of no more than 80,000 sq.m.;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale of Goods Agreement”	the agreement dated 25 August 2015 entered into between the Company, on behalf of the Group, as supplier and/or supplying agent and YTO, on behalf of YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach, as purchaser and/or purchasing agent pursuant to which the Group agreed to supply certain materials to YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach;
“Shanghai Listing Rules”	Shanghai Stock Exchange Share Listing Rules;
“Shareholder(s)”	shareholder(s) of the Company;
“SHIBOR”	Shanghai Interbank Offered Rate;

“Sinomach”	China National Machinery Industry Corporation* (中國機械工業集團有限公司), a limited liability company incorporated in the PRC and a controlling shareholder of YTO having 83.71% shareholding interest in YTO;
“Sinomach Finance”	Sinomach Finance Co., Ltd. (國機財務有限責任公司), a company approved to be established in the PRC by the CBRC as a non-bank financial institution in September 2003, and a non-wholly-owned subsidiary of Sinomach;
“sq.m.”	square metre;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Technology Services Agreement”	the agreement dated 25 August 2015 entered into between Tractors Research Company, on behalf of Tractors Research Group, and the Company, on behalf of the Group (excluding Tractor Research Group), pursuant to which Tractors Research Group has agreed to provide certain technology services to the Group (excluding Tractor Research Group);
“Tractor Research Company”	Luoyang Tractors Research Company Limited*(洛陽拖拉機研究所有限公司), a limited liability company incorporated in the PRC, a non-wholly-owned subsidiary of the Company and an associate of YTO;
“Tractors Research Group”	Tractors Research Company and its three wholly-owned subsidiaries, namely Luoyang Xinyan Mechanical Material Engineering Company Limited* (洛陽鑫研機械材料工程有限公司), Luoyang Xiyuan Motor Power Inspection Institution Company Limited* (洛陽西苑車輛動力檢驗所有限公司) and Luoyang Tuoqi Engineering Motor Technology Company Limited* (洛陽拖汽工程車輛科技有限公司), being the service providers who provide technology services under the Technology Services Agreement to the Group (excluding Tractor Research Group);
“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 approximately 44.57% equity interest in the Company;

“YTO Extended Group”	(i) YTO; (ii) its controlling companies or entities; (iii) non-wholly-owned subsidiaries of the Company that companies or entities in (i) and (ii) above held 10% or more voting rights respectively or collectively; and (iv) associates of YTO;
“YTO Group”	YTO and its subsidiary; and
“%”	per cent.

By Order of the Board
First Tractor Company Limited*
Zhao Yanshui
Chairman

Luoyang, the PRC
25 August 2015

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*