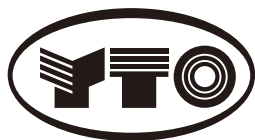


Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance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

CONNECTED TRANSACTION

References are made to the announcements of the Company dated 4 January 2017, 3 March 2017 and 18 April 2017, and the circular of the Company (the “**Circular**”) dated 15 February 2017, in relation to a connected transaction of the Company.

As disclosed in the Circular, the Company has already entrusted Weixin Tender Company to conduct an open tender for the Painting Line Project. The Company has already issued a letter of acceptance to China Automotive on 18 April 2017, confirming that China Automotive has become the successful bidder for the general contracting of the Painting Line Project. The Board is pleased to announce that on 10 July 2017, the Company and China Automotive entered into the Second General Contracting Agreement, pursuant to which China Automotive agreed to act as the general contractor for the Painting Line Project.

China Automotive is wholly-owned by Sinomach, which is the ultimate controlling shareholder of the Company. Therefore it is regarded as a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the transaction contemplated under the Second General Contracting Agreement constitutes a connected transaction of the Company.

Pursuant to Rule 14A.81 of the Listing Rules, the transaction contemplated under the Second General Contracting Agreement should be aggregated with the transaction contemplated under the First General Contracting Agreement. Since the applicable percentage ratios (after aggregation) are more than 5%, the transaction contemplated under the Second General Contracting Agreement is subject to the reporting, announcement and Independent Shareholders’ approval requirements pursuant to Chapter 14A of the Listing Rules. The Company has obtained the Independent Shareholders’ approval for the Second General Contracting Agreement and the transaction contemplated thereunder at the EGM.

INTRODUCTION

References are made to the announcements of the Company dated 4 January 2017, 3 March 2017 and 18 April 2017, and the circular of the Company (the “**Circular**”) dated 15 February 2017, in relation to a connected transaction of the Company.

As disclosed in the Circular, the Company has already entrusted Weixin Tender Company to conduct an open tender for the Painting Line Project. The Company has already issued a letter of acceptance to China Automotive on 18 April 2017, confirming that China Automotive has become the successful bidder for the general contracting of the Painting Line Project. The Board is pleased to announce that on 10 July 2017, the Company and China Automotive entered into the Second General Contracting Agreement, pursuant to which China Automotive agreed to act as the general contractor for the Painting Line Project.

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

SECOND GENERAL CONTRACTING AGREEMENT

Date: 10 July 2017

Parties: (1) The Company; and
(2) China Automotive, as the general contractor

Completion deadline

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 Second General Contracting Agreement, China Automotive agreed to act as the general contractor for the Painting Line Project. China Automotive 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 Second General Contracting Agreement is the bidding price offered by China Automotive at the open tender for the Painting Line Project, which is RMB71,500,000 (equivalent to approximately HK\$82,940,000).

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 China Automotive 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;
- (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 completion and acceptance of the Painting Line Project.

Other terms of the Second General Contracting Agreement

According to the terms and conditions of the Second General Contracting Agreement, China Automotive 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 China Automotive under the Second General Contracting Agreement. China Automotive shall be responsible for supervising and managing the process, quality and progress of the construction work conducted by the sub-contractors, and be fully responsible for all the sub-contractors' responsibilities under the Second General Contracting Agreement. China Automotive 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 SECOND GENERAL CONTRACTING AGREEMENT

China Automotive has been awarded by the State 26 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 the most Grade A certificates. As one of the leading automotive engineering companies in the PRC, China Automotive has constructed more than 20 painting lines for well-known enterprises in the PRC.

Driving cab is an important part of a tractor and is crucial to the performance of a tractor. However, the production conditions and capabilities of the existing plants of the Company are unable to meet the market demand for high quality driving cabs. In order to satisfy the market requirements, the Company intends to construct the digitalized smart driving cab factory in Luoyang, Henan Province, the PRC, for the purpose of producing driving cab with advanced performance for hi-powered and mid-powered tractors. It is the current intention of the Company that upon construction of the digitalized smart driving cab factory, the equipment and components in the abovementioned existing plants will be disassembled and distributed to other projects or plants of the Company to optimise the allocation of resources.

The Painting Line Project is mainly used for the driving cabs for agricultural vehicles. The painting line is proposed to use environment-friendly technology and advanced painting equipment. The implementation of the Painting Line Project will significantly improve the painting technology for driving cabs, the competitiveness of driving cab products of the Company in the market and the capacity for sustainable development, thus giving effective support to the technology upgrading and quality improvement of the main vehicle products of the Company.

In order to newly construct a digitalized smart driving cab factory, the Company proposed to implement the Painting Line Project and has entrusted Weixin Tender Company to conduct an open tender. In view of its above experience and qualification, according to the evaluation procedures of the open tender, China Automotive was selected as the successful bidder for the general contracting of the Painting Line Project.

The terms of the 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. Even though the transaction contemplated under the Second General Contracting Agreement is not in the ordinary and usual course of business of the Group, the Directors (including the independent non-executive Directors) consider that the terms of the Second General Contracting Agreement are on normal commercial terms, 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 selected by way of open tender, none of the Directors had any material interest in the Second General Contracting Agreement.

INFORMATION OF THE COMPANY, CHINA AUTOMOTIVE AND WEIXIN TENDER COMPANY

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.

Weixin Tender Company is a company incorporated in the PRC with Grade A Construction Tendering Agency Qualification* (工程招標代理甲級資格) issued by the Ministry of Housing and Urban-Rural Development of the PRC, Grade A Qualification Certificate for Procurement Agency Institute of the Government* (政府採購代理甲級資格) issued by the Ministry of Finance of the PRC, Grade A Qualification Certificate for Tendering Agency Institute of the Investment Project of the Central Government* (中央投資項目招標代理甲級資格) issued by National Development and Reform Commission, Grade B Ready Qualification of International Tendering of Mechanical and Electrical Products* (預乙級機電產品國際招標資格) issued by the Ministry of Commerce of the PRC and Grade A Construction Cost Consultation Qualification* (工程造價諮詢甲級資質) issued by the Provincial Construction Department. By reason of Weixin Tender Company's qualifications mentioned above and its rich experience in conducting open tenders, the Company has entrusted Weixin Tender Company to conduct open tender for the general contracting of the Painting Line Project and for other construction projects in recent years.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, Weixin Tender Company and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

LISTING RULES IMPLICATIONS

China Automotive is wholly-owned by Sinomach, which is the ultimate controlling shareholder of the Company. Therefore it is regarded as a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the transaction contemplated under the Second General Contracting Agreement constitutes a connected transaction of the Company.

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

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
“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 held on 3 March 2017, at which the Company has obtained the Independent Shareholders' approval for the Second General Contracting Agreement and the transaction contemplated thereunder

“First General Contracting Agreement”	a general contracting agreement dated 31 March 2017 entered into among the Company, China Automotive and SCIVIC, pursuant to which China Automotive and SCIVIC have agreed to act as the general contractors for the Construction Project, details of which were set out in the announcement of the Company dated 31 March 2017
“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 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 dated 10 July 2017 entered into between the Company and China Automotive, pursuant to which China Automotive agreed 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\$1.16.

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

Luoyang, the PRC
10 July 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*