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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

In order to newly construct a digitalized smart driving cab factory (the “**Factory Construction**”), the Company has already entrusted Weixin Tender Company to conduct an open tender in relation to the Construction Project and has also issued the letters of acceptance to China Automotive and SCIVIC. The bidding price for the said open tender was RMB175,626,400. Detailed terms and conditions in relation to the First General Contracting of the Construction Project will be finalized in the future general contracting agreement.

Being part of the Factory Construction, the Company has also entrusted Weixin Tender Company to conduct an open tender in relation to the general contracting of the Painting Line Project. After completion of the evaluation procedures, China Automotive and China United were preliminarily selected as the first candidate of successful bidder and the second candidate of successful bidder for this open tender, respectively. However, should either China Automotive or China United eventually be selected as the successful bidder, the transaction to be entered into between the Company and the successful bidder will become a connected transaction of the Company, which will be subject to the Independent Shareholders’ approval. In the circumstances, before issuing letter of acceptance to China Automotive or China United and entering into the proposed Second General Contracting Agreement, the Company proposes to seek Independent Shareholders’ approval at the EGM for the Second General Contracting Agreement and the transaction contemplated thereunder.

As at the date of this announcement, both of China Automotive and China United are wholly-owned by Sinomach, which is the ultimate controlling shareholder of the Company, therefore they are regarded as connected persons of the Company. Pursuant to Chapter 14A of the Listing Rules, the transaction contemplated under the proposed Second General Contracting Agreement will constitute a connected transaction of the Company.

Pursuant to Rule 14A.81 of the Listing Rules, the transaction contemplated under the proposed Second General Contracting Agreement should be aggregated with the transaction under the First General Contracting. Since the expected applicable percentage ratios (after aggregation) will be more than 5%, the transaction contemplated under the proposed Second General Contracting Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

As additional time will be required for the preparation and finalization of certain information to be contained in the circular, it is expected that the circular containing, among other things, (i) details of the proposed Second General Contracting Agreement, (ii) a letter of recommendation from the Independent Board Committee, (iii) a letter of advice from the Independent Financial Adviser, and (iv) a notice of the EGM, will be despatched to the Shareholders on or before 3 February 2017.

## **INTRODUCTION**

References is made to the Company's indicative announcement dated 15 December 2016 regarding the result of open tender and connected transaction.

In order to newly construct the Factory Construction, the Company has already entrusted Weixin Tender Company to conduct an open tender in relation to the Construction Project and has also issued the letters of acceptance to China Automotive and SCIVIC. The bidding price for the said open tender was RMB175,626,400. Detailed terms and conditions in relation to the First General Contracting of the Construction Project will be finalized in the future general contracting agreement.

Being part of the Factory Construction, the Company has also entrusted Weixin Tender Company to conduct an open tender in relation to the general contracting of the Painting Line Project. After completion of the evaluation procedures, China Automotive and China United were preliminarily selected as the first candidate of successful bidder and the second candidate of successful bidder for this open tender, respectively. However, should either China Automotive or China United eventually be selected as the successful bidder, the transaction to be entered into between the Company and the successful bidder will become a connected transaction of the Company, which will be subject to the Independent Shareholders' approval. In the circumstances, before issuing letter of acceptance to China Automotive or China United and entering into the proposed Second General Contracting Agreement, the Company proposes to seek Independent Shareholders' approval at the EGM for the Second General Contracting Agreement and the transaction contemplated thereunder.

Set out below is a summary of the principal terms of the proposed Second General Contracting Agreement:

## **SECOND GENERAL CONTRACTING AGREEMENT**

**Expected parties:** (1) The Company; and

(2) Either China Automotive or China United, as the general contractor

### **Term**

The conditions for the completion and acceptance of the Painting Line Project shall be fulfilled before 15 February 2018.

### **Scope of contracting**

Pursuant to the proposed Second General Contracting Agreement, either China Automotive or China United will act as the general contractor for the Painting Line Project. The general contractor will, in accordance with the Company's requests, be responsible for the design, manufacturing, installation, testing, completion and acceptance, delivery and quality warranty of the Painting Line Project.

### **Consideration**

The consideration under the proposed Second General Contracting Agreement will be the bidding price offered by the successful bidder at the open tender for the Painting Line Project, which will be not more than RMB75,000,000 (equivalent to approximately HK\$84,750,000).

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

- (i) 20% of the consideration, being prepayment, shall be paid upon signing of the Second General Contracting Agreement;
- (ii) 10% of the consideration shall be paid after the entire set of design documents has been provided by the general contractor and such proposal has been agreed on;
- (iii) 20% of the consideration shall be paid after the major equipment and materials have arrived at the factory;
- (iv) 10% of the consideration shall be paid after completion of installation of equipment and trial run;

- (v) 15% of the consideration shall be paid after completion of linkage testing and after commencement of trial production;
- (vi) 15% of the consideration shall be paid after completion and acceptance of the Painting Line Project, and upon signing of the completion and acceptance report between the parties; and
- (vii) 10% of the consideration, being amount of quality warranty, shall be paid within 12 months from acceptance of the Painting Line Project.

### **Other terms of the proposed Second General Contracting Agreement**

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

### **REASONS FOR ENTERING INTO THE PROPOSED SECOND GENERAL CONTRACTING AGREEMENT**

China Automotive has been awarded by the State twenty-nine Grade A certificates in respect of engineering investigation, design, consultation, manufacturing, supervision and environment assessment, etc.. China Automotive is one of the largest industrial design institutes of large machinery in the PRC and one of the largest engineering companies in the machinery industry in the PRC with most of Grade A certificates.

China United is one of the earliest large-scale comprehensive design organizations established in the PRC, which is principally engaged in more than 20 industries including machinery industry, various industrial businesses, power industry, construction industry and municipal industry. China United is also one of the earliest enterprises which were awarded the State comprehensive Grade A certificate in respect of engineering design.

In order to conduct the Factory Construction, the Company proposes to implement the Painting Line Project and has entrusted Weixin Tender Company to conduct an open tender. In view of their above experience and qualification, China Automotive and China United were preliminarily selected as the first candidate of successful bidder and the second candidate of successful bidder for the open tender of the Painting Line

Project, respectively. Since the transaction to be entered into between the Company and the successful bidder will become a connected transaction of the Company, which will be subject to the Independent Shareholders' approval, before issuing letter of acceptance to China Automotive or China United and entering into the proposed Second General Contracting Agreement, the Company is required to seek Independent Shareholders' approval at the EGM.

The terms of the proposed Second General Contracting Agreement were determined based on the terms of the open tender and bidding and after arm's length negotiations between the parties thereto. Except for the views of the independent non-executive Directors which will be expressed after considering the advice from the Independent Financial Adviser, the Directors consider that the terms of the proposed Second General Contracting Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group, fair and reasonable and in the interest of the Group and the Shareholders as a whole.

Since the general contracting of the Painting Line Project was conducted and the general contractor is to be selected by way of open tender, none of the Directors had any material interest in the proposed Second General Contracting Agreement.

## **INFORMATION OF THE COMPANY, CHINA AUTOMOTIVE AND CHINA UNITED**

The Group is principally engaged in the production and sale of agricultural machineries and power machineries. The principal products include tractors of hi-powered, mid-powered and low-powered, diesel engines and other accessories of tractors, forklift and mining trucks, etc..

China Automotive is a design institute for the large scale machinery industry. Its principal business is planning, design and general engineering contracting of the machinery manufacturing factories, and is specialized in provision of engineering design, project management and general contracting throughout the process of engineering construction.

China United is principally engaged in the business of industrial engineering, energy and environmental engineering, civil architecture, engineering construction, industrial equipment, urban planning and municipal engineering.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, both of China Automotive and China United are wholly-owned by Sinomach, which is the ultimate controlling shareholder of the Company, therefore they are regarded as connected persons of the Company. Pursuant to Chapter 14A of the Listing Rules, the transaction contemplated under the proposed Second General Contracting Agreement will constitute a connected transaction of the Company.

Pursuant to Rule 14A.81 of the Listing Rules, the transaction contemplated under the proposed Second General Contracting Agreement should be aggregated with the transaction under the First General Contracting. Since the expected applicable percentage ratios (after aggregation) will be more than 5%, the transaction contemplated under the proposed Second General Contracting Agreement is subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

## **GENERAL**

The EGM will be convened at which, among other things, ordinary resolutions will be proposed to seek the Independent Shareholders' approval for the proposed Second General Contracting Agreement and the transaction contemplated thereunder. In view of the interests of YTO and its associates in the transaction contemplated under the proposed Second General Contracting Agreement, YTO and its associates will abstain from voting on the resolutions in relation to the proposed Second General Contracting Agreement at the EGM. Voting on such resolutions shall be taken by poll.

As additional time will be required for the preparation and finalization of certain information to be contained in the circular, it is expected that the circular containing, among other things, (i) details of the proposed Second General Contracting Agreement, (ii) a letter of recommendation from the Independent Board Committee, (iii) a letter of advice from the Independent Financial Adviser, and (iv) a notice of the EGM, will be despatched to the Shareholders on or before 3 February 2017.

Upon obtaining approval of the Independent Shareholders, the Company will determine the successful bidder according to the Regulation on the Implementation of the Bidding Law of the PRC, issue letter of acceptance to the successful bidder and enter into the Second General Contracting Agreement with the successful bidder to engage it as the general contractor for the Painting Line Project. The Company will make further announcement in this regard as and when appropriate in accordance with the Listing Rules.

## **DEFINITIONS**

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

“Board”	the board of Directors
“China Automotive”	China Automotive Engineering Corporation* (中國汽車工業工程有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of Sinomach



“China United”	China United Engineering Corporation* (中國聯合工程公司), an enterprise incorporated in the PRC, which is wholly-owned by Sinomach
“Company”	First Tractor Company Limited* (第一拖拉機股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, 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 it under the Listing Rules
“Construction Project”	a construction project of modern agricultural equipment of digitalized smart driving cab of the Company
“controlling shareholder”	has the same meaning as ascribed to it under the Listing Rules
“Directors”	the directors of the Company, including the independent non-executive directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held on 21 February 2017 for the purposes of, among other things, seeking the Independent Shareholders’ approval for the proposed Second General Contracting Agreement and the transaction contemplated thereunder
“First General Contracting”	the general contracting for the Construction Project proposed to be contracted by China Automotive and SCIVIC as the general contractors, details of which were set out in the indicative announcement of the Company dated 15 December 2016
“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
“Independent Board Committee”	an independent committee of the Board comprising the independent non-executive Directors

“Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed Second General Contracting Agreement and the transaction contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) other than YTO and its associate(s)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Painting Line Project”	a painting line project of modern agricultural equipment of digitalized smart driving cab of the Company
“percentage ratios”	has the same meaning as ascribed to it 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
“SCIVIC”	SCIVIC Engineering Corporation Co., Ltd.* (機械工業第四設計研究院有限公司), a company incorporated in the PRC and a subsidiary of Sinomach
“Second General Contracting Agreement”	a general contracting agreement to be entered into between the Company and either China Automotive or China United, pursuant to which either China Automotive or China United shall agree to act as the general contractor for the Painting Line Project
“Shareholder(s)”	the shareholder(s) of the Company
“Sinomach”	China National Machinery Industry Corporation* (中國機械工業集團有限公司), the controlling shareholder of YTO and the ultimate controlling shareholder of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited



“subsidiary(ies)”	has the same meaning as ascribed to it under the Listing Rules
“Weixin Tender Company”	Henan Weixin Tender Management and Consultation Co., Ltd.* (河南省偉信招標管理諮詢有限公司)
“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 410,690,578 A shares of 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  
4 January 2017

*As at the date of this announcement, the board of directors of the Company 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*