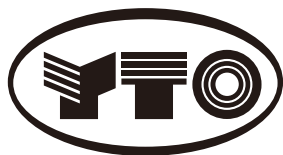


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**第一拖拉机股份有限公司**  
**FIRST TRACTOR COMPANY LIMITED**\*

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

(Stock Code: 0038)

**FURTHER ANNOUNCEMENT IN RESPECT OF  
THE CONTINUING CONNECTED TRANSACTION  
UNDER THE COMMON RESOURCE SERVICES AGREEMENT**

Reference is made to the announcement (the “**Announcement**”) of First Tractor Company Limited\* (the “**Company**”) dated 28 February 2017 in relation to the continuing connected transaction under the Common Resource Services Agreement. Unless otherwise specified, capitalized terms used herein shall have the same meanings as those defined in the Announcement.

The Company would like to provide further information in respect of the Common Resource Services Agreement as follows:

**SERVICES TO BE PROVIDED**

Pursuant to the Common Resource Services Agreement, YTO Group has agreed to provide Common Resource Services to the Group, including:

- (1) Green services: provision of green services within the land area of the Group, including plantation, cultivation and daily conservation of a variety of plants;
- (2) Road services: provision of maintenance and care services to road traffic, road facilities and pipe network;

- (3) Cleaning services: provision of cleaning services for buildings, roads, toilets and pipe network within the land area of the Group; provision of daily rubbish collection services within the land area of the Group; keeping tidiness and hygiene of workshops and other buildings within the production area; and
- (4) Logistic support services: provision of employee collective apartment and related services for the Group; provision of conference venue and reception services for the Group; provision of retired worker management services, property management services and related services for the Group.

## **BASIS FOR THE PROPOSED ANNUAL CAP AMOUNT**

The proposed Annual Cap amount for the Common Resource Services for the year ending 31 December 2017 is RMB14,000,000, which represents an increase of RMB4,370,000 (45.38%) from the historical service fee of RMB9,630,000 for the year ended 31 December 2016. For the two bases as disclosed in the Announcement, the Company would like to elaborate that the expected increment in the proposed Annual Cap amount was determined with reference to the following:

- (1) the newly-added retired worker management services and property management services under the logistic support services, the expected additional service fee of which is approximately RMB1,600,000, including the management fee of recreational sport activities for retired workers of approximately RMB500,000, the arrangement fee of funeral services for retire workers of approximately RMB200,000, and the management fee of facilities for the community of approximately RMB900,000; and
- (2) the expected increase in management costs of approximately RMB2,800,000, including the increase in officers' salaries of approximately RMB400,000, the increase in depreciation costs resulting from renovation and improvement of service facilities of approximately RMB900,000, and the increase in maintenance fee for the buildings and underground pipe network according to the facilities' aging condition of approximately RMB1,500,000.

## **MEASURE OF INTERNAL CONTROL**

In light of the extensive land area of the Group and complexity of maintenance and care services to road facility and pipe network, so far as the Directors are aware and having made reasonable enquiry, apart from YTO Group, there is no other service provider capable of providing all types of similar services under the Common Resource Services Agreement and providing quotations for the same.

To ensure that the prices of services to be charged under the Common Resource Services Agreement are fair and reasonable, apart from adopting a series of internal control policies as mentioned in the Announcement, the finance department of the Company will request YTO Group to provide the relevant documents including invoices for its transactions with independent third parties, so as to confirm the price for the provision of the same or similar type of service(s) by YTO Group to the Group is not higher than the price for the provision of such service(s) by YTO Group to independent third parties. If the above is not applicable, the financial department of the Company will request YTO Group to provide the cost breakdown (including but not limited to purchase invoices, list of labor cost and other related fees) for its transactions with the Group, so as to calculate whether the profit margin is within the agreed range of 10%, and determine the reasonableness of the prices charged by YTO Group.

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

Luoyang, the PRC  
15 March 2017

*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*