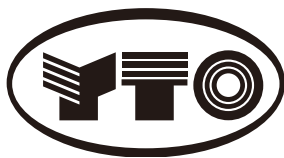


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第一拖拉机股份有限公司*
FIRST TRACTOR COMPANY LIMITED

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

(Stock Code: 0038)

CONNECTED TRANSACTION PROVISION OF ENTRUSTED LOAN

On 28 December 2016, the Company convened a Board meeting where the Board resolved to provide the Entrusted Loan with a total amount up to RMB15,000,000 (equivalent to approximately HK\$16,950,000) to Changtuo Company through YTO Finance.

Changtuo Company is owned as to one-third by the Company and one-third by Sinomach, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company. Accordingly, the provision of the Entrusted Loan constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

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

The Board hereby announces that on 28 December 2016, the Board resolved to provide the Entrusted Loan with a total amount up to RMB15,000,000 (equivalent to approximately HK\$16,950,000) to Changtuo Company through YTO Finance.

THE ENTRUSTED LOAN ARRANGEMENT

Under the Entrusted Loan arrangement, upon request of Changtuo Company for specific capital requirement, the Company will enter into entrusted loan contract(s) with Changtuo Company and YTO Finance to provide the Entrusted Loan with a total amount up to RMB15,000,000 (equivalent to approximately HK\$16,950,000) to Changtuo Company. The entrusted loan contract(s) will contain the following principal terms:

Parties

- (a) The Company, as the entrusted lender;
- (b) YTO Finance, as the entrusted agent; and
- (c) Changtuo Company, as the borrower.

Entrusted Loan amount

The Company shall provide the Entrusted Loan with a total amount up to RMB15,000,000 (equivalent to approximately HK\$16,950,000) to Changtuo Company through YTO Finance.

Entrusted Loan interest

30% mark-up on the benchmark interest rate for one-year loans issued by the People's Bank of China.

Term for the Entrusted Loan amount

From the date of Board approval (i.e. 28 December 2016) to 30 March 2018.

Use of proceeds of the Entrusted Loan

For daily operation of Changtuo Company.

Guarantee for the Entrusted Loan

Changtuo Company shall use its assets as guarantee for the Entrusted Loan.

REASONS FOR AND BENEFITS OF THE PROVISION OF THE ENTRUSTED LOAN

Changtuo Company is the controlled subsidiary of the Company and will need the Entrusted Loan for daily operation requirement. The Company has sufficient cash flow to provide the Entrusted Loan to Changtuo Company to secure normal and stable operation of Changtuo Company.

The terms of the entrusted loan contract were determined after arm's length negotiations between the parties thereto. The Directors (including the independent non-executive Directors) consider that the terms of the entrusted loan contract and the provision of the Entrusted Loan are on normal commercial terms and in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Group and the Shareholders as a whole.

INFORMATION OF THE GROUP, YTO FINANCE AND CHANGTUO 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, tractor components, forklift and mining trucks, etc.

YTO Finance is a non-banking financial institution approved and regulated by the relevant PRC regulatory authorities. Its principal activities include the provision of financial services which have been approved by the China Banking Regulatory Commission to the YTO Extended Group and members of the Group.

Changtuo Company is the controlled subsidiary of the Company, owned as to one-third by the Company and one-third by Sinomach, the ultimate controlling shareholder of the Company. Changtuo Company is principally engaged in research and development, manufacturing and sales of tractors, low speed trucks, engineering machineries, agricultural machineries and spare parts.

LISTING RULES IMPLICATIONS

As mentioned above, Changtuo Company is owned as to one-third by the Company and one-third by Sinomach, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company. Accordingly, the provision of the Entrusted Loan constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

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

Zhao Yanshui, Wang Erlong, Li Hepeng, Xie Donggang, Li Kai and Yin Dongfang, the Directors of the Company, have abstained from voting to approve the provision of the Entrusted Loan in the Board meeting due to the fact that they have connected relationship with Sinomach and are regarded not independent to make any recommendation to the Board.

DEFINITIONS

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

“associate(s)”	has the same meaning as ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Changtuo Company”	Changtuo Agricultural Machinery Equipment Group Company Limited (長拖農業機械裝備集團有限公司), a limited liability company incorporated in the PRC and a controlled subsidiary of the Company owned as to one third by the Company
“Company”	First Tractor Company Limited* (第一拖拉機股份有限公司), a joint stock company with limited liability incorporated in the PRC, the H Shares and A Shares of which are listed on the main board of the Stock Exchange (Stock Code: 0038) and the Shanghai Stock Exchange (Stock Code: 601038) respectively
“connected person(s)”	has the same meaning as ascribed to this term under the Listing Rules
“controlling shareholder”	has the same meaning as ascribed to this term under the Listing Rules
“Directors”	the directors of the Company, including the independent non-executive directors
“Entrusted Loan”	the entrusted loan with a total amount up to RMB15,000,000 (equivalent to approximately HK\$16,950,000) to be provided by the Company to Changtuo Company through YTO Finance

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratio(s)”	has the same meaning as ascribed to this term under the Listing Rules, as applicable to a transaction
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	registered holder(s) of the Shares
“Shares”	share(s) of RMB1.00 each of the Company
“Sinomach”	China National Machinery Industry Corporation* (中國機械工業集團有限公司), a limited liability company incorporated in the PRC and the ultimate controlling shareholder of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“YTO”	YTO Group Corporation* (中國一拖集團有限公司), a limited liability company incorporated in the PRC, the controlling shareholder of the Company and the subsidiary of Sinomach, holding approximately 41.24% 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 hold 10% or more voting rights respectively or collectively; and (iv) associates of YTO
“YTO 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 94.6% by the Company
“%”	per cent.

*For the purpose of this announcement, the following exchange rate is used:
RMB1.00 = HK\$1.13*

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

Luoyang, the PRC
28 December 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*