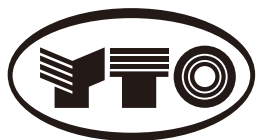


Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

DISPOSAL OF SHARES BY CONTROLLING SHAREHOLDER

This announcement is made by First Tractor Company Limited (the “**Company**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the inside information provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcement of the Company in relation to the possible disposal of shares by the controlling shareholder dated 12 January 2016 and the overseas regulatory announcement of the Company dated 8 April 2016.

YTO Group Corporation (“**YTO**”, which holds approximately 44.57% equity interests in the Company), the controlling shareholder of the Company, and its shareholders, China National Machinery Industry Corporation (“**Sinomach**”), Luoyang State Capital State-owned Assets Operation Company Limited (“**Luoyang State Capital**”), China Huarong Asset Management Company Limited (“**China Huarong**”), China Construction Bank Henan Province Branch (“**CCB Henan Branch**”) and China Orient Asset Management Corporation (“**COAMC**”), are conducting the equity restructuring of YTO.

On 22 August 2016, the Company received the Capital Reduction Agreement (the “**Capital Reduction Agreement**”) entered into between YTO, Sinomach, Luoyang State Capital, China Huarong, CCB Henan Branch and COAMC, and the Share Transfer Agreement (the “**Share Transfer Agreement**”) entered into between YTO, China Huarong, CCB Henan Branch and COAMC. The major terms of the agreements are set out below:

I. CAPITAL REDUCTION AGREEMENT

1. Parties

| | |
|----------|-----------------------|
| Party A: | Sinomach |
| Party B: | Luoyang State Capital |
| Party C: | China Huarong |
| Party D: | CCB Henan Branch |
| Party E: | COAMC |
| Party F: | YTO |

2. Amount of capital reduction and method of payment

- (1) Party F intends to reduce its registered capital. The amount of capital reduction will be the total contribution by Party C, Party D and Party E (collectively, the “**Reduction Parties**”) amounting to RMB151,199,394.13, including capital reduction of RMB76,239,121.96 by Party C, capital reduction of RMB42,989,027.48 by Party D and capital reduction of RMB31,971,244.69 by Party E.

The appraised value of Party F’s net assets was RMB9,472,803,900, using 31 December 2015 as the base date for appraisal. With reference to the aforementioned appraised value of net assets, the total consideration payable by Party F for the capital reduction will be RMB451,119,749.98, including RMB227,467,668.34 payable to Party C, RMB128,262,414.28 payable to Party D and RMB95,389,667.36 payable to Party E.

- (2) All parties agree that Party F shall pay the consideration of capital reduction to the Reduction Parties by part of the A shares of the Company held by it (the “**Target Shares**”). The price per share of the Target Shares as the consideration will be the arithmetic mean of the daily weighted average price in the 30 trading days preceding the base date (i.e. 31 December 2015), which is RMB13.58 per share. Accordingly, the number of A shares of the Company payable by Party F to the Reduction Parties will be 33,219,422 shares, including 16,750,196 shares payable to Party C, 9,444,950 shares payable to Party D and 7,024,276 shares payable to Party E.

3. Capital reduction and completion

- (1) Party F shall proceed with the capital reduction procedures in accordance with the Company Law and other laws and regulations of the People’s Republic of China (the “**PRC**”); and
- (2) Party F shall complete the procedures for registration of the transfer of shares of the Company by agreement within 15 working days from the date of obtaining the approval from the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (the “**SASAC**”) on the transfer of shares of the Company by agreement; Party F shall complete the procedures for change of industrial and commercial registration in relation to the capital reduction within 5 working days from the completion of the procedures for registration of the transfer of shares of the Company.

4. Effectiveness of the agreement

The agreement shall be effective upon signing and affixing of the common seals by the legal representatives (persons in charge) or authorised representatives of all parties, and from the date of approval by the SASAC on the transfer of the Company by agreement.

II. SHARE TRANSFER AGREEMENT

1. Parties

Party A: YTO

Party B: China Huarong

CCB Henan Branch

COAMC

2. Number of shares for transfer and payment of dividends during the period

- (1) In accordance with the Capital Reduction Agreement, YTO will pay the consideration of capital reduction by part of the A shares of the Company held by it, and accordingly, the total number of shares payable by YTO to the Reduction Parties will be 33,219,422 shares, including 16,750,196 shares payable to China Huarong, 9,444,950 shares payable to CCB Henan Branch and 7,024,276 shares payable to COAMC.
- (2) This transfer of shares shall be a transfer with the rights thereof, i.e. the transferees shall be entitled to the profit of the Company attributable to the Target Shares and any derived interests of the Target Shares that are not distributed prior to the base date as well as the profit of the Company attributable to the Target Shares and any derived interests of the Target Shares incurred after the base date. If the Company distributes dividends in the transitional period commencing from the base date and ending on the date that the transferees acquired the Target Shares, YTO shall, upon receipt of such dividends, pay to each of the transferees the part of dividends they are entitled to.

3. Conditions precedent on transfer of shares and procedures for completion

- (1) The transfer of shares is subject to the fulfillment of all of the following conditions precedent:

The transfer of shares has been considered and approved at the board meetings and general meetings (or shareholders' meetings), etc. of the transferor and transferees in accordance with the relevant laws, regulations, rules, normative documents and the articles of association of the transferor and transferees, and;

- 1) the transfer of Target Shares to the transferees has been approved by the transferees' internal decision-making organizations;
- 2) the transfer of Target Shares by the transferor has been approved by the transferor's internal decision-making organization;
- 3) the share transfer has been approved by the SASAC; and
- 4) the Shanghai Stock Exchange has no objection against the share transfer.

(2) Completion of transfer of the Target Shares

All parties shall complete the procedures for registration of the transfer of shares of the Company by agreement within 15 working days from the date of obtaining the approval from the SASAC on the transfer of shares of the Company by agreement.

4. Effectiveness of the agreement

The Share Transfer Agreement shall be executed by signing and affixing the common seals by the legal representatives (persons in charge) or authorised representatives of all parties, and shall become effective from the date of approval of the transfer by the SASAC.

By Order of the Board
FIRST TRACTOR COMPANY LIMITED*
YU Lina
Company Secretary

Luoyang, the PRC
22 August 2016

As at the date of this announcement, the Board comprises Mr. Zhao Yanshui (Chairman), Mr. Wang Erlong (vice Chairman) and Mr. Wu Yong as executive Directors; Mr. Li Hepeng, Mr. Xie Donggang, Mr. Li Kai and Mr. Yin Dongfang as non-executive Directors; and Ms. Yang Minli, Mr. Xing Min, Mr. Wu Tak Lung and Mr. Yu Zengbiao as independent non-executive Directors.

* *For identification purposes only*