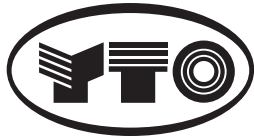


Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance 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
ESTABLISHMENT OF A CONSORTIUM FOR JOINT
PARTICIPATION IN THE BID FOR A FINANCIAL LEASE AND
PROCUREMENT PROJECT

On 22 October 2019 (after trading hours), YTO Finance, a controlled subsidiary of the Company, and YTO Special Vehicle entered into a Consortium Agreement, pursuant to which YTO Finance and YTO Special Vehicle will establish a consortium to jointly participate in the bid for a financial lease and procurement project (the “**Project Bid**”). YTO Special Vehicle will serve as the consortium leader responsible for participating in the government procurement activities of the project on behalf of all members of the consortium according to law and deal with all matters related thereto.

After the consortium is awarded the tender, YTO Special Vehicle, as the consortium leader, will be responsible for the entering into of contracts and the sponsorship, organization and coordination work during the contract performance stage, and assume joint and several liabilities to the purchaser for the contractual obligations of the other consortium members. After the consortium is awarded the tender, YTO Special Vehicle will be the equipment supplier which is responsible for manufacturing, delivery and after-sales services of equipment. YTO Finance will be responsible for providing financial services after the consortium is awarded the tender.

YTO is the immediate controlling shareholder of the Company. Since YTO Special Vehicle is a controlled subsidiary of YTO as at the date of this announcement, YTO Special Vehicle is a connected person of the Company. Accordingly, the Project Bid 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 Project Bid is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

On 22 October 2019 (after trading hours), YTO Finance, a controlled subsidiary of the Company, and YTO Special Vehicle entered into a Consortium Agreement, pursuant to which YTO Finance and YTO Special Vehicle will establish a consortium to jointly participate in the bid for a financial lease and procurement project (the “**Project Bid**”). YTO Special Vehicle will serve as the consortium leader responsible for participating in the government procurement activities of the project on behalf of all members of the consortium according to law and deal with all matters related thereto.

After the consortium is awarded the tender, YTO Special Vehicle, as the consortium leader, will be responsible for the entering into of contracts and the sponsorship, organization and coordination work during the contract performance stage, and assume joint and several liabilities to the purchaser for the contractual obligations of the other consortium members. After the consortium is awarded the tender, YTO Special Vehicle will be the equipment supplier which is responsible for manufacturing, delivery and after-sales services of equipment. YTO Finance will be responsible for providing financial services after the consortium is awarded the tender.

YTO is the immediate controlling shareholder of the Company. Since YTO Special Vehicle is a controlled subsidiary of YTO as at the date of this announcement, YTO Special Vehicle is a connected person of the Company. Accordingly, the Project Bid constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The principal terms of the Consortium Agreement are as follows:

Date

22 October 2019

Parties

- 1) YTO Finance
- 2) YTO Special Vehicle

YTO is the immediate controlling shareholder of the Company, and YTO Special Vehicle is a controlled subsidiary of YTO owned as to 70% by YTO.

OBLIGATIONS OF THE PARTIES UNDER THE CONSORTIUM AGREEMENT

YTO Special Vehicle will serve as the consortium leader responsible for participating in the government procurement activities of the project on behalf of all members of the consortium according to law and deal with all matters related thereto.

After the consortium is awarded the tender, the consortium leader will be responsible for the entering into of contracts and the sponsorship, organization and coordination work during the contract performance stage, and assume joint and several liabilities to the purchaser for the contractual obligations of the other consortium members. After the consortium is awarded the tender, YTO Special Vehicle will be the equipment supplier which is responsible for manufacturing, delivery and after-sales services of equipment. YTO Finance will be responsible for providing financial services after the consortium is awarded the tender.

For the avoidance of doubt, under the Consortium Agreement, YTO Finance will not provide any financial services, and YTO Special Vehicle and YTO Finance will not make or receive any payments before the consortium is awarded the tender and prior to the execution of the Financial Leasing Business Contract by YTO Finance. YTO Finance will comply with the relevant requirements under the Listing Rules when it enters into the Financial Leasing Business Contract.

TERM OF THE AGREEMENT

The Consortium Agreement is effective from the signing date and will lapse automatically upon completion of the performance of the contract.

BASIC INFORMATION ON THE BID PROJECT

Tenderer: Luoyang Chuangjie Construction. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Luoyang Chuangjie Construction and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

1. Size of the bid project: The tender of the project consists of two sections. In particular, the controlled price for the first section is RMB8.4 million and the controlled price for the second section is RMB18 million. The bidder is allowed to bid for both sections simultaneously but will only be awarded one section.

2. Main contents of the financial lease services: If the consortium is awarded the tender, the financial lease services to be provided by YTO Finance to Luoyang Chuangjie Construction will be mainly in the form of leaseback. YTO Special Vehicle will sell sanitation vehicle products to Luoyang Chuangjie Construction. Before the implementation of the bid project, YTO Finance, YTO Special Vehicle and Luoyang Chuangjie Construction will enter into the relevant agreements in relation to the Financial Leasing Business respectively to govern their respective rights and obligations. The term of financial lease is 5 years (60 months) and the rent shall be paid on a quarterly basis. The dynamic interest rate shall not exceed 10% and the static interest rate shall not exceed 6%. YTO Finance will comply with the relevant requirements under the Listing Rules when it enters into the relevant agreements.
3. Other matters: If the consortium is awarded the tender, YTO Special Vehicle will assist YTO Finance in discharge of relevant management obligations including credit review, payment collection, post-lease credit and risk management to ensure smooth operation of business.

REASONS FOR AND BENEFITS OF THE PROJECT BID AND THE EFFECTS ON THE COMPANY

The Project Bid is the approved normal operation of YTO Finance. It is conducive to the business development of YTO Finance and can also increase the income of the Group without prejudice to the interests of the Company and shareholders.

The terms of the Consortium Agreement and the Project Bid are determined by both parties after arm's length negotiations. The Directors (including the independent non-executive Directors) are of the view that the terms of the Consortium Agreement and the Project Bid are entered into on normal commercial terms 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, YTO FINANCE AND YTO SPECIAL VEHICLE

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 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.

YTO Finance, a controlled subsidiary of the Company owned as to 94.6% by the Company, is a non-banking financial institution approved and regulated by the relevant PRC regulatory authorities. Its principal activities include the provision of non-banking financial services to members of the Group as well as members of YTO Group.

YTO Special Vehicle is a company incorporated in the PRC with limited liability. It is principally engaged in research and development, sales and maintenance services of special automotive and its own chassis; research and development, production, sales, maintenance services and leasing of sanitation products, semi-trailer and heavy compartments, construction machinery, agricultural machinery, forklifts, general machinery products and parts; mechanical processing, non-standard equipment manufacturing; sales of commercial vehicles, passenger cars with nine seats and above and special operation vehicles, auto parts and trailers (excluding used cars); sanitation engineering design; development and consulting sanitation technology; operation and maintenance of sanitation equipment; technology development, sales and technical services of intelligent sanitation equipment, intelligent Internet of Things software, and information integration system; construction of landscape greening engineering; contracting, operation, and maintenance of road cleaning services, garbage removal and urban greening engineering; integrated treatment and recycling of wastes; property management; cleaning services.

LISTING RULES IMPLICATIONS

YTO is the immediate controlling shareholder of the Company. Since YTO Special Vehicle is a controlled subsidiary of YTO as at the date of this announcement, YTO Special Vehicle is a connected person of the Company. Accordingly, the Project Bid 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 Project Bid 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 terms of the Consortium Agreement and Project Bid have been approved by the Board. Li Xiaoyu, Cai Jibo, Li Hepeng, Xie Donggang and Zhou Honghai, all being Directors, have abstained from voting at the Board meeting, as they are connected to YTO and are regarded as being unqualified to make any independent recommendation to the Board.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“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 meaning ascribed thereto under the Listing Rules;
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules;
“Directors”	directors of the Company, including 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 Chuangjie Construction”	Luoyang Chuangjie Construction Engineering Co., Ltd.* (洛陽創潔建築工程有限公司), a company incorporated in the PRC with limited liability;
“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;
“Working Day(s)”	the days other than the statutory holidays as prescribed by the PRC government;
“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 Finance”	China First Tractor Group Finance Company Limited* (中國一拖集團財務有限責任公司), a company incorporated in the PRC with limited liability and a controlled subsidiary of the Company owned as to 94.6% by the Company;
“YTO Group”	YTO and its subsidiaries (excluding the Group);
“YTO Special Vehicle”	YTO (Luoyang) Special Vehicle Co., Ltd.* (一拖(洛陽)專用汽車有限公司), a company incorporated in the PRC with limited liability and a controlled subsidiary of YTO owned as to 70% by YTO and 30% by Dengzhou Gangao Industrial Park Co., Ltd.* (鄧州港澳工業園有限公司); 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
23 October 2019

As at the date of this announcement, the Board comprises Mr. Li Xiaoyu (Chairman), Mr. Cai Jibo (vice Chairman) and Mr. Liu Jiguo as executive Directors; Mr. Li Hepeng, Mr. Xie Donggang 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*