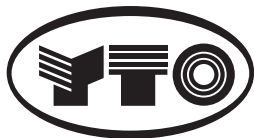


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第一拖拉机股份有限公司
FIRST TRACTOR COMPANY LIMITED*

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

(Stock Code: 0038)

**CONNECTED TRANSACTION
ANNOUNCEMENT IN RELATION
TO THE DISPOSAL OF EQUITY INTERESTS
AND DEBT INTERESTS IN CONTROLLED SUBSIDIARY
BY WAY OF LISTING-FOR-SALE PROCESS**

On 27 February 2019 (after trading hours), the Company, YTO and Luoyang Chenhan entered into the Equity Transfer Agreement. Pursuant to the Equity Transfer Agreement, the Company and YTO together disposed of 100% equity interests and all debt interests in Transportation Company (wherein the Company accounted for 93.39% equity interests and debt interests of RMB24,255,800 (equivalent to approximately HK\$30,077,200)) to Luoyang Chenhan.

Prior to the completion of the Disposal, Transportation Company is owned by the Company and YTO as to 93.39% and 6.61% respectively. Immediately after the completion of the Disposal, the Company and YTO will no longer hold any equity interest in Transportation Company, and therefore, Transportation Company will cease to be a subsidiary of the Company and will not be consolidated into the financial statements of the Company.

YTO is the immediate controlling shareholder of the Company. As the Company, YTO and Luoyang Chenhan are all parties to the Equity Transfer Agreement, the Disposal constitutes a connected transaction between the Group and its connected person(s), and hence a connected transaction of the Company under Rule 14A.25 of the Listing Rules.

As the applicable percentage ratios is more than 0.1% but less than 5%, the Disposal is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

At the 21st meeting of the 7th Board held on 10 August 2018, the Resolution on Transfer of Equity Interests and Debt Interests Held by the Company in YTO (Luoyang) Transportation Machinery Company Limited (關於公司轉讓所持一拖(洛陽)搬運公司股權及債權的議案) was considered and approved, pursuant to which it was agreed that the 93.39% equity interests held by the Company in Transportation Company (the “**Target Equity Interests**”) and its debt interests in Transportation Company (the “**Target Debt Interests**”) (together, the “**Target Assets**”) would be disposed by way of listing-for-transfer process. For details, please refer to the overseas regulatory announcements of the Company dated 6 August 2018 and 10 August 2018 respectively.

On 12 September 2018, the Target Assets were officially listed for sale on the China Beijing Equity Exchange (the “**CBEX**”). For details, please refer to the overseas regulatory announcement of the Company dated 13 September 2018.

For the purpose of proceeding with the transfer of the Target Assets, the Company convened the second meeting of the 8th Board on 16 November 2018, at which it was considered and approved that the initial quoted price of the Target Assets in a listing-for-transfer process would be lowered by not more than 5% in accordance with the Measures for the Supervision and Administration of State-Owned Assets of Enterprises.

Pursuant to the rules governing the trading of state-owned property rights and conditions for public listing on the CBEX, Luoyang Chenhan is the only eligible intended transferee, and the transfer price was set at RMB46,000,000 (equivalent to approximately HK\$57,040,000).

On 27 February 2019 (after trading hours), the Company, YTO and Luoyang Chenhan entered into the Equity Transfer Agreement. Pursuant to the Equity Transfer Agreement, the Company and YTO together disposed of 100% equity interests and all debt interests in Transportation Company (wherein the Company accounted for 93.39% equity interests and debt interests of RMB24,255,800 (equivalent to approximately HK\$30,077,200)) to Luoyang Chenhan.

Prior to the completion of the Disposal, Transportation Company is owned by the Company and YTO as to 93.39% and 6.61% respectively. Immediately after the completion of the Disposal, the Company and YTO will no longer hold any equity interest in Transportation Company, and therefore, Transportation Company will cease to be a subsidiary of the Company and will not be consolidated into the financial statements of the Company.

The principal terms of the Equity Transfer Agreement are as follows:

DATE

27 February 2019

PARTIES

- 1) The Company
- 2) YTO
- 3) Luoyang Chenhan

YTO is the immediate controlling shareholder of the Company. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Luoyang Chenhan and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

DISPOSAL

Pursuant to the Equity Transfer Agreement:

The Company and YTO together disposed of 100% equity interests and all debt interests in Transportation Company (wherein the Company accounted for 93.39% equity interests and debt interests of RMB24,255,800 (equivalent to approximately HK\$30,077,200)) to Luoyang Chenhan.

CONSIDERATION FOR THE EQUITY INTERESTS AND DEBT INTERESTS AND THE PAYMENT METHOD THEREOF

The total transfer price (the “**Total Consideration**”) for the equity interests in and debt interests in Transportation Company amounts to RMB46,000,000 (equivalent to approximately HK\$57,040,000), comprising the transfer price of RMB37,730,800 (equivalent to approximately HK\$46,786,200) for the transfer of the 93.39% equity interests and the debt interests of RMB24,255,800 (equivalent to approximately HK\$30,077,200) held by the Company.

Luoyan Chenhan will pay the Total Consideration in instalments:

- I) the first payment, which is 50% of the Total Consideration, i.e. RMB23,000,000 (deposit inclusive) (equivalent to approximately HK\$28,520,000), shall be paid within five working days after the Equity Transfer Agreement is executed.
- II) For the remaining portion of the Total Consideration (the “**Remaining Total Consideration**”), being RMB23,000,000 (equivalent to approximately HK\$28,520,000), RMB11,500,000 (equivalent to approximately HK\$14,260,000) shall be paid before 15 July 2019, and RMB11,500,000 (equivalent to approximately HK\$14,260,000) together with the accrued interest on the Remaining Total Consideration from the date of the execution of the Equity Transfer Agreement to the actual payment date at the benchmark interest rate on loans for the same period as published by the People’s Bank of China, shall be paid before 31 October 2019.

DETERMINATION OF THE TOTAL CONSIDERATION

At the 21st meeting of the 7th Board held on 10 August 2018, the Resolution on Transfer of Equity Interests and Debt Interests Held by the Company in YTO (Luoyang) Transportation Machinery Company Limited (關於公司轉讓所持一拖(洛陽)搬運公司股權及債權的議案) was considered and approved, pursuant to which it was agreed that the Target Equity Interests and the Target Debt Interests would be disposed by way of listing-for-sale process. The quoted price of the Target Equity Interests shall not be lower than the appraised value of the Target Equity Interests, and the quoted price of the Target Debt Interests shall be determined based on the amount of the debts. For details, please refer to the overseas regulatory announcements of the Company dated 6 August 2018 and 10 August 2018 respectively.

On 12 September 2019, the Target Assets were listed for sale on the CBEX, with the total quoted price set at RMB38,529,200 (equivalent to approximately HK\$47,776,200). The appraised value of the Target Equity Interests was RMB14,273,400 (equivalent to approximately HK\$17,699,000), and the amount of the Target Debt Interests was RMB24,255,800 (equivalent to approximately HK\$30,077,200). For details, please refer to the overseas regulatory announcement of the Company dated 13 September 2019.

For the purpose of proceeding with the transfer of the Target Assets, the Company convened the second meeting of the 8th Board on 16 November 2018, at which it was considered and approved that the initial quoted price of the Target Assets in a listing-for-sale process would be lowered by not more than 5% in accordance with the Measures for the Supervision and Administration of State-Owned Assets of Enterprises.

Pursuant to the rules governing the trading of state-owned property rights and conditions for public listing on the CBEX, Luoyan Chenhan is the only eligible intended transferee, and the transfer price was set at RMB46,000,000 (equivalent to approximately HK\$57,040,000).

GUARANTEE

Luoyan Chenhan and its controlling shareholder has provided an effective legal guarantee for the payment of the Remaining Total Consideration. Such guarantee has taken effect from 27 February 2019.

COMPLETION

After Luoyan Chenhan makes the first payment of the Total Consideration, the Company, YTO and Luoyan Chenhan shall go through the registration procedures in respect of the change of ownership of the equity interests of Transportation Company. The completion of the transfer shall take place on the date when the registration authority has completed the registration procedures for the change of equity ownership and issued a new business license to Transportation Company and Luoyan Chenhan has paid the Remaining Total Consideration and the interest accrued.

DEBT INTERESTS

Pursuant to the listing-for-sale terms of the equity interests and debt interests in Transportation Company and the Equity Transfer Agreement, all the debt interests in Transportation Company held by the Company and YTO shall be transferred together with the equity interests to Luoyan Chenhan.

REASONS FOR AND THE BENEFITS OF THE DISPOSAL AND THE IMPACT ON THE COMPANY

The Disposal will help the Company to optimize its asset structure and focus on the core business.

Immediately after the completion of the Disposal, Transportation Company will cease to be a subsidiary of the Company and will not be consolidated into the financial statements of the Company.

Based on the transaction amount and the preliminary calculation of the relevant financial data of Transportation Company, the gain from the Company's disposal of the Target Assets is estimated to be RMB24,000,000 (equivalent to approximately HK\$29,760,000), which is subject to final audit by the accountants.

The Directors expect that the net proceeds from the Disposal will be used as the Company's general working capital.

The terms of the Equity Transfer Agreement and the Disposal are determined after arms' length negotiations between the parties thereto. The Directors (including independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement and the Disposal are entered into in the usual and ordinary course of business of the Group and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION OF TRANSPORTATION COMPANY

Transportation Company, a company with limited liability incorporated in the PRC, is a controlled subsidiary of the Company prior to the completion of the Disposal. Its scope of business includes design, R&D, production, manufacturing, sales, maintenance, leasing, transfer of technical achievements, technical consulting and technical services for forklifts, engineering machineries, agricultural machineries, general machineries and parts; trading of pre-owned vehicles.

The consolidated financial information of Transportation Company for the two financial years ended 31 December 2017 and 2018 is set out below:

Currency: RMB0'000

	Year ended 31 December 2017 (Audited)	Year ended 31 December 2018 (Unaudited)
Net profit/(loss) before tax	-441.90	-284.58
Net profit/(loss) after tax	-441.90	-284.58
Total assets	4,457.48	2,780.97
Net assets	-972.18	-1,256.76

INFORMATION OF THE GROUP, YTO, YTO GROUP AND LUOYANG CHENHAN

The Group is principally engaged in the production and sales of agricultural machineries and power machineries. The principal products include tractors of hi-powered, mid-powered and low-powered, diesel engines and tractor components.

As at the date of this announcement, YTO is the 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.

Luoyang Chenhan is a company with limited liability incorporated in the PRC, principally engaged in R&D, consulting, manufacturing and sales for environmental protection equipment, engineering machineries (excluding lifting equipment), agricultural machineries and components, automotive parts; and manufacturing of non-standard parts.

LISTING RULES IMPLICATIONS

YTO is the immediate controlling shareholder of the Company. As the Company, YTO and Luoyang Chenhan are all parties to the Equity Transfer Agreement, the Disposal constitutes a connected transaction between the Group and its connected person(s), and hence a connected transaction of the Company under Rule 14A.25 of the Listing Rules.

As the applicable percentage ratios is more than 0.1% but less than 5%, the Disposal is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The transfer of the Target Assets by the Company to the transferee was approved at the 21st meeting of the 7th Board of the Company where no Directors were required to abstain from voting on the transaction.

DEFINITIONS

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

“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 thereto under the Listing Rules;
“controlling shareholder”	has the same meaning as ascribed thereto 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;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Luoyang Chenhan”	Luoyang Chenhan Agricultural Equipment & Technology Company Limited*(洛陽辰漢農業裝備科技有限公司), a company with limited liability incorporated in the PRC;
“percentage ratio(s)”	has the same meaning as ascribed thereto 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;
“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;
“Transportation Company”	YTO (Luoyang) Transportation Machinery Company Limited (一拖(洛陽)搬運機械有限公司), a company with limited liability incorporated in the PRC and a controlled subsidiary of the Company prior to the completion of the Disposal;
“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 approximately 41.66% equity interest in the Company;
“YTO Group”	YTO and its subsidiaries (excluding the Group); and
“%”	per cent.

For the purpose of this announcement, the following exchange rate is used:

RMB1.00 = HK\$1.24

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

Luoyang, the PRC
28 February 2019

As at the date of this announcement, the Board comprises Mr. Zhao Yanshui (Chairman), Mr. Wu Yong (vice Chairman) and Mr. Zhu Weijiang as executive Directors; Mr. Li Hepeng, Mr. Xie Donggang, Mr. Li Kai and Mr. Zhou Honghai as non-executive Directors; and Mr. Yu Zengbiao, Ms. Yang Minli, Ms. Wang Yuru and Mr. Edmund Sit as independent non-executive Directors.

* *For identification purposes only*