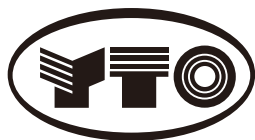


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第一拖拉机股份有限公司
FIRST TRACTOR COMPANY LIMITED*

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

(Stock Code: 0038)

CONNECTED TRANSACTIONS

On 17 October 2017, the Company and YTO entered into the Equity Transfer Agreement, pursuant to which the Company agreed to purchase and YTO agreed to sell 100% equity interest in the Target Company at a total consideration of RMB5,283,896.52 (equivalent to approximately HK\$6,234,998).

YTO is the immediate controlling shareholder of the Company and therefore, is a connected person of the Company under the Listing Rules. Accordingly, the transaction contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Before entering into the Equity Transfer Agreement, on 1 August 2017, the Target Company entered into the Property SP Agreement with Industrial Park Development Company, pursuant to which the Target Company agreed to purchase and Industrial Park Development Company agreed to sell the Property at a consideration of US\$1,540,337 (equivalent to approximately HK\$12,014,629). As at the date of this announcement, the Property SP Agreement has not yet completed.

Upon completion of the Equity Transfer Agreement, the Target Company will become a wholly-owned subsidiary of the Company. Sinomach, the ultimate controlling shareholder of the Company, directly and indirectly holds approximately 45.71% equity interest in Industrial Park Development Company. Accordingly, Industrial Park Development Company is regarded as a connected person of the Company under the Listing Rules. The transaction contemplated under the Property SP Agreement between the Target Company and Industrial Park Development Company will therefore constitute a connected transaction of the Company upon completion of the Equity Transfer Agreement.

INTRODUCTION

The Board is pleased to announce that on 17 October 2017, the Company and YTO entered into the Equity Transfer Agreement, pursuant to which the Company agreed to purchase and YTO agreed to sell 100% equity interest in the Target Company at a total consideration of RMB5,283,896.52 (equivalent to approximately HK\$6,234,998).

Before entering into the Equity Transfer Agreement, on 1 August 2017, the Target Company entered into the Property SP Agreement with Industrial Park Development Company, pursuant to which the Target Company agreed to purchase and Industrial Park Development Company agreed to sell the Property at a consideration of US\$1,540,337 (equivalent to approximately HK\$12,014,629).

Set out below is a summary of the principal terms of each of the Equity Transfer Agreement and Property SP Agreement:

1. THE EQUITY TRANSFER AGREEMENT

Date

17 October 2017

Parties

- (a) YTO, as the seller; and
- (b) The Company, as the purchaser

Assets to be acquired

Pursuant to the Equity Transfer Agreement, the Company agreed to purchase and YTO agreed to sell the 100% equity interest in the Target Company.

Consideration and payment terms

The consideration for the 100% equity interest in the Target Company is RMB5,283,896.52 (equivalent to approximately HK\$6,234,998) and shall be payable by the Company to YTO in cash within 15 working days after the effective date of the Equity Transfer Agreement.

The consideration was arrived at after arm's length negotiations between the Company and YTO with reference to (i) the audited net asset value of the Target Company of approximately RMB5,283,900 as at 30 June 2017 and (ii) the appraised net asset value of the Target Company of RMB5,283,900 as at the appraisal base date of 30 June 2017. The valuation was prepared by an independent third party valuer, China United Assets Appraisal Group Company Limited* (中聯資產評估集團有限公司), by using the asset-based approach.

INFORMATION ON THE TARGET COMPANY

The Target Company was set up by YTO and is a limited liability company incorporated in Belarus in 2015 with registered capital of US\$779,980. The original cost paid by YTO for setting up the Target Company was US\$779,980, being the registered capital of the Target Company. The Target Company is principally engaged in technical development, transfer, contracting and consulting services for agricultural machinery products and power machinery products.

Rule 14.58(7) of the Listing Rules requires disclosure of the net profits (both before and after taxation) attributable to the Target Company for the last two financial years (the “**Required Financial Information**”) in this announcement. However, as the Target Company was not in actual operation since its establishment, the Required Financial Information has not been prepared for the last two financial years.

Both of the audited total assets and net assets of the Target Company as at 30 June 2017 was approximately RMB5,283,900 while as mentioned above, the appraised net asset value of the Target Company was RMB5,283,900 as at the appraisal base date of 30 June 2017.

In order to satisfy the normal operation needs of the Target Company at its initial stage of business development, upon completion of the Equity Transfer Agreement, the Company intends to inject US\$7 million to the Target Company. After such capital injection, the registered capital of the Target Company will increase to approximately US\$7.78 million.

EFFECT OF THE COMPLETION OF THE EQUITY TRANSFER AGREEMENT

Upon completion of the Equity Transfer Agreement, the Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the consolidated financial statements of the Company.

2. PROPERTY SP AGREEMENT

Date

1 August 2017

Parties

- (a) Industrial Park Development Company, as the seller; and
- (b) The Target Company, as the purchaser

Assets to be acquired

Pursuant to the Property SP Agreement, the Target Company agreed to purchase and Industrial Park Development Company agreed to sell the Property free from any encumbrances from third parties, restrictions and disputes. The Property is now under construction and is located at the 5th floor of an office building at Китайско-Белорусский индустриальный парк (the China-Belarus Industrial Park*), at Smolevichsky, Minsk, Belarus, with a gross floor area of approximately 1,232.27 square meters.

As mentioned above, the Property is now under construction. The expected construction cost of the Property incurred by Industrial Park Development Company is approximately US\$1,180 per square meters.

Consideration and payment terms

The consideration for the Property is US\$1,540,337 (equivalent to approximately HK\$12,014,629). After completion of construction of the Property, the consideration shall be payable in full by the Target Company to Industrial Park Development Company by transferring the consideration sum to a designated bank account of Industrial Park Development Company within 90 days after the in-advance delivery of the Property by Industrial Park Development Company.

The consideration was determined after arm's length negotiations between the Target Company and Industrial Park Development Company with reference to the following factors: (i) the expected construction cost of the Property incurred by Industrial Park Development Company; and (ii) the prevailing market price of comparable properties in Minsk, Belarus, which is approximately US\$1,080 to US\$1,800 per square meters.

Completion

Within 5 working days after full payment of the consideration for the Property by the Target Company, the Target Company and Industrial Park Development Company will sign a delivery receipt of the Property. The Property shall be deemed to be transferred to the Target Company when the delivery receipt is signed and the national registration of transfer of the Property's ownership is completed. As at the date of this announcement, the Property SP Agreement has not yet completed.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE EQUITY TRANSFER AGREEMENT AND PROPERTY SP AGREEMENT

The Target Company will mainly rely upon the advantages of the Company's diesel engine, power shift transmission technology and electronic control technology in the future, to conduct research and development of agricultural machinery products that fit the East European markets. Through acquisition of 100% equity interest in the Target Company by the Company, horizontal competition between the Company and its controlling shareholder could be avoided. In addition, since East European region is important overseas target market of the Company, the Company aims to exploit the investment opportunities under the Belt and Road policy of the PRC, to expand into the market of East European region through the Target Company, to attract resources from neighboring regions and to improve the Company's overall competitiveness in overseas regional markets.

The Property is located at the China-Belarus Industrial Park in Smolevichsky, Minsk, Belarus, a foreign economic and trade cooperation zone that the PRC has invested in with the largest development area, highest cooperation level and most preferential policy conditions to date. The Target Company intended to acquire the Property for use as office premise to support its business operation in Belarus and thus entered into the Property SP Agreement.

The Directors (including the independent non-executive Directors) consider that the terms of the Equity Transfer Agreement and the Property SP Agreement 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 ON THE GROUP, YTO AND INDUSTRIAL PARK DEVELOPMENT 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.

YTO is the immediate controlling shareholder of the Company, holding approximately 41.66% equity interest in the Company. YTO is principally engaged in the production and sales of transporting machineries, vehicle products, industrial equipment and components.

Industrial Park Development Company is directly and indirectly owned as to approximately 45.71% by Sinomach, and is principally engaged in land resources and real estate development, and providing maintenance and consulting services, etc.

LISTING RULES IMPLICATIONS

As mentioned above, YTO is the immediate controlling shareholder of the Company and therefore, is a connected person of the Company under the Listing Rules. Accordingly, the transaction contemplated under the Equity Transfer Agreement 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 transaction contemplated under the Equity Transfer Agreement 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.

Mr. Zhao Yanshui, Mr. Wang Erlong, Mr. Li Hepeng, Mr. Xie Donggang, Mr. Li Kai and Mr. Yin Dongfang, the Directors of the Company, have abstained from voting to approve the Equity Transfer Agreement at the Board meeting due to the fact that they are also directors of YTO and are regarded not independent to make any recommendation to the Board.

Upon completion of the Equity Transfer Agreement, the Target Company will become a wholly-owned subsidiary of the Company. Sinomach, the ultimate controlling shareholder of the Company, directly and indirectly holds approximately 45.71% equity interest in Industrial Park Development Company. Accordingly, Industrial Park Development Company is regarded as a connected person of the Company under the Listing Rules. The transaction contemplated under the Property SP Agreement between the Target Company and Industrial Park Development Company will therefore constitute a connected transaction of the Company upon completion of the Equity Transfer Agreement.

As the applicable percentage ratios are more than 0.1% but less than 5%, the transaction contemplated under the Property SP Agreement 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.

DEFINITIONS

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

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|---------------------------------------|--|
| “Belarus” | The Republic of Belarus |
| “Board” | the board of Directors |
| “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 |
| “Equity Transfer Agreement” | the equity transfer agreement dated 17 October 2017 entered into between the Company and YTO, pursuant to which the Company agreed to purchase and YTO agreed to sell the 100% equity interest in the Target Company |
| “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 |
| “Industrial Park Development Company” | Китайско-Белорусское совместное закрытое акционерное общество «Компания по развитию индустриального парка» (China-Belarus Industrial Park Development Company Limited*), a joint venture incorporated in Belarus and owned directly and indirectly as to approximately 45.71% by Sinomach |

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|-------------------------|---|
| “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 |
| “Property” | the 5th floor of an office building at Китайско-Белорусский индустриальный парк (the China-Belarus Industrial Park*), situated at Smolevichsky, Minsk, Belarus, with a gross floor area of approximately 1,232.27 square meters |
| “Property SP Agreement” | the property sale and purchase agreement dated 1 August 2017 entered between the Target Company and Industrial Park Development Company in relation to the Property |
| “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 state-owned enterprise established in the PRC and the ultimate controlling shareholder of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target Company” | УайТиОуТехнолоджиБиЭлЭр (YTO Belarus Technology Company Limited*), a limited liability company incorporated in Belarus and as at the date of this announcement, a wholly-owned subsidiary of YTO |
| “US\$” | US dollars, the lawful currency of United States of America |

“YTO” YTO Group Corporation* (中國一拖集團有限公司), a limited liability company incorporated in the PRC and the immediate controlling shareholder of the Company, holding approximately 41.66% equity interest in the Company

“%” per cent

For the purpose of this announcement, the following exchange rates are used:

1. *RMB1.00 = HK\$1.18; and*
2. *US\$1.00 = HK\$7.8*

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

Luoyang, the PRC
17 October 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*