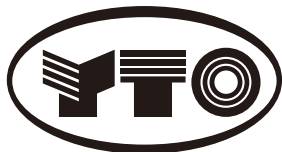


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第一拖拉机股份有限公司*
FIRST TRACTOR COMPANY LIMITED

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

(Stock Code: 0038)

**CONTINUING CONNECTED TRANSACTIONS
PROPERTIES LEASE AGREEMENT
AND
LAND LEASE AGREEMENT**

On 16 March 2018, the Company, on behalf of the Group, as the lessor, and YTO, on behalf of YTO Group, as the lessee, entered into the Properties Lease Agreement, pursuant to which the Group agreed to lease the Properties to YTO Group. On the same day, the Company, on behalf of the Group, as the lessor, and YTO, on behalf of YTO Group, as the lessee, entered into the Land Lease Agreement, pursuant to which the Group agreed to lease the Land to YTO Group.

As at the date of this announcement, YTO beneficially owns approximately 41.66% equity interest in the Company and is the immediate controlling shareholder of the Company. Accordingly, YTO is a connected person of the Company and the transactions contemplated under the Properties Lease Agreement and the Land Lease Agreement constitute continuing connected transactions of the Company under the Listing Rules.

The transactions contemplated under the Properties Lease Agreement and the Land Lease Agreement are required to be aggregated pursuant to Rule 14A.81 of the Listing Rules. As one of the applicable percentage ratios (after aggregation) is more than 0.1% but less than 5%, the transactions contemplated under the Properties Lease Agreement and the Land Lease Agreement are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 16 March 2018, the Company, on behalf of the Group, as the lessor, and YTO, on behalf of YTO Group, as the lessee, entered into the Properties Lease Agreement, pursuant to which the Group agreed to lease the Properties to YTO Group. On the same day, the Company, on behalf of the Group, as the lessor, and YTO, on behalf of YTO Group, as the lessee, entered into the Land Lease Agreement, pursuant to which the Group agreed to lease the Land to YTO Group.

THE PROPERTIES LEASE AGREEMENT

Details of the principal terms of the Properties Lease Agreement and its proposed Annual Cap amount are set out below:

Date

16 March 2018

Parties

- a) The Company, on behalf of the Group, as the lessor; and
- b) YTO, on behalf of YTO Group, as the lessee.

Term of the Agreement

The term of the Properties Lease Agreement is from 1 January 2018 to 31 December 2018. From 1 January 2018 to the date of this announcement, no actual monetary amounts were incurred or paid in relation to any transactions made pursuant to the Properties Lease Agreement.

Properties to be Leased

Pursuant to the Properties Lease Agreement, the Group agreed to lease to YTO Group the properties and appurtenances owned by the Group of a total gross area of 56,000 square metres, including the assembly workshop, the sheet metal welding workshop, the oil pump environmental protection complex building and the customer service building located at No. 154 Jianshe Road, Luoyang, Henan Province, the PRC, inclusive of the electric and water facilities and rooms for industrial use inside thereof.

Payment Terms

Pursuant to the Properties Lease Agreement, the total annual rent shall be paid and settled by YTO Group in cash by the end of 2018.

Pricing Standard for the Transaction

Pursuant to the Properties Lease Agreement, the rent of the Properties payable by YTO Group shall be determined according to the following criteria, which are set out in order of importance, starting from the most important:

- (1) the transaction prices between the Group and independent third parties for leases of similar properties in similar locations (if any); and
- (2) in the event that the above prices are not available or not applicable, the rental payable shall be determined after negotiations by the Group and the YTO Group conducted on an arm's length basis, after taking into consideration the market rental for similar properties.

In any event, the applicable rent payable by YTO Group to the Group under the Properties Lease Agreement will be no less favourable to the Group than the rent payable by independent third parties to the Group for leases of similar properties in similar locations.

During the term of the lease, YTO Group shall be responsible for the repair, maintenance and care of the Properties and the relevant expenses.

Historical Figures and the Proposed Annual Cap Amount for the Transaction under the Properties Lease Agreement

The following table sets out the historical annual rent for the lease of the Properties for the three years ended 31 December 2017, and the proposed Annual Cap amount for the year ending 31 December 2018 for the lease of the Properties under the Properties Lease Agreement:

Historical annual rent for the year ended 31 December 2015 (audited) <i>RMB'000 (approximately)</i>	Historical annual rent for the year ended 31 December 2016 (audited) <i>RMB'000 (approximately)</i>	Historical annual rent for the year ended 31 December 2017 (unaudited) <i>RMB'000 (approximately)</i>	Proposed Annual Cap amount for the year ending 31 December 2018 <i>RMB'000</i>
1,950	2,020	2,110	4,700

Basis for the Proposed Annual Cap Amount under the Properties Lease Agreement

The proposed Annual Cap amount for the year ending 31 December 2018 under the Properties Lease Agreement was determined with reference to the following factors, which are set out in order of importance, starting from the most important:

- (1) the historical annual rent for the lease of the Properties for the three years ended 31 December 2017; and
- (2) an expected rental increment of approximately 123% in 2018 due to the expected increase in the total gross area of properties to be leased by the Group to YTO Group by approximately 30,880 square meters in 2018 from approximately 25,120 square meters in 2017.

THE LAND LEASE AGREEMENT

Details of the principal terms of the Land Lease Agreement and its proposed Annual Cap amount are set out below:

Date

16 March 2018

Parties

- a) The Company, on behalf of the Group, as the lessor; and
- b) YTO, on behalf of YTO Group, as the lessee.

Term of the Agreement

The term of the Land Lease Agreement is from 1 January 2018 to 31 December 2018. From 1 January 2018 to the date of this announcement, no actual monetary amounts were incurred or paid in relation to any transactions made pursuant to the Land Lease Agreement.

Land and Land Use Rights to be Leased

Pursuant to the Land Lease Agreement, the Group agreed to lease to YTO Group the land and land use rights owned by the Group of a total gross area of 92,700 square metres, including but not limited to the land and land use rights located at No. 154 Jianshe Road, Luoyang, Henan Province, the PRC.

Payment Terms

Pursuant to the Land Lease Agreement, the total annual rent shall be paid and settled by YTO Group in cash by the end of 2018.

Pricing Standard for the Transaction

Pursuant to the Land Lease Agreement, the rent of the Land payable by YTO Group shall be determined according to the following criteria, which are set out in order of importance, starting from the most important:

- (1) the transaction prices between the Group and an independent third party for the leases of similar land and land use rights in similar locations (if any); and
- (2) in the event that the above prices are not available or not applicable, the rental payable shall be determined after negotiations by the Group and the YTO Group conducted on an arm's length basis, after taking into consideration the market rental for similar land and land use rights.

In any event, the applicable rent payable by YTO Group to the Group under the Land Lease Agreement will be no less favourable to the Group than the rent payable by independent third parties to the Group for similar land and land use rights in similar locations.

Historical Figures and the Proposed Annual Cap Amount for the Transaction under the Land Lease Agreement

The following table sets out the historical annual rent for the lease of the land and land use rights for the three years ended 31 December 2017, and the proposed Annual Cap amount for the year ending 31 December 2018 for the lease of the Land under the Land Lease Agreement:

Historical annual rent for the year ended 31 December 2015 (audited) <i>RMB'000 (approximately)</i>	Historical annual rent for the year ended 31 December 2016 (audited) <i>RMB'000 (approximately)</i>	Historical annual rent for the year ended 31 December 2017 (unaudited) <i>RMB'000 (approximately)</i>	Proposed Annual Cap amount for the year ending 31 December 2018 <i>RMB'000</i>
1,260	1,260	1,410	2,900

Basis for the Proposed Annual Cap Amount under the Land Lease Agreement

The proposed Annual Cap amount for the year ending 31 December 2018 under the Land Lease Agreement was determined with reference to the following factors, which are set out in order of importance, starting from the most important:

- (1) the historical annual rent for the three years ended 31 December 2017; and
- (2) an expected rental increment of approximately 106% in 2018 due to the expected increase in the total gross area of land and land use rights to be leased by the Group to YTO Group by approximately 47,700 square meters in 2018 from approximately 45,000 square meters in 2017.

MEASURES OF INTERNAL CONTROL

To ensure the Group's conformity with the pricing policies of the Properties Lease Agreement and the Land Lease Agreement from time to time, the Group adopts a series of internal control policies on its daily operation. Such internal control policies are implemented and supervised by the finance department, office of the Board, the Directors (including the independent non-executive Directors) and the audit department of the Company:

- (1) the general manager's office having approved the Properties Lease Agreement and the Land Lease Agreement according to the internal rules of the Company, and the Directors (including the independent non-executive Directors) having expressed their opinion on whether the transactions contemplated under the Properties Lease Agreement and the Land Lease Agreement are on normal commercial terms and fair and reasonable;
- (2) the office of the Board and the finance department of the Company, which shall be responsible for the calculation, supervision and management of the implementation of the cap amount for the transactions, having reviewed the reasonableness and fairness of the terms of the Properties Lease Agreement and the Land Lease Agreement (in particular, the pricing terms);
- (3) the internal audit department of the Company shall conduct regular supervision and evaluation on whether the connected transactions of the Company have been carried out in accordance with the internal control requirements of the Company;

- (4) the Company's management policies for connected transactions clearly state the principle for determining the prices for connected transactions. Pursuant to the Properties Lease Agreement and the Land Lease Agreement, specific and separate lease agreements shall be entered into for each property lease and land lease by the relevant member company of the Group with the relevant member company of YTO Group, and the price of each such property lease and land lease must be determined in accordance with the pricing standards as agreed in the Properties Lease Agreement and the Land Lease Agreement; and
- (5) before entering into each of such specific and separate lease agreements, the relevant member company of the Group and the finance department of the Company shall review the transaction prices of leases between the Group and independent third parties, and obtain the market prices of leases of comparable properties and land, so as to ensure and confirm that the applicable rent payable by YTO Group to the Group under the Properties Lease Agreement will be no less favourable to the Group than the rent payable by independent third parties to the Group for leases of similar properties in similar locations, and that the applicable rent payable by YTO Group to the Group under the Land Lease Agreement will be no less favourable to the Group than the rent payable by independent third parties to the Group for leases of similar land and land use rights in similar locations.

The Directors are of the view that the above internal control measures can ensure that the transactions under the Properties Lease Agreement and the Land Lease Agreement will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and the Shareholders.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PROPERTIES LEASE AGREEMENT AND THE LAND LEASE AGREEMENT

The Properties and the Land are premises which, for the time being, the Company does not need to utilise. The entering into of the Properties Lease Agreement and the Land Lease Agreement will increase the efficient utilisation rate of the assets of the Company and enable the Group to obtain a steady rental income, which will help increase the returns to the Shareholders, and which is in the best interests of the Company and its Shareholders as a whole.

The terms of the Properties Lease Agreement and the Land Lease Agreement 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 Properties Lease Agreement and the Land Lease 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 OF THE GROUP, YTO AND YTO GROUP

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.

As at the date of this announcement, YTO is the immediate controlling shareholder of the Company, holding approximately 410,690,578 A Shares of the Company. YTO Group is principally engaged in the production and sales of transporting machineries, vehicle products, industrial equipment and components.

LISTING RULES IMPLICATIONS

As at the date of this announcement, YTO beneficially owns approximately 41.66% equity interest in the Company and is the immediate controlling shareholder of the Company. Accordingly, YTO is a connected person of the Company and the transactions contemplated under the Properties Lease Agreement and the Land Lease Agreement constitute continuing connected transactions of the Company under the Listing Rules.

The transactions contemplated under the Properties Lease Agreement and the Land Lease Agreement are required to be aggregated pursuant to Rule 14A.81 of the Listing Rules. As one of the applicable percentage ratios (after aggregation) is more than 0.1% but less than 5%, the transactions contemplated under the Properties Lease Agreement and the Land Lease Agreement are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

According to the internal rules of the Company, the Properties Lease Agreement and the transaction contemplated thereunder shall be reviewed and approved by the general manager's office of the Company instead of the Board. Therefore, none of the Directors is required to abstain from voting at the board meeting.

DEFINITIONS

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

“Annual Cap(s)”	the respective maximum aggregate annual rent payable by YTO Group for the transactions under the Properties Lease Agreement and the Land Lease Agreement;
“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;
“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;
“Land”	the land and land use rights owned by the Group to be leased under the Land Lease Agreement, including but not limited to the land and land use rights located at No. 154 Jianshe Road, Luoyang, Henan Province, the PRC;
“Land Lease Agreement”	the land lease agreement dated 16 March 2018 entered into between the Company, on behalf of the Group, and YTO, on behalf of YTO Group, pursuant to which the Group agreed to lease the Land to YTO Group;

“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;
“Properties”	the properties and appurtenances owned by the Group to be leased under the Properties Lease Agreement, including but not limited to the assembly workshop, the sheet metal welding workshop, the oil pump environmental protection complex building and the customer service building located at No. 154 Jianshe Road, Luoyang, Henan Province, the PRC, inclusive of the electric and water facilities and rooms for industrial use inside thereof;
“Properties Lease Agreement”	the properties lease agreement dated 16 March 2018 entered into between the Company, on behalf of the Group, and YTO, on behalf of YTO Group, pursuant to which the Group agreed to lease the Properties to YTO Group;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	the shareholder(s) of the Company;
“Shares”	share(s) of RMB1.00 each 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 and the immediate controlling shareholder of the Company, holding approximately 41.66% equity interest in the Company;

“YTO Group” (i) YTO; (ii) companies or other entities held by it or under its control; and/or (iii) non wholly-owned subsidiaries of the Company in which the companies or entities referred to in (i) and (ii) above hold more than 10% of voting rights; and

“%” per cent.

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

Luoyang, the PRC
16 March 2018

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*