THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in **FIRST TRACTOR COMPANY LIMITED**, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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

Financial Adviser to the Company

TC CAPITAL
天財資本

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

VEDA | CAPITAL
智略資本

Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those set out in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 1 to 40 of this circular and a letter from the Independent Board Committee to the Independent Shareholders is set out on pages 41 to 42 of this circular. A letter of advice from Veda Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 43 to 82 of this circular.

A notice convening the EGM to be held at 2:30 p.m. on 29 October 2015, Thursday, at No. 154 Jianshe Road, Luoyang, Henan Province, the PRC is set out on pages 87 to 92 of this circular.

A form of proxy for use at the EGM was despatched and also published on the website of the Stock Exchange (http://www.hkexnews.hk) on 11 September 2015. Whether or not you are able to attend the EGM, you are requested to complete and return the proxy form in accordance with the instructions printed thereon. The proxy form shall be lodged with the Company's H Share registrar, Hong Kong Registrars Limited, at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, or at the registered address at No. 154 Jianshe Road, Luoyang, Henan Province, the PRC, as soon as possible and in any event not less than 24 hours before the time scheduled for holding the EGM or any adjourned meeting (as the case may be). Completion and deposit of the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting (as the case may be) should you so wish.

10 October 2015

* *For identification purposes only*

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

"Annual Cap(s)"	the maximum aggregate annual value(s) or outstanding amount(s) for each of the transactions contemplated under the Old Agreements, the New Agreements and the Deposit Service Agreement;
"A Share(s)"	the domestic ordinary share(s) of RMB1.00 each in the share capital of the Company, which are listed on the Shanghai Stock Exchange and subscribed for and traded in RMB;
"associate(s)"	has the same meaning as ascribed to this term under the Hong Kong Listing Rules;
"Bills Acceptance Service Agreement"	the agreement dated 25 August 2015 entered into between First Tractor Finance and YTO, on behalf of YTO Extended Group, for the provision of bills acceptance services by First Tractor Finance to YTO Extended Group;
"Bills Discounting Service Agreement"	the agreement dated 25 August 2015 entered into between First Tractor Finance and YTO, on behalf of YTO Extended Group, for the provision of bills discounting services by First Tractor Finance to YTO Extended Group;
"Board"	the board of Directors;
"CBRC"	China Banking Regulatory Commission;
"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 and the Shanghai Stock Exchange respectively;
"Composite Services Agreement"	the agreement dated 25 August 2015 entered into between YTO, on behalf of YTO, its controlled companies and their associates, as supplier and/or supplying agent and the Company, on behalf of the Group, as purchaser and/or purchasing agent pursuant to which YTO, its controlled companies and their associates agreed to provide storage services and transportation services to the Group;

"connected person(s)"	has the same meaning as ascribed to this term under the Hong Kong Listing Rules;
"controlling shareholder"	has the same meaning as ascribed to this term under the Hong Kong Listing Rules;
"Deposit Service Agreement"	the agreement dated 25 August 2015 entered into between First Tractor Finance and YTO, on behalf of YTO Extended Group, for the provision of depository services by First Tractor Finance to YTO Extended Group;
"Director(s)"	the director(s) of the Company;
"EGM"	the extraordinary general meeting of the Company to be convened and held at 2:30 p.m. on 29 October 2015, Thursday, at No. 154 Jianshe Road, Luoyang, Henan Province, the PRC, for the Independent Shareholders to consider, among other things, and, if thought fit, approve each of the New Agreements and their respective proposed Annual Cap amounts;
"Energy Procurement Agreement"	the agreement dated 25 August 2015 entered into between YTO, as supplier and/or supplying agent and the Company, on behalf of the Group, as purchaser and/or purchasing agent, pursuant to which YTO agreed to supply various kind of energy to the Group;
"First Tractor 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 subsidiary of the Company owned as to 88.6% by the Company;
"Group"	the Company and its subsidiaries;
"Hong Kong"	Hong Kong Special Administrative Region of the PRC;
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time);
"H Share(s)"	the overseas listed foreign share(s) having a nominal value of RMB1.00 each in the share capital of the Company, which are subscribed for and traded in Hong Kong dollars, all of which are listed on the Stock Exchange;

"Independent Board Committee"	an independent committee of the Board comprising the independent non-executive Directors;
"Independent Shareholder(s)"	Shareholder(s) other than YTO and its associate(s);
"Intellectual Property"	any forms of intellectual property derived or created from the technology services or labour or intellectual results under the Technology Services Agreement, including but not limited to any patents, copyrights, trademarks, trade secrets, and other technical know-how;
"Interbank Business Services Agreement"	the agreement dated 25 August 2015 entered into between First Tractor Finance and Sinomach Finance pursuant to which both parties agreed to provide financial services to each other;
"Land Lease Agreement"	the agreement dated 25 August 2015 entered into between YTO, on behalf of YTO, its controlled companies or other associates, as lessor and the Company, on behalf of the Group, as lessee, pursuant to which YTO, its controlled companies or other associates agreed to lease land use rights with a gross land area of approximately 435,000 sq.m. to the Group, as well as give the Company pre-emptive rights to lease additional land use rights with a gross land area of no more than 100,000 sq.m.;
"Latest Practicable Date"	5 October 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
"Loan Service Agreement"	the agreement dated 25 August 2015 entered into between First Tractor Finance and YTO, on behalf of YTO Extended Group, for the provision of loan services by First Tractor Finance to YTO Extended Group;
"Material Procurement Agreement"	the agreement dated 25 August 2015 entered into between YTO, on behalf of YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach, as supplier and/or supplying agent and the Company, on behalf of the Group, as purchaser and/or purchasing agent, pursuant to which YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach agreed to supply certain materials to the Group;

"New Agreements"	Non-exempt CCT Agreements and Other CCT Agreements;
"Non-exempt CCT Agreements"	the Material Procurement Agreement, the Sale of Goods Agreement, the Loan Service Agreement, the Bills Discounting Service Agreement, the Bills Acceptance Service Agreement and the Interbank Business Services Agreement;
"Non-exempt CCT Transactions"	the transactions contemplated under the Non-exempt CCT Agreements;
"Old Agreements"	(i) the composite services agreement dated 29 October 2012 entered into between YTO, on behalf of YTO, its controlled companies and their associates and the Company, on behalf of the Group; (ii) the energy procurement agreement dated 29 October 2012 entered into between YTO and the Company, on behalf of the Group; (iii) the material procurement agreement dated 29 October 2012 entered into between YTO, on behalf of YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach and the Company, on behalf of the Group; (iv) the loan service agreement, bills discounting service agreement and bills acceptance service agreement, all dated 29 October 2012, and the deposit service agreement dated 27 March 2013 entered into between First Tractor Finance and YTO, on behalf of YTO Extended Group; (v) the sale of goods agreement dated 29 October 2012 entered into between the Company, on behalf of the Group and YTO, on behalf of YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach; (vi) the technology services agreement dated 29 October 2012 entered into between Tractor Research Company, on behalf of Tractor Research Group and the Company, on behalf of the Group; (vii) the land lease agreement dated 29 October 2012 entered into between YTO, on behalf of YTO, its controlled companies or other associates and the Company, on behalf of the Group; and (viii) the properties lease agreement dated 29 October 2012 entered into between YTO, on behalf of YTO, its controlled companies or entities and their associates and the Company, on behalf of the Group;
"Other CCT Agreements"	the Composite Services Agreement, the Energy Procurement Agreement, the Properties Lease Agreement, the Land Lease Agreement and the Technology Services Agreement;

"PBOC"	the People's Bank of China;
"percentage ratio(s)"	has the same meaning as ascribed to this term under the Hong Kong Listing Rules, as applicable to a transaction;
"PRC"	The People's Republic of China which, for the purpose of this circular only, does not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
"Properties Lease Agreement"	the agreement dated 25 August 2015 entered into between YTO, on behalf of YTO, its controlled companies or entities and their associates, as lessor and the Company, on behalf of the Group, as lessee, pursuant to which YTO, its controlled companies or entities and their associates agreed to lease to the Group premises with a gross floor area of approximately 120,000 sq.m. and give the Company pre-emptive rights of leasing additional premises with a gross floor area of no more than 80,000 sq.m.;
"RMB"	Renminbi, the lawful currency of the PRC;
"Sale of Goods Agreement"	the agreement dated 25 August 2015 entered into between the Company, on behalf of the Group, as supplier and/or supplying agent and YTO, on behalf of YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach, as purchaser and/or purchasing agent pursuant to which the Group agreed to supply certain materials to YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time;
"Shanghai Listing Rules"	Shanghai Stock Exchange Share Listing Rules;
"Shareholder(s)"	shareholder(s) of the Company;
"SHIBOR"	Shanghai Interbank Offered Rate;
"Sinomach"	China National Machinery Industry Corporation* (中國機械工業集團有限公司), a limited liability company incorporated in the PRC and a controlling shareholder of YTO having 83.71% shareholding interest in YTO;

"Sinomach Finance"	Sinomach Finance Co., Ltd.* (國機財務有限責任公司), a company approved to be established in the PRC by the CBRC as a non-bank financial institution in September 2003, and a non-wholly-owned subsidiary of Sinomach;
"sq.m."	square metre;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Technology Services Agreement"	the agreement dated 25 August 2015 entered into between Tractor Research Company, on behalf of Tractor Research Group, and the Company, on behalf of the Group (excluding Tractor Research Group), pursuant to which Tractor Research Group has agreed to provide certain technology services to the Group (excluding Tractor Research Group);
"Tractor Research Company"	Luoyang Tractor Research Company Limited* (洛陽拖拉機研究所有限公司), a limited liability company incorporated in the PRC owned as to 51% by the Company and 49% by YTO, a non-wholly-owned subsidiary of the Company and an associate of YTO;
"Tractor Research Group"	Tractor Research Company and its three wholly-owned subsidiaries, namely Luoyang Xinyan Mechanical Material Engineering Company Limited* (洛陽鑫研機械材料工程有限公司), Luoyang Xiyuan Motor Power Inspection Institution Company Limited* (洛陽西苑車輛動力檢驗所有限公司) and Luoyang Tuoqi Engineering Motor Technology Company Limited* (洛陽拖汽工程車輛科技有限公司), being the service providers who provide technology services under the Technology Services Agreement to the Group (excluding Tractor Research Group);
"Veda Capital"	Veda Capital Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt CCT Transactions and their respective Annual Cap amounts;

"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 44.57% equity interest in the Company;
"YTO Extended Group"	(i) YTO; (ii) its controlling companies or entities; (iii) non-wholly-owned subsidiaries of the Company that companies or entities in (i) and (ii) above hold 10% or more voting rights respectively or collectively; and (iv) associates of YTO;
"YTO Group"	YTO and its subsidiaries; and
"%"	per cent.

** For identification purposes only*

Certain figures set out in this circular are subject to rounding adjustments. Accordingly, figures shown as the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

Any discrepancy in any table between totals and sums of amounts listed in this circular is due to rounding.

The English names of the Chinese nationals, companies, entities, departments, facilities, certificates, titles and the like are translation of their Chinese names and are included in this circular for identification purposes only and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese names prevail.

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)

Board of Directors:
Mr. Zhao Yanshui *(Chairman)*
Mr. Wang Erlong *(Vice Chairman)*
Mr Yan Linjiao
Mr. Wu Zongyan
Mr. Wang Kejun
Mr. Guo Zhiqiang
Mr. Liu Jiguo
Mr. Wu Yong
Mr. Hong Xianguo
Mr. Xing Min
Mr. Wu Tak Lung
Mr. Yu Zengbiao

Registered and principal office:
No. 154 Jianshe Road
Luoyang, Henan Province
The PRC

10 October 2015

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

References are made to (i) the announcement of the Company dated 25 August 2015 in relation to the New Agreements and the Deposit Service Agreement; and (ii) the announcements of the Company dated 29 October 2012 and 24 September 2014, the overseas regulatory announcement of the Company dated 27 March 2013, and the circulars of the Company dated 28 November 2012 and 16 October 2014, in respect of, among other things, the existing continuing connected transactions under the Old Agreements and their respective Annual Cap amounts and the revised Annual Cap amounts for the sale of goods agreement dated 29 October 2012 entered into between the Company and YTO.

The Old Agreements will expire on 31 December 2015. The Board wishes to ensure the continuation of the on-going transactions of goods and services under the Old Agreements. Apart from the Old Agreements, First Tractor Finance and Sinomach Finance intend to provide interbank business services to each other.

Accordingly, on 25 August 2015, the Company (on behalf of the Group) and/or its subsidiary, First Tractor Finance, entered into the New Agreements and the Deposit Service Agreement with YTO and/or YTO (on behalf of YTO Group and/or Sinomach and/or the subsidiaries of Sinomach and/or associates of YTO and/or YTO Extended Group) and/or its controlled subsidiary, Tractor Research Company (on behalf of Tractor Research Group) and/or Sinomach Finance for a term of three years commencing from 1 January 2016, in respect of the transactions of certain materials, the provision of certain production-related services, energy procurement, research and development and consultation on technology and technology services, financial services and interbank business services, and the leasing of lands and properties. Save for the effective period and Annual Cap amounts of each of the New Agreements and the Deposit Service Agreement and the change in scope of services to be provided under the Composite Services Agreement, the terms and conditions of each of the New Agreements (excluding the Interbank Business Services Agreement) and the Deposit Service Agreement are similar to those in the respective Old Agreements.

The purpose of this circular is to provide you with (i) further details relating to each of the New Agreements and the Deposit Service Agreement; (ii) the advice from the Independent Board Committee to the Independent Shareholders in respect of the Non-exempt CCT Agreements; (iii) the letter of advice from Veda Capital to the Independent Board Committee in respect of the Non-exempt CCT Agreements; and (iv) a notice of the EGM to be convened for the Independent Shareholders, to approve the transactions contemplated under the New Agreements and the respective proposed Annual Cap amounts for the three years ending 31 December 2016, 2017 and 2018.

Details of each of the New Agreements, the Deposit Service Agreement and their corresponding Annual Cap amounts are set out below:

NON-EXEMPT CCT TRANSACTIONS SUBJECT TO THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

(A) Material Procurement Agreement

Date : 25 August 2015

Parties :

- YTO, on behalf of YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach, as supplier and/or supplying agent; and
- The Company, on behalf of the Group, as purchaser and/or purchasing agent.

Goods to be provided	:	Products required in the production of the Group, including but not limited to raw materials (including steel, pig iron, waste steel, coke, nonferrous metals and lubricating oil), other industrial equipment (including machine tools), components (including clamping apparatus and moulds) and spare parts (including oil injection pumps).
Term	:	From 1 January 2016 to 31 December 2018.
Payment terms	:	Shall be principally settled within three months from the date of confirmation of receiving the goods by the purchaser. Subject to negotiation between the parties, prepayments by the purchaser of no more than six months from the estimated date of delivery of the goods are acceptable.

Pricing Standards of the Transaction contemplated under the Material Procurement Agreement

Under the Material Procurement Agreement, the price of the goods to be provided will be:

(1) the market price of an independent third party obtained through prices quoted on websites for the industry or enquiries in the market (i.e. the price of the same or similar product provided to independent third parties by suppliers other than YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach in the same region during the ordinary course of business on normal commercial terms);

(2) if there is no market price determined by an independent third party, the transaction price between YTO Group, associates of YTO, Sinomach or the subsidiaries of Sinomach and an independent third party; and

(3) if none of the above is applicable, costs plus a percentage mark-up (tax-inclusive), which is not more than 30% (i.e. price = cost x (1 + percentage mark-up)), whereas the 30% mark-up is determined based on (i) the average sales margin of listed companies engaged in special purpose equipment (the industry classification is according to the China Securities Regulatory Commission) for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015; (ii) the sales margin of the same or similar products of YTO Group; and (iii) the margin of the historical transactions with the parties to the Material Procurement Agreement.

To ensure smooth operation of the Group, the Group purchased the products under the material procurement agreement dated 29 October 2012 with two to three suppliers including YTO Group and independent third parties. Therefore, pricing basis nos. (1) and (2) were mostly adopted in the transactions under the material procurement agreement dated 29 October 2012 for the three years ended 31 December 2015. If the Group purchased the products with one supplier, pricing basis no. (3) was adopted.

YTO undertakes that the applicable price of the goods offered to the Group shall not be less favourable than that offered to independent third party customers of YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach for the same goods.

Historical Figures and the Proposed Annual Cap Amounts for the Transaction under the Material Procurement Agreement

In respect of the material procurement agreement dated 29 October 2012, the following table sets out the historical transaction amounts for the years ended 31 December 2013 and 2014, and for the six months ended 30 June 2015. The table also sets out the proposed Annual Cap amounts for each of the three years ending 31 December 2016, 2017 and 2018 under the Material Procurement Agreement:

	Historical transaction amounts			**Proposed Annual Caps amounts**		
	For the year ended 31 December		**For the six months ended 30 June**	**For the year ending 31 December**		
	2013	**2014**	**2015**	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Material Procurement Agreement	764,694	376,160	286,050	500,000	500,000	500,000

Basis for the Proposed Annual Cap Amounts under the Material Procurement Agreement

The proposed Annual Cap amounts for the three years ending 31 December 2016, 2017 and 2018 for the Material Procurement Agreement are based on:

(1) the historical transaction amounts and the estimated transaction amount in 2015 (approximately RMB500 million) after taking into account of the expected increase in the proportion of procurement of spare parts that are able to adapt to the technological upgrade of the Company from independent third parties (resulted from the products technological advancement, generation upgrade and the increase in centralized procurement capacity); and

(2) the relatively steady sales volume of tractors, power machineries and other major products from 2016 to 2018 due to the overall slowdown in the growth of the agricultural machinery industry since 2014 and the structural adjustment period of products in the future. As mentioned in the interim report of the Company for the six months ended 30 June 2015, in the first half of 2015, the policies on maintaining stable growth and reform measures for promoting reform, adjusting structure, benefiting people and preventing risks launched by

the PRC government in the earlier stage have showed effects, and the industrial economy presented a moderate but stable trend. The principal operating revenue of sizable agricultural machinery enterprises continued to grow at a slower rate. As affected by the factors including the year-on-year increase in the subsidies for purchase of agricultural machineries in the first half of this year and the good harvest in Heilongjiang Province in the Northeast Region, the sales of the tractor industry recovered to a certain degree in the first half of this year and fluctuated within a narrow range at the high level. Meanwhile, as affected by factors like the deep ploughing, straw mulching and land transfer promoted by the PRC government, the trend of product and power upgrade of tractors continued to develop. In the first half of this year, the accumulated sales volume of the hi-powered and mid-powered tractors industry reached 196,000 units, representing a slight year-on-year decrease of 0.4%, of which the sales volume of hi-powered wheeled tractors was 77,800 units, representing a 14.9% year-on-year increase, the sales volume of tractors with power of 100 horsepower or above was 33,900 units, representing a 44.8% year-on-year increase, and the sales volume of mid-powered wheeled tractors was 118,000 units, representing a 8.4% year-on-year decrease.

(B) Sale of Goods Agreement

Date : 25 August 2015

Parties :

- The Company, on behalf of the Group, as supplier and/or supplying agent; and
- YTO, on behalf of YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach, as purchaser and/or purchasing agent.

Goods to be provided : Products to be used in the production and in the ordinary course of business of the purchaser, including but not limited to raw materials (including steel), spare parts (including casting parts), components (including semi-finished parts and finished parts) and equipment (including diesel engines and tractors).

Term : From 1 January 2016 to 31 December 2018.

Payment terms	:	Shall be principally settled within three months after the date of delivery of goods by the supplier. Subject to negotiation between the parties, prepayments by the purchaser of no more than six months from the estimated date of delivery of the goods are acceptable.
Undertaking	:	Provided that the Group manufactures such goods, the Group undertakes to give priority to YTO Group for supply of such goods over other third parties' under the same condition.

Pricing Standards of the Transaction contemplated under the Sale of Goods Agreement

Under the Sale of Goods Agreement, the applicable price of the goods to be provided will be:

(1) the market price of an independent third party obtained through prices quoted on websites for the industry or enquiries in the market (i.e. the price of the same or similar product provided to independent third parties by suppliers other than the Group in the same region during the ordinary course of business on normal commercial terms);

(2) if there is no market price determined by an independent third party, the transaction price between the Group and an independent third party; and

(3) if none of the above is applicable, costs plus a percentage mark-up (tax-inclusive), which is not more than 30% (i.e. price = cost x (1 + percentage mark-up)), whereas the 30% mark-up is determined based on (i) the average sales margin of listed companies engaged in special purpose equipment (the industry classification is according to the China Securities Regulatory Commission) for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015; (ii) the sales margin of the same or similar products of the Company; and (iii) the margin of the historical transactions with the parties to the Sale of Goods Agreement.

The pricing basis nos. (2) and (3) were mostly adopted in the transactions under the sale of goods agreement dated 29 October 2012 depending on whether there was a transaction price between the Group and an independent third party for the comparable product.

In any event, the applicable price of the goods offered to YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach by the Group shall not be more favourable than that offered to independent third party customers of the Group. In the event that the pricing basis no. (3) above is applicable and the Group is of the view that the 30% mark-up is not more favourable to the Group nor does not satisfy the Group's principle for determining the prices for connected transaction, the Group will negotiate with YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach to suspend the relevant transaction under the Sale of Goods Agreement and may revise the relevant pricing standards of the transaction under the Sale of Goods Agreement subject to the Independent Shareholders' approval.

Historical Figures and the Proposed Annual Cap Amounts for the Transactions under the Sale of Goods Agreement

In respect of the sale of goods agreement dated 29 October 2012, the following table sets out the historical transaction amounts for the years ended 31 December 2013 and 2014, and for the six months ended 30 June 2015. The table also sets out the proposed Annual Cap amounts for each of the three years ending 31 December 2016, 2017 and 2018 under the Sale of Goods Agreement:

	Historical transaction amounts			**Proposed Annual Cap amounts**		
	For the year ended 31 December		**For the six months ended 30 June**	**For the year ending 31 December**		
	2013	**2014**	**2015**	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Sale of Goods Agreement	119,516	113,450	98,230	350,000	200,000	210,000

Basis for the Proposed Annual Cap Amounts under the Sale of Goods Agreement

The proposed Annual Cap amounts for the three years ending 31 December 2016, 2017 and 2018 for the Sale of Goods Agreement are based on:

(1) the historical transaction amounts in 2013 and 2014 and the six months ended 30 June 2015;

(2) the expected growth in sales of spare parts to YTO Group. The Company intends to sell spare parts to YTO Group for YTO Group to resell them to its distributors in order to (i) make use of the existing well-established distribution network of YTO Group to increase the sales of spare parts; and (ii) reduce the expenses of the Company in storage, logistics, transportation and distribution network maintenance arose from the sales of spare parts;

(3) the expected increase in the volume of procurement by YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach conducted via the procurement platform of the Group. According to the information provided by YTO Group, YTO Group has cooperated with an automotive manufacturer to manufacture certain supplies and parts required for the production of pickup trucks and through such cooperation to exploit the opportunities and increase its market share in the pickup trucks market in China and the number of pickup trucks to be produced is expected to increase gradually from 2015 to 2018; and

(4) the expected increase in demand for tractors and spare parts by YTO in 2016 as YTO (as the contractor) has entered into an agreement with foreign government on 13 October 2014 with a contract sum of USD 24 million, of which YTO agreed to supply tractors and spare parts and provide the related after-sales services. The agreement is expected to complete in 2016.

(C) Loan Service Agreement

Date	:	25 August 2015
Parties	:	• First Tractor Finance, a subsidiary of the Company; and • YTO, on behalf of YTO Extended Group.
Financial services to be provided	:	Provision of loan services by First Tractor Finance to YTO Extended Group.
Term	:	From 1 January 2016 to 31 December 2018.
Payment terms	:	Shall be specified on each separate loan contract to be agreed by the parties.
Security	:	First Tractor Finance may request YTO Extended Group to provide pledge of assets or other guarantees to secure YTO Extended Group's liabilities arising from the performance of the Loan Service Agreement.
Undertaking	:	YTO undertakes that the deposit maintained by YTO Extended Group with First Tractor Finance should be greater than the loan balance at all time. If YTO Extended Group breaches such undertaking, First Tractor Finance has the right to restrict payment to any third parties by YTO Extended Group from its deposit maintained with First Tractor Finance, or request YTO Extended Group to increase its deposit balance with First Tractor Finance.

Rights to demand for early repayment	:	First Tractor Finance shall first satisfy the funding needs of the Group. Depending on the condition of shortfall of funding of the Group, First Tractor Finance has the right to issue a termination or terms amendment notice to YTO Extended Group, requesting for termination or amendments to the terms of the loans granted to YTO Extended Group so as to collect the money to support the production operation of the Group.

Pricing Standards of the Transaction contemplated under the Loan Service Agreement

The service fees to be charged by First Tractor Finance for any loan services will be:

(1) the rate prescribed by CBRC or PBOC (including the benchmark interest rate prescribed by the PBOC from time to time and published on PBOC's website for the same type and same period of loans (PBOC will also notify all relevant institutions of any updates of such interest rate in writing));

(2) if the above rate is not applicable (e.g. in the event that the rate prescribed by CBRC or PBOC cannot compensate the lending risk of First Tractor Finance after its evaluation on the creditability of the borrowers and the market condition), the rate charged in the same industry in the PRC for the same type and same period of loans by enquiries in the market; and

(3) if none of the above is applicable, determined after arm's length negotiation between First Tractor Finance and YTO Extended Group after considering the fair rate offered by the third party on comparable transactions in the same industry, their financial positions and terms and size of the transactions as the main factors.

The Company is currently using the pricing basis nos. (1) and (2) to determine the service fees for the loan services depending on whether the rate prescribed by CBRC or PBOC can compensate the lending risk of First Tractor Finance after its evaluation on the creditability of the borrowers and the market condition.

First Tractor Finance undertakes that the applicable service fees offered to YTO Extended Group by First Tractor Finance shall not be more favourable than those offered to independent third party customers of First Tractor Finance for the same services.

Historical Figures and the Proposed Annual Cap Amounts for the Transaction under the Loan Service Agreement

In respect of the loan service agreement dated 29 October 2012, the following table sets out the historical maximum outstanding amounts for the years ended 31 December 2013 and 2014, and for the six months ended 30 June 2015. The table also sets out the maximum outstanding Annual Cap amounts for each of the three years ending 31 December 2018:

	Historical transaction amounts			Proposed Annual Cap amounts		
	For the year ended 31 December		For the six months ended 30 June	For the year ending 31 December		
	2013	**2014**	**2015**	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Loan Service Agreement	569,620	689,340	581,550	800,000	850,000	900,000

Basis for the Proposed Annual Cap Amounts under the Loan Service Agreement

The proposed Annual Cap amounts for the loan services provided under the Loan Service Agreement are determined with reference to the following factors:

(1) First Tractor Finance's historical average financial resources at the end of each month (2013: RMB2.6 billion; 2014: RMB3.1 billion; January to June 2015: RMB4.0 billion) and expected average financial resources at the end of each month (2016: approximately RMB3.5 billion; 2017: approximately RMB4.0 billion; and 2018: approximately RMB4.5 billion);

(2) the business plans and capital requirements of YTO Extended Group. According to the information provided by YTO Extended Group, YTO Extended Group has a sound operation and good progresses in its business development in areas including industrial equipment, tobacco machineries and special vehicle manufacturing and expects that these businesses will continue to grow. Moreover, the funds requirement of YTO Extended Group is expected to be used mainly in the development of these businesses, daily operation and new products and projects development;

(3) the expected proportion of the maximum outstanding Annual Cap amount for the loan provided to YTO Extended Group by First Tractor Finance in 2016 to 2018 to the expected average financial resources of First Tractor Finance in 2016 to 2018, amounting to 23%, 21% and 20% respectively, which is close to the proportion of the actual highest balance of loan provided to YTO Extended Group by First Tractor Finance to the average financial resources of First Tractor Finance in each of 2013 and 2014; and

(4) in determining Annual Caps for the provision of loan and bills discounting services, First Tractor Finance will first take into account of the total amount of financing to be provided by First Tractor Finance to YTO Extended Group and then determine the means of financing, i.e. loan and bills discounting. The total amount of financing (including loan and bills discounting) to be provided to YTO Extended Group by First Tractor Finance in each of the three years ending 31 December 2016, 2017 and 2018 are approximately RMB1.23 billion, RMB1.31 billion and RMB1.39 billion respectively.

The historical figures of the loan and bills discounting provided to YTO Extended Group by First Tractor Finance amounted to approximately 80% and 20% of the total loan amount (including loan and bills discounting), respectively. Yet, due to the on-going expansionary policy in the PRC which sharply lowers the discounting interest rate, it is expected that the demand for bills discounting service from YTO Extended Group will increase, and the loan and bills discounting provided to YTO Extended Group will amount to 65% and 35% of the total financing amount (including both loan and bills discounting) in each of the three years ending 31 December 2016, 2017 and 2018.

Hence the Annual Caps for loan services for the same period are RMB800 million, RMB850 million and RMB900 million respectively.

(D) Bills Discounting Service Agreement

Date : 25 August 2015

Parties :
- First Tractor Finance, a subsidiary of the Company; and
- YTO, on behalf of YTO Extended Group.

Financial services to be provided : Provision of bills discounting services by First Tractor Finance to YTO Extended Group, whereby First Tractor Finance will pay the face value of undue bills presented by YTO Extended Group net of the discount interests.

Term : From 1 January 2016 to 31 December 2018.

Payment terms : Shall be specified on each separate contract to be agreed by the parties.

Pricing Standards of the Transaction contemplated under the Bills Discounting Service Agreement

The service fees charged by First Tractor Finance for any bills discounting services will be:

(1) the rate in relation to the same type and same period of bills discounting services prescribed by CBRC or PBOC;

(2) if the above rate is not applicable (as the rate prescribed by CBRC or PBOC currently is a bills rediscounting rate), the rate charged in the same industry in the PRC for the same type and same period of bills discounting services by enquiries in the market; and

(3) if none of the above is applicable, determined after arm's length negotiation between First Tractor Finance and YTO Extended Group after considering the fair rate offered by the third party on the comparable transactions in the same industry, their financial positions and terms and size of the transactions as the main factors.

The Company is currently using the pricing basis nos. (2) and (3) to determine the service fees for bills discounting service depending on whether the bills discounting service has a rate charged in the same industry in the PRC of the same type and same period.

First Tractor Finance undertakes that the applicable service fees charged to YTO Extended Group by First Tractor Finance shall not be more favourable than those charged to independent third party customers of First Tractor Finance for the same services.

Historical Figures and the Proposed Annual Cap Amounts for the Transaction under the Bills Discounting Service Agreement

In respect of the bills discounting service agreement dated 29 October 2012, the following table sets out the historical maximum outstanding amounts for the years ended 31 December 2013 and 2014, and for the six months ended 30 June 2015. The table also sets out the maximum outstanding Annual Cap amounts for each of the three years ending 31 December 2018:

	Historical transaction amounts			**Proposed Annual Cap amounts**		
	For the year ended 31 December		**For the six months ended 30 June**	**For the year ending 31 December**		
	2013	**2014**	**2015**	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bills Discounting Service Agreement	72,000	181,780	235,130	430,000	460,000	490,000

Basis for the Proposed Annual Cap Amounts under the Bills Discounting Service Agreement

The proposed Annual Cap amounts for the bills discounting services provided under the Bills Discounting Service Agreement are determined with reference to the following factors:

(1) First Tractor Finance's historical average financial resources at the end of each month (2013: RMB2.6 billion; 2014: RMB3.1 billion; January to June 2015: RMB4.0 billion) and the expected average financial resources at the end of each month (2016: approximately RMB3.5 billion; 2017: approximately RMB4.0 billion; and 2018: approximately RMB4.5 billion);

(2) the business plans and capital requirements of YTO Extended Group. According to the information provided by YTO Extended Group, YTO Extended Group has a sound operation and good progresses in its business development in areas including industrial equipment, tobacco machineries and special vehicle manufacturing and expects that these businesses will continue to grow. Moreover, the funds requirement of YTO Extended Group is expected to be used mainly in the development of these businesses, daily operation and new products and projects development;

(3) in determining Annual Caps for the provision of loan and bills discounting services, First Tractor Finance will first take into account of the total amount of financing to be provided by First Tractor Finance to YTO Extended Group and then determine the means of financing, i.e. loan and bills discounting. The total amount of financing (including loan and bills discounting) to be provided to YTO Extended Group by First Tractor Finance in each of the three years ending 31 December 2016, 2017 and 2018 are approximately RMB1.23 billion, RMB1.31 billion and RMB1.39 billion respectively.

    The historical figures of the loan and bills discounting provided to YTO Extended Group by First Tractor Finance amounted to approximately 80% and 20% of the total loan amount (including loan and bills discounting), respectively. Yet, due to the on-going expansionary policy in the PRC which sharply lowers the discounting interest rate, it is expected that the demand for bills discounting service from YTO Extended Group will increase, and the loan and bills discounting provided to YTO Extended Group will amount to 65% and 35% of the total financing amount (including both loan and bills discounting) in each of the three years ending 31 December 2016, 2017 and 2018.

    Hence the Annual Caps for bills discounting services for the same period are RMB430 million, RMB460 million and RMB490 million respectively; and

(4) the on-going expansionary monetary policy in PRC that sharply lowers the discounting interest rate (which drops lower than the loan interest rate) and hence results in an increase in demand for bills discounting services from YTO Extended Group.

(E) Bills Acceptance Service Agreement

Date	:	25 August 2015
Parties	:	• First Tractor Finance, a subsidiary of the Company; and • YTO, on behalf of YTO Extended Group.
Financial services to be provided	:	Provision of bills acceptance services by First Tractor Finance to YTO Extended Group, whereby First Tractor Finance guarantees the payment of bills issued by YTO Extended Group. In return, YTO Extended Group shall pay the service fees.
Term	:	From 1 January 2016 to 31 December 2018.
Payment terms	:	Shall be specified on each separate contract to be agreed by the parties.
Security	:	First Tractor Finance may request YTO Extended Group to provide pledge of assets or other guarantees to secure the liabilities of YTO Extended Group arising from its performance under the Bills Acceptance Service Agreement.

Pricing Standards of the Transaction contemplated under the Bills Acceptance Service Agreement

The service fees charged by First Tractor Finance for any bills acceptance services will be:

(1) the rate in relation to the same type and same period of bills acceptance services prescribed by CBRC or PBOC;

(2) if the above rate is not applicable, the rate charged in the same industry in the PRC for the same type and same period of bills acceptance services by enquiries in the market; and

(3) if none of the above is applicable, determined after arm's length negotiation between First Tractor Finance and YTO Extended Group after considering the fair rate offered by the third party on the comparable transactions in the same industry, their financial positions and terms and size of the transactions as the main factors.

The Company is currently using the rate prescribed by CBRC or PBOC to determine the service fees for the bills acceptance services. The other pricing standards may be applicable in case of any future changes in the rate prescribed by CBRC or PBOC, e.g. change in type and period of the rate for bills acceptance announced by CBRC or PBOC, which makes the rate no longer applicable to the Bills Acceptance Service Agreement.

First Tractor Finance undertakes that the applicable service fees charged to YTO Extended Group by First Tractor Finance shall not be more favourable than those charged to independent third party customers of First Tractor Finance for the same services.

Historical Figures and the Proposed Annual Cap Amounts for the Transaction under the Bills Acceptance Service Agreement

In respect of the bills acceptance service agreement dated 29 October 2012, the following table sets out the historical maximum outstanding amounts for the years ended 31 December 2013 and 2014, and for the six months ended 30 June 2015. The table also sets out the maximum outstanding Annual Cap amounts for each of the three years ending 31 December 2018:

	Historical transaction amounts			Proposed Annual Cap amounts		
	For the year ended 31 December		For the six months ended 30 June	For the year ending 31 December		
	2013	2014	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bills Acceptance Service Agreement	214,192	167,570	149,100	250,000	280,000	300,000

Basis for the Proposed Annual Cap Amounts under the Bills Acceptance Service Agreement

The proposed Annual Cap amounts for the services provided under the Bills Acceptance Service Agreement are determined with reference to the following factors:

(1) the historical figures of the average and maximum amounts of bills acceptance provided by First Tractor Finance to YTO Extended Group between January 2013 and June 2015;

(2) First Tractor Finance's historical and expected future financial resources. As at the end of June 2015, the total shareholders' equity of First Tractor Finance amounted to approximately RMB720 million, and is expected to reach RMB790 million, RMB850 million and RMB900 million in 2016, 2017 and 2018 respectively; and

(3) the future plan of YTO Extended Group to implement the just-in-time payment policy (to obtain a better price, YTO Extended Group will shorten the payment period with its suppliers) in its procurement business which will increase YTO Extended Group's demand for bills acceptance and hence increase the demand of bills acceptance of First Tractor Finance.

(F) Interbank Business Services Agreement

Date	:	25 August 2015
Parties	:	• First Tractor Finance, a subsidiary of the Company; and • Sinomach Finance, a subsidiary of Sinomach.
Financial services to be provided	:	Mutual provision of financing services between First Tractor Finance and Sinomach Finance including interbank deposit, lending, credit assets transfer (fund borrowing from other financial institutions by transferring ownership of undue credit assets) and bond transactions conducted between financial institutions.
Term	:	From 1 January 2016 to 31 December 2018.
Payment terms	:	Shall be specified on each separate contract to be agreed by the parties whereas the party with capital inflow from another party shall pay the service fees.
Security	:	First Tractor Finance may request Sinomach Finance to provide pledge of assets or other guarantees to secure the liabilities of Sinomach Finance arising from its performance under the Interbank Business Services Agreement.

Pricing Standards of the Transaction contemplated under the Interbank Business Services Agreement

The service fees charged by First Tractor Finance and Sinomach Finance to each other for different financing services will be determined:

(1) based on the SHIBOR announced by Shanghai Interbank Offered Market in the same type and same period of transaction for interbank lending and interbank bond transactions rate for bond transactions conducted between financial institutions (including state-owned commercial banks, joint-equity banks and urban commercial banks);

(2) with reference to the deposit rates for the same type and same period of funds announced by other financial institutions (including state-owned commercial banks, joint-equity banks and urban commercial banks) for interbank deposit;

(3) with reference to the market price of the target assets in capital financing announced by other financial institutions (including state-owned commercial banks, joint-equity banks and urban commercial banks) for credit asset transfer; and

(4) if none of the above is applicable, after arm's length negotiation between the counterparties after considering their financial positions and terms, size and quality of the financial assets.

Sinomach Finance undertakes that the applicable price of the capital inflow service offered to First Tractor Finance, being the party with capital inflow from the other party, by Sinomach Finance shall not be less favourable than those offered to independent third party customers of Sinomach Finance for the same services. On the other hand, First Tractor Finance undertakes that the applicable price of the capital outflow service offered from First Tractor Finance to Sinomach Finance, being the party with capital inflow from the other party, shall not be more favourable than those offered to independent third party customers of First Tractor Finance for the same services.

Proposed Annual Cap Amounts for the Transaction under the Interbank Business Services Agreement

The following table sets out the maximum outstanding Annual Cap amounts under the Interbank Business Services Agreement for each of the three years ending 31 December 2018:

	Proposed Annual Cap amounts For the year ending 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Interbank Business Services Agreement	700,000	800,000	900,000

The Company confirms that there is no historical transaction for mutual provision of financing services between First Tractor Finance and Sinomach Finance including interbank deposit, lending, credit assets transfer and bond transactions conducted between financial institutions.

Basis for the Proposed Annual Cap Amounts under the Interbank Business Services Agreement

The proposed Annual Cap amounts for the services provided under the Interbank Business Services Agreement are determined with reference to the following factors:

(1) the historical figures of the transaction amount of interbank business services conducted with independent third parties in 2013 and 2014 and the six months ended 30 June 2015; and

(2) First Tractor Finance's risk control policy is also adopted with reference to the risk control policy for interbank business services between financial institutions implemented by the CBRC, which includes (i) interbank lending from a commercial bank to a single financial institution (the net amount after deducting risk free assets) shall not exceed 50% of the bank's primary capital (approximately RMB800 million, RMB850 million and RMB900 million in 2016, 2017 and 2018 respectively for First Tractor Finance); and (ii) the balance of interbank borrowing of a commercial bank shall not exceed one-third of the bank's total liability (approximately RMB2,700 million, RMB3,150 million and 3,600 million in 2016, 2017 and 2018 respectively for First Tractor Finance).

OTHER CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING, ANNUAL REVIEW AND ANNOUNCEMENT REQUIREMENTS UNDER THE HONG KONG LISTING RULES AND THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT UNDER THE SHANGHAI LISTING RULES

(G) Composite Services Agreement

Date : 25 August 2015

Parties :

- YTO, on behalf of YTO, its controlled companies and their associates, as supplier and/or supplying agent; and
- The Company, on behalf of the Group, as purchaser and/or purchasing agent.

Services to be provided : Storage services and transportation services.

Term : From 1 January 2016 to 31 December 2018.

Payment terms : Storage services: shall be billed quarterly and paid in the following month.

Transportation services: shall be principally settled within three months after confirmation by the Company (on behalf of the Group) from the date of delivering or receiving the goods.

Pricing Standards of the Transaction contemplated under the Composite Services Agreement

Under the Composite Services Agreement, the price of the services to be provided thereunder will be:

(1) the market price of an independent third party obtained through prices quoted on websites for the industry or enquiries in the market (i.e. the price of the same or similar services provided to independent third parties by suppliers other than YTO, its controlled companies and their associates in the same region during the ordinary course of business on normal commercial terms);

(2) if there is no market price determined by an independent third party, the transaction price between YTO, its controlled companies and their associates and an independent third party; and

(3) if none of the above is applicable, costs plus a percentage mark-up (tax-inclusive), which is not more than 30% (i.e. price = cost x (1 + percentage mark-up)), whereas the 30% mark-up is determined based on (i) the average sales margin of listed companies engaged in storage and transportation services (the industry classification is according to the China Securities Regulatory Commission) for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015; (ii) the sales margin of the same or similar services of YTO Group; and (iii) the margin of the historical transactions with the parties to the Composite Services Agreement.

The Company is currently using the pricing basis nos. (2) and (3) to determine the service fees for the composite services depending on whether there is a transaction price between YTO, its controlled companies and their associates and an independent third party for the comparable service.

YTO undertakes that the applicable price of the services offered to the Group shall not be less favourable than that offered to independent third party customers of YTO, its controlled companies and their associates for the same services.

Historical Figures and the Proposed Annual Cap Amounts for the Transaction under the Composite Services Agreement

In respect of provision of storage services and transportation services under the composite services agreement dated 29 October 2012, the following table sets out the historical transaction amounts of storage services and transportation services for the years ended 31 December 2013 and 2014, and for the six months ended 30 June 2015. The table also sets out the proposed Annual Cap amounts for each of the three years ending 31 December 2016, 2017 and 2018 under the Composite Services Agreement:

	Historical transaction amounts			Proposed Annual Cap amounts		
	For the year ended 31 December		For the six months ended 30 June	For the year ending 31 December		
	2013	**2014**	**2015**	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Composite Services Agreement, which consists of (for the composite service agreement dated 29 October 2012, among others,)	158,387	228,880	100,710	147,200	157,200	167,200
– Storage Services	4,230	5,100	2,770	7,200	7,200	7,200
– Transportation Services	80,600	148,160	80,720	140,000	150,000	160,000

Basis for the Proposed Annual Cap Amounts under the Composite Services Agreement

The basis for determining the proposed Annual Cap amounts for the three years ending 31 December 2016, 2017 and 2018 for the Composite Services Agreement is as follows:

(1) The proposed Annual Cap amounts for storage services have been determined with reference to:

(i) the historical transaction amounts in 2013 and 2014; and

(ii) the increase in storage services fee resulting from (a) the integration of related businesses between the Company and YTO Group; (b) the increase in depreciation due to improvement in storage services equipment; and (c) the increase in salaries of employees; and

(2) The proposed Annual Cap amounts for transportation services have been determined with reference to:

(i) the historical transaction amount in 2013 and 2014;

(ii) the expected increase in the amount of tractors and other agricultural machinery products to be sold by the Company and transported by YTO Group, for the reason that the Company intends to (a) improve the quality of service and efficiency in sales of products; (b) make use of YTO Group's experience and scale advantages in logistics and transportation business; and (c) reduce the operation risk arising from disputes in relation to transportation; and

(iii) the expected increase in transportation services in 2017 and 2018 resulting from the gradual adjustment in the sales mix of the major products of the Group, the increase in proportion of large tractors sold, the expected improvement in business and the expected changes in fuel price and labour costs.

(H) Energy Procurement Agreement

Date	:	25 August 2015
Parties	:	• YTO as supplier and/or supplying agent; and • The Company, on behalf of the Group, as purchaser and/or purchasing agent.
Energy to be provided	:	Energy to be used in the production of the Group, including but not limited to electricity, gas, oxygen, water, compressed air, acetylene, steam and nitrogen.
Term	:	From 1 January 2016 to 31 December 2018.
Payment terms	:	Shall be billed and paid monthly or latest in the following month. Subject to negotiation between the parties, prepayments by purchaser of no more than six months are acceptable.

Pricing Standards of the Transaction contemplated under the Energy Procurement Agreement

Under the Energy Procurement Agreement, the price of the energies to be provided will be:

(1) the governmental guidance price (any pricing guidelines or recommended price set by the PRC government or any regulatory authorities)(currently for electricity, water and steam);

(2) if there is no governmental guidance price, the market price or the transaction price between the Group and an independent third party (currently for oxygen, acetylene and nitrogen);

(3) if none of the above is applicable, the transaction price between YTO and an independent third party (currently for gas); and

(4) if none of the above is applicable, costs plus a percentage mark-up (tax-inclusive), which is not more than 30% (i.e. price = cost x (1 + percentage mark-up)), whereas the 30% mark-up is determined based on (i) the average sales margin of listed companies engaged in energy supply (the industry classification is according to the China Securities Regulatory Commission) for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015; (ii) the sales margin of the same or similar energy of YTO; and (iii) the margin of the historical transactions with the parties to the Energy Procurement Agreement (currently for compressed air).

YTO undertakes that the applicable price of the energy offered to the Group shall not be less favourable than that offered to independent third party customers of YTO for the same energy.

Historical Figures and the Proposed Annual Cap Amounts for the Transactions under the Energy Procurement Agreement

In respect of the energy procurement agreement dated 29 October 2012, the following table sets out the historical transaction amounts for the years ended 31 December 2013 and 2014 and for the six months ended 30 June 2015. The table also sets out the proposed Annual Cap amounts for each of the three years ending 31 December 2016, 2017 and 2018 under the Energy Procurement Agreement:

	Historical transaction amounts			**Proposed Annual Cap amounts**		
	For the year ended 31 December		**For the six months ended 30 June**	**For the year ending 31 December**		
	2013	**2014**	**2015**	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Energy Procurement Agreement	202,450	173,220	90,430	185,000	192,000	200,000

Basis for the Proposed Annual Cap Amounts under the Energy Procurement Agreement

The proposed Annual Cap amounts for the three years ending 31 December 2016, 2017 and 2018 for the Energy Procurement Agreement are determined with reference to:

(1) the historical transaction amounts of the energy procurement (approximately RMB202.45 million, approximately RMB173.22 million and approximately RMB90.43 million in 2013, 2014 and the six months ended 30 June 2015 respectively). Due to the effect of the higher efficiency in energy usage resulting from the recent energy saving project of the Company, including but not limited to the upgrade of energy-consuming equipment, the adoption of new production techniques and the higher labour productivity, there was a decreasing trend for the annual energy procurement fee of the Company in 2013 and 2014; and

(2) the expected increase in energy procurement fee in 2016 to 2018 of approximately 5% per annum after taking into account of (i) the expected increase in energy procurement volume in 2016 to 2018 of approximately 5% per annum according to the development in the Company's leading products in the future; and (ii) the relatively stable price in energy products in the future.

(I) Properties Lease Agreement

Date : 25 August 2015

Parties :

- YTO, on behalf of YTO, its controlled companies or entities and their associates, as lessor; and
- The Company, on behalf of the Group, as lessee.

Properties to be leased : The properties located in No. 154 Jianshe Road, Luoyang City, Henan Province, the PRC, with an aggregate gross floor area of approximately 120,000 sq.m., inclusive of the electric and water facilities and industrial rooms and the properties under the pre-emptive rights as mentioned below.

Term : From 1 January 2016 to 31 December 2018.

Pre-emptive rights : The Group has the pre-emptive rights to lease from YTO, its controlled companies or entities and their associates, including but not limited to, additional properties with gross floor area of no more than 80,000 sq.m. at No. 154 Jianshe Road, Luoyang City, Henan Province, the PRC, in accordance with the terms and conditions of the Properties Lease Agreement.

Payment terms : The Group shall pay the annual rent in cash by the end of each financial year which is from 1 January to 31 December.

Pricing Standards of the Transaction contemplated under the Properties Lease Agreement

Under the Properties Lease Agreement, the annual rent will be:

(1) the transaction price between the lessor and an independent third party; and

(2) if the above is not applicable, determined after arm's length negotiation between the parties with reference to the market rent of similar property.

The Company is currently using the pricing basis no. (1) to determine the rent.

YTO undertakes that the rent offered to the Group by YTO, its controlled companies or entities and their associates shall not be less favourable than that offered to independent third party customers of YTO, its controlled companies or entities and their associates for the same property.

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

In respect of the properties lease agreement dated 29 October 2012, the following table sets out the historical transaction amounts for the years ended 31 December 2013 and 2014, and for the six months ended 30 June 2015. The table also sets out the proposed Annual Cap amounts for each of the three years ending 31 December 2016, 2017 and 2018 under the Properties Lease Agreement:

	Historical transaction amounts			**Proposed Annual Cap amounts**		
	For the year ended 31 December		**For the six months ended 30 June**	**For the year ending 31 December**		
	2013	**2014**	**2015**	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Properties Lease Agreement	5,843	8,600	6,920	15,000	18,000	18,000

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

The Annual Cap amounts for the Properties Lease Agreement are based on:

(1) the rental gross floor area of approximately 200,000 sq.m. (including the additional properties with gross floor area of 80,000 sq.m. in accordance with the production and operational needs of the Company) from YTO, its controlled companies or entities and their associates to the Company; and

(2) the rental price of the surrounding properties, the depreciation rate of the properties and the rental prices offered by independent third parties.

(J) Land Lease Agreement

Date	:	25 August 2015
Parties	:	• YTO, on behalf of YTO, its controlled companies or other associates, as lessor; and • The Company, on behalf of the Group, as lessee.
Land use rights to be leased	:	The land use rights of the land located at No. 154 Jianshe Road, Luoyang City, Henan Province, the PRC, with an aggregate gross land area of approximately 435,000 sq.m. and the land use rights under the pre-emptive rights as mentioned below.
Term	:	From 1 January 2016 to 31 December 2018.
Pre-emptive rights	:	The Group has the pre-emptive rights to lease from YTO, its controlled companies or other associates additional land use rights with a gross land area of no more than 100,000 sq.m. located at No. 154 Jianshe Road, Luoyang City, Henan Province, the PRC from YTO, its controlled companies or other associates in accordance with the terms and conditions of the Land Lease Agreement.
Payment terms	:	The Group shall pay the annual rent in cash by the end of each financial year which is from 1 January to 31 December.

Pricing Standards of the Transaction contemplated under the Land Lease Agreement

Under the Land Lease Agreement, the annual rent will be:

(1) the transaction price between the lessor and an independent third party; and

(2) if the above is not applicable, determined after arm's length negotiation between the parties with reference to the market rent of similar property.

The Company is currently using the pricing basis no. (1) to determine the rent.

YTO undertakes that the rent offered to the Group by YTO, its controlled companies or other associates shall not be less favourable than that offered to independent third party lessee of YTO, its controlled companies or other associates.

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

In respect of the land lease agreement dated 29 October 2012, the following table sets out the historical transaction amounts for the years ended 31 December 2013 and 2014, and for the six months ended 30 June 2015. The table also sets out the proposed Annual Cap amounts for each of the three years ending 31 December 2016, 2017 and 2018 under the Land Lease Agreement:

	Historical transaction amounts			**Proposed Annual Cap amounts**		
	For the year ended 31 December		**For the six months ended 30 June**	**For the year ending 31 December**		
	2013	**2014**	**2015**	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Land Lease Agreement	11,701	11,580	12,960	16,000	19,000	19,000

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

The Proposed Annual Cap amounts for the Land Lease Agreement are based on:

(1) the rental gross land area of approximately 535,000 sq.m. (including the additional land use rights with gross land area of 100,000 sq.m. in accordance with the production and operational needs of the Company) from YTO, its controlled companies or other associates to the Company; and

(2) the rental price of the surrounding land, the depreciation rate of the land and the rental prices offered by independent third parties.

(K) Technology Services Agreement

Date : 25 August 2015

Parties :

- Tractor Research Company, on behalf of Tractor Research Group, as supplier and/or supplying agent; and
- The Company, on behalf of the Group (excluding Tractor Research Group), as purchaser and/or purchasing agent.

Services to be provided : Technology research and development, technology consultation and other technology services and other special services (including inspection services) in connection with the tractors and diesel engines related products.

The parties further agree that the Group may engage other technology research and development centers for the services to be provided under the Technology Services Agreement.

Term : From 1 January 2016 to 31 December 2018.

Payment terms : Shall be specified on each separate contract to be agreed by the parties.

Undertaking : Tractor Research Company undertakes:

(1) to procure Tractor Research Group not to provide the research and development services under the Technology Services Agreement to other corporate legal persons or institutions which operate business in competition with the Group; and

(2) save and except for the state research or development project(s) of the PRC government, to procure Tractor Research Group to give priority to the Group's research and development projects over other third parties' projects.

Intellectual Property derived : Unless otherwise agreed by the parties, all the Intellectual Property derived from the technology services provided under the Technology Services Agreement as well as the application rights of and the rights to use such Intellectual Property shall belong to the Group. With the written consent obtained from the Group, Tractor Research Group is entitled to use such Intellectual Property at nil consideration but shall not by any means transfer the rights to use such Intellectual Property to any third parties.

Where it is agreed between the parties that any Intellectual Property derived from the technology services provided under the Technology Services Agreement belongs to Tractor Research Group, the Group shall be entitled to use such Intellectual Property at nil consideration during and after the term of the Technology Services Agreement.

Pricing Standards of the Transaction contemplated under the Technology Services Agreement

Under the Technology Services Agreement, the service fees will be:

(1) the transaction price between Tractor Research Group and an independent third party (for technology consultation and other technology services and other special services (including inspection services) in connection with the tractors and diesel engines related products); and

(2) if the above is not applicable, determined after arm's length negotiation between the parties taking into account depreciation of the research and development equipments, cost of research and development staff, testing fee and other costs used in the research and development (for research and development services).

Tractor Research Company undertakes that the service fees offered to the Group by Tractor Research Group shall not be less favourable than those offered to other independent third parties of Tractor Research Group for the same services.

Historical Figures and the Proposed Annual Cap Amounts for the Transactions under the Technology Services Agreement

In respect of the technology services agreement dated 29 October 2012, the following table sets out the historical transaction amounts for the years ended 31 December 2013 and 2014, and for the six months ended 30 June 2015. The table also sets out the proposed Annual Cap amounts for each of the three years ending 31 December 2016, 2017 and 2018 under the Technology Services Agreement:

	Historical transaction amounts			Proposed Annual Cap amounts		
	For the year ended 31 December		For the six months ended 30 June	For the year ending 31 December		
	2013	**2014**	**2015**	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Technology Services Agreement	91,189	97,030	45,170	104,500	110,000	115,200

Basis for the Proposed Annual Cap Amounts under the Technology Services Agreement

The proposed Annual Cap amounts for the three years ending 31 December 2016, 2017 and 2018 for the Technology Services Agreement are based on:

(1) the historical transaction amounts (approximately RMB91.19 million, approximately RMB97.03 million and approximately RMB45.17 million in 2013, 2014 and the six months ended 30 June 2015 respectively) and the estimated transaction amount in 2015, with a 5% average increment in research and development fee paid to Tractor Research Group by the Company; and

(2) the current and future services to be provided by Tractor Research Company for the technological research and development and upgrade in tractors and engine products of the Company, due to the Company's intention to make use of the advantages of Tractor Research Group of (i) being a state-level corporate technological research and development center for PRC agricultural machinery products; and (ii) having the capacity to research and develop industrial advanced agricultural machineries and power machinery products.

FULLY EXEMPTED CONTINUING CONNECTED TRANSACTION

(L) Deposit Service Agreement

Date	:	25 August 2015
Parties	:	• First Tractor Finance, a subsidiary of the Company; and • YTO, on behalf of YTO Extended Group.
Financial services to be provided	:	Provision of depository services by First Tractor Finance to YTO Extended Group.
Term	:	From 1 January 2016 to 31 December 2018.
Payment terms	:	Shall be specified on each separate contract to be agreed by the parties.
Undertaking	:	YTO undertakes: (1) to procure YTO Extended Group to give priority in depositing their fund with First Tractor Finance; and (2) that the deposit maintained by YTO Extended Group with First Tractor Finance should be greater than the loan balance at all time. If YTO Extended Group breaches such undertaking, First Tractor Finance has the right to restrict payment to any third parties by YTO Extended Group from its deposit maintained with First Tractor Finance, or request YTO Extended Group to increase its deposit balance with First Tractor Finance.
Right to offset	:	YTO irrevocably grants, and procures YTO Extended Group to irrevocably grant, to First Tractor Finance a right to offset all liabilities arising from the performance of the Loan Service Agreement and/or the Bills Acceptance Service Agreement by YTO Extended Group from the relevant deposit accounts of that defaulting member entity under YTO Extended Group.

Pricing Standards of the Transaction contemplated under the Deposit Service Agreement

Under the Deposit Service Agreement, the interest rates for all amount deposited by YTO Extended Group will be the relevant interest rates prescribed by PBOC.

Historical Figures and the Proposed Annual Cap Amounts for the Transaction under the Deposit Service Agreement

In respect of the deposit service agreement dated 27 March 2013 entered into between First Tractor Finance and YTO Extended Group, the following table sets out the historical maximum outstanding amounts for the years ended 31 December 2013 and 2014, and for the six months ended 30 June 2015. The table also sets out the maximum outstanding Annual Cap amounts for each of the three years ending 31 December 2018:

	Historical transaction amounts			**Proposed Annual Cap amounts**		
	For the year ended 31 December		**For the six months ended 30 June**	**For the year ending 31 December**		
	2013	**2014**	**2015**	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deposit Service Agreement	740,624	865,360	1,121,320	1,400,000	1,600,000	1,800,000

Basis for the Proposed Annual Cap Amounts under the Deposit Service Agreement

The proposed Annual Cap amounts for the deposit services provided under the Deposit Service Agreement are determined with reference to the following factors:

(1) the historical transaction amounts and the increase in the highest amount of deposit in 2014 and from January to June 2015 of approximately 16.84% and 29.58% respectively when compared to the previous year; and

(2) the future capital budget of YTO Extended Group.

CONDITION PRECEDENT

All the New Agreements shall take effect upon obtaining the Shareholders' approval at the EGM.

MEASURE OF INTERNAL CONTROL

To ensure the Group's conformity with the pricing policies of the New Agreements and the Deposit Service Agreement from time to time, the Group adopts a series of internal control policies on its daily operation. Such internal control policies are conducted and supervised by the finance department, office of the Board, the independent non-executive Directors and audit department of the Company and the relevant committee of First Tractor Finance:

(1) the Board, the audit committee of the Board and the independent non-executive Directors have approved the New Agreements and the Deposit Service Agreement according to the connected transaction decision policy;

(2) the Company's management policies for connected transactions clearly stated the principle for determining the prices for connected transactions. When each unit of business enters into contracts in accordance with the framework agreements of the continuing connected transactions, the price must be determined in accordance with the pricing standards as agreed in the continuing connected transaction agreements;

(3) the agreement for procurement together with the negotiation memo between the relevant staff of the Company and the suppliers are first delivered to the head of operation department for review and approval. The operation department is responsible for assessing the suppliers' products qualities, production capacities, etc. Upon obtaining the approval of the head of the operation department, the finance department would review and compare the price and terms of the procurement agreement among two to three suppliers, subject to the type of the products to be procured under the Material Procurement Agreement to make sure the prices and terms offered by YTO Group are fair and reasonable that they are no less favourable than those offered by the independent suppliers. For those products to be procured under the Material Procurement Agreement, that there is no independent suppliers, the finance department of the Company would request YTO Group to provide the cost breakdown and analysis and the finance department will evaluate reasonableness of the price charged. The agreement would then be reviewed and approved by the legal department to ensure legality and if necessary, technical department of the Company would review the agreement as well. The agreement can be executed upon obtaining the approvals from all of the above mentioned departments of the Company;

(4) the agreement for the composite services (including storage services and transportation services), energy procurement and technology services and the leasing agreement for properties and land use rights together with the negotiation memo between the relevant staff of the Company and the counterparties in the transactions are first delivered to the head of operation department for review and approval. The operation department is responsible for assessing production capacities or service abilities of the counterparties and the quality of the products or the services (if applicable), etc. Upon obtaining the approval of the head of the operation department, the finance department would review and compare the price and terms of the agreement among two to three counterparties to make sure the prices and terms offered by YTO Group are fair and reasonable that they are no less favourable than those offered by the independent third parties. If there is no market price, the finance department of the Company would request YTO Group to provide the cost breakdown and analysis and the finance department will evaluate reasonableness of the price charged. The agreement would then be reviewed and approved by the legal department to ensure legality. The agreement can be executed upon obtaining the approvals from all of the above mentioned departments of the Company;

(5) the agreement for sales together with the negotiation memo between the relevant staff of the Company and the purchaser are first delivered to the head of operation department for review and approval. The operation department is responsible for assessing the production capacities of the Company and the credibility of the purchaser, etc. Upon obtaining the approval of the head of the operation department, the finance department would review and analyse the cost breakdown of the products to be provided under the Sale of Goods Agreement and compare the price to be charged with the aforesaid price list, to make sure the prices and terms offered to YTO Group are fair and reasonable that they are no more favourable than those offered to independent purchasers. The agreement would then be reviewed and approved by the legal department to ensure legality and if necessary, technical department of the Company would review the agreement as well. The agreement can be executed upon obtaining the approvals from all of the above mentioned departments of the Company;

(6) the agreement for the loan services/bills discounting services/bills acceptance services together with the credit scores of the clients, the financial status of First Tractor Finance, the rate of other financial institutions, etc. would be sent to the loan review committee, assets and liabilities committee and investment committee for review and approval. The committees would evaluate the applicability and effectiveness of the agreement and also perform the risk assessment. After obtaining approvals from the committees, the agreement can be executed upon obtaining the approval from the general manager of First Tractor Finance;

(7) in conducting interbank business services, First Tractor Finance will obtain agreements from at least 2 to 3 target banks (such as state-owned commercial banks, joint-equity banks and urban commercial banks) for each specific business. The agreement for the interbank business services together with the credit scores of the clients, the financial status of the First Tractor Finance, the quotations from other banks and/or financial institutions, etc. would be sent to the loan review committee, assets and liabilities committee and investment committee for review and approval. The committees would evaluate the applicability and effectiveness of the agreement and also perform the risk assessment. After obtaining approvals from the committees, the agreement can be executed upon obtaining the approval from the general manager of First Tractor Finance; and

(8) all client for deposit service should first open an account by submitting an opening form. The opening form is then approved by the officer, department manager, the risk control department, vice president and general manager of First Tractor Finance to assess the qualification of the client. The client can make deposit after the account is opened successfully. The interest rates for the deposit services provided by First Tractor Finance to its clients (including connect persons and other member units) are determined by the internal control committee of First Tractor Finance in accordance with the base rate announced by PBOC.

The Directors are of the view that the above internal control measures can ensure that the transactions under the New Agreements and the Deposit Service 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 THE CONTINUING CONNECTED TRANSACTIONS CONTEMPLATED UNDER THE NEW AGREEMENTS AND THE DEPOSIT SERVICE AGREEMENT

The Group and YTO Extended Group have been carrying out transactions with each other to facilitate their productions and operations since 1997. In view of the long-established relationship between the Group and YTO Extended Group, the geographical convenience between the Group and YTO Extended Group provides a reliable supply of raw material and provision of services, which are favourable to (i) the Company's effective control over the product performance and quality; and (ii) the after-sales services as it offers fast, convenient and timely communication and coordination between the transaction parties. The entering into of the New Agreements and the Deposit Service Agreement can effectively lower the operation risk of both the Group and YTO Extended Group, and is favourable to the Company's daily operation and management of production.

The entering into of the New Agreements (excluding the Interbank Business Services Agreement) and the Deposit Service Agreement is to renew the Old Agreements. Furthermore, in considering the reasons and benefits for entering into the financial services agreements (including the Loan Service Agreement, the Bills Discounting Service Agreement, the Bills Acceptance Service Agreement and the Deposit Service Agreement) between the First Tractor Finance and YTO, the Directors have also considered the following key factors:

(1) there are continuing connected transactions related to production between YTO Extended Group and the Group, including the mutual supply of certain materials and provision of various services, hence daily settlement services are needed. First Tractor Finance is the key platform for business settlement between the Group and YTO Extended Group. The settlement services offered by First Tractor Finance provide timely settlement in internal capital, and hence foster the settlement efficiency, accelerate the Company's cash flow, and increase the liquidity of the Company. Comparing with external financial institutions, the settlement services offered by First Tractor Finance under the financial services agreements can save time of settlement of at least one day. Thus there is a significant advantage of First Tractor Finance in business efficiency over other commercial banks;

(2) due to the long-term business relationship between YTO Extended Group and First Tractor Finance, there are lower risks in transactions with strict compliance with the loan credit rating requirements according to a credit rating policy approved by the internal control committee (the credit rating is determined based on the customer's solvency, profitability, compliance and future prospects and other indicators with reference to the international industry practice) and loan approval procedures (a pre-lending investigation report with information including client's credit rating status, credit limit and conditions of usage prepared by the officer from credit department will be approved by manager of the credit department and the loan review committee) in all transactions as First Tractor Finance fully understands the credibility and financial position of YTO Extended Group; and

(3) due to an increase in financial resources of First Tractor Finance and the seasonal characteristics in sales of agricultural machinery products, First Tractor Finance will have excess capital reserves in certain period. And in recent year, YTO Extended Group has a sound operation and good progresses in its business development including industrial equipment, tobacco machineries, special vehicle manufacturing, etc. Providing financial services to YTO Extended Group could effectively increase the Company's capital efficiency, enhance liquidity and will benefit the Group.

The Group's production and sales of agricultural machinery products has significant seasonal characteristics, which imposes pressure to the liquidity of First Tractor Finance in certain period. In order to ensure sufficient funds required for the production operation of the Group, First Tractor Finance is currently using interbank business services to deal with short-term liquidity problem. Meanwhile, in the case of excess reserves, interbank business services can improve capital efficiency and profitability of First Tractor Finance. The main purpose of entering into the Interbank Business Services Agreement is to further expand the choices in selecting counterparties of First Tractor Finance and to improve its bargaining power.

Accordingly, the Directors are of the view that (i) the continuing connected transactions contemplated under the New Agreements and the Deposit Service Agreement will be carried out in the ordinary and usual course of business of the Group and in the interest of the Company and its Shareholders as a whole; (ii) the terms of the New Agreements and the Deposit Service Agreement are on normal commercial terms or on terms not less favorable than those of similar transactions with independent third parties and are fair and reasonable; and (iii) the proposed Annual Cap amounts of the transactions contemplated under the New Agreements and the Deposit Service Agreement for the three years ending 31 December 2016, 2017 and 2018 are fair and reasonable.

INFORMATION OF THE GROUP, YTO, YTO GROUP, SINOMACH, SINOMACH FINANCE, FIRST TRACTOR FINANCE AND TRACTOR RESEARCH COMPANY

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 other accessories of tractors, forklifts and mining trucks, etc.

YTO is the immediate controlling Shareholder of the Company, holding 443,910,000 A Shares of the Company.

YTO Group is principally engaged in the production and sales of transporting machineries, vehicle products, industrial equipments and components.

Sinomach is principally engaged in the business of research and development and manufacturing of machinery equipment, heavy machineries and engineering projects domestically and internationally, sales of automotive and parts, contracting of international projects and tendering of domestic and international projects, and import and export business.

Sinomach Finance is principally engaged in the provision of financial services including deposits taking, provision of loans, underwriting of corporate bonds, as well as finance leasing, financial and financing consultation, credit certification and related consultation and agency services, settlement services, provision of letters of guarantee and letters of credit, entrusted loan, handling bills acceptance and discounting, and other financial services that may be approved by the CBRC, to members of the Sinomach group.

First Tractor Finance, a subsidiary of the Company, is a non-banking financial institution approved and regulated by the relevant PRC regulatory authorities. Its principal activities include the provision of financial services to members of the Group as well as members of YTO Extended Group. First Tractor Finance will provide financial services to independent third party customers of First Tractor Finance when they are the counter-parties to the transactions with the Group or YTO Extended Group and whom are independent third parties. It has a registered capital of RMB500 million.

Tractor Research Company is a company incorporated with limited liability in the PRC. Its principal activities include research and development as well as examination and testing of products such as tractors, engines, construction machineries and agricultural transporters; research and development of equipment as well as technology development, transfer, consultancy services and sales.

LISTING RULES IMPLICATIONS

Connected Persons

As at the Latest Practicable Date, YTO beneficially owned approximately 44.57% of the issued share capital of the Company and is the controlling shareholder of the Company. As Sinomach holds approximately 83.71% of the shareholding interest in YTO, Sinomach is a controlling shareholder of YTO. Therefore, Sinomach and its subsidiaries are deemed as connected persons of the Company according to the Hong Kong Listing Rules.

Tractor Research Company, which is owned as to 51% by the Company and 49% by YTO, is not only a non-wholly-owned subsidiary of the Company, but also an associate of YTO. Thus, Tractor Research Company is a connected person of the Company under the Hong Kong Listing Rules.

First Tractor Finance is a non-wholly-owned subsidiary of the Company, which is owned as to approximately 88.6% by the Company and approximately 0.6% by YTO.

Accordingly, the transactions contemplated under the New Agreements and the Deposit Service Agreement entered into between the Company and YTO, First Tractor Finance and YTO, First Tractor Finance and Sinomach Finance, and the Company and Tractor Research Company, constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

Hong Kong Listing Rules Implications

(1) Non-exempt CCT Agreements

As the applicable percentage ratios under each of the Non-exempt CCT Agreements, on an annual basis, are more than 5%, the Non-exempt CCT Transactions are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. In addition, the Company is required to comply with the annual review requirements under the Hong Kong Listing Rules in respect of each of the Non-exempt CCT Transactions. In addition, the transaction under the Loan Service Agreement constitutes a discloseable transaction under Chapter 14 of the Hong Kong Listing Rules.

(2) Other CCT Agreements

As the applicable percentage ratios under each of the Other CCT Agreements, on an annual basis, are more than 0.1% but less than 5%, the transactions contemplated under the Other CCT Agreements are subject to the reporting, annual review and announcement requirements and exempt from Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

(3) Deposit Service Agreement

The deposit services to be provided under the Deposit Service Agreement constitute financial assistance provided by YTO Group, for the benefit of First Tractor Finance on normal commercial terms where no security over the assets of the Group is granted in respect of such financial assistance. The transaction contemplated under the Deposit Service Agreement is exempted from the reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.90 of the Hong Kong Listing Rules. Announcement on the Deposit Service Agreement is made voluntarily by the Company.

Shanghai Listing Rules Implications

As the A Shares of the Company are listed on the Shanghai Stock Exchange, the Company is also required to comply with relevant requirements of the Shanghai Listing Rules. Pursuant to the Shanghai Listing Rules, the Annual Cap amounts of all the New Agreements and the Deposit Service Agreement should be aggregated and are subject to the Independent Shareholders' approval at the EGM.

The Company has applied for and the Shanghai Stock Exchange has granted to the Company a waiver that the transaction contemplated under the Deposit Service Agreement is exempted from the Independent Shareholders' approval requirement.

RECOMMENDATIONS

The Directors consider that the terms of the New Agreements and the Deposit Service Agreement, the transactions contemplated thereunder and their respective Annual Cap amounts are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolutions nos. 1 to 12 with respect to the New Agreements, the transactions contemplated thereunder and their respective Annual Cap amounts to be proposed at the EGM.

According to the Hong King Listing Rules, an Independent Board Committee has been established to consider and advise the Independent Shareholders in respect of the Non-exempt CCT Agreements. Veda Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether or not the terms and conditions of the Non-exempt CCT Agreements and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Independent Board Committee, having considered the terms of the Non-exempt CCT Agreements, the Non-exempt CCT Transactions and their respective Annual Cap amounts, and taken into account the advice of Veda Capital, is of the opinion that the terms of the Non-exempt CCT Agreements are on normal commercial terms, and the entering into of the Non-exempt CCT Agreements, the Non-exempt CCT Transactions and their respective Annual Cap amounts are fair and reasonable, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM as set out in the notice of the EGM.

Your attention is drawn to the letter from the Independent Board Committee which is set out on pages 41 to 42 of this circular which contains its recommendation to the Independent Shareholders in relation to the Non-exempt CCT Agreements, the Non-exempt CCT Transactions and their respective Annual Cap amounts. Your attention is also drawn to the letter of advice from Veda Capital which is set out on pages 43 to 82 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt CCT Agreements, the Non-exempt CCT Transactions and their respective Annual Cap amounts. You are advised to read the said letters from the Independent Board Committee and Veda Capital before deciding how to vote at the EGM.

EGM

A notice convening the EGM to be held at 2:30 p.m. on 29 October 2015, Thursday at No. 154 Jianshe Road, Luoyang, Henan Province, the PRC was despatched on 11 September 2015. The EGM will be held for the Shareholders to consider, among other things, and, if thought fit, approve the New Agreements, the transactions contemplated thereunder and the respective Annual Cap amounts (ordinary resolutions nos. 1 to 12), re-election of Directors and supervisors of the Company (the "**Supervisors**") (ordinary resolutions nos. 13 to 27), Directors' and Supervisors' remunerations (ordinary resolution no. 28), Directors liability insurance (ordinary resolution no. 29), proposed amendments to the articles of association of the Company (special resolution no. 1), proposed amendments to the rules of procedures of board meetings of the Company (ordinary resolution no. 30) and change of use of proceeds (ordinary resolution no. 31). Voting on the aforesaid resolutions will be taken by poll in accordance with the requirements of the Hong Kong Listing Rules. Details of the re-election of Directors and Supervisors, Directors' and Supervisors' remunerations, Directors liability insurance, proposed amendments to the articles of association of the Company, proposed amendments to the rules of procedures of board meetings of the Company and change of use of proceeds are set out in the circular of the Company dated 11 September 2015.

The notice of the EGM is set out on pages 87 to 92 of this circular.

Mr. Zhao Yanshui, Mr. Wang Erlong, Mr. Yan Linjiao, Mr. Wang Kejun and Mr. Liu Jiguo, being the Directors of the Company, who have connected relationships with YTO, have abstained from voting on the relevant board resolutions approving the matters above.

In view of the interests of YTO and its associates in the transactions contemplated under each of the New Agreements, YTO and its associates will abstain from voting on the resolutions in relation to each of the New Agreements and their respective proposed Annual Cap amounts at the EGM.

A form of proxy for use at the EGM was despatched and also published on the website of the Stock Exchange (http://www.hkexnews.hk) on 11 September 2015. Whether or not you are able to attend the EGM, you are requested to complete and return the proxy form in accordance with the instructions printed thereon. The proxy form shall be lodged with the Company's H Share registrar, Hong Kong Registrars Limited, at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, or at the registered address at No. 154 Jianshe Road, Luoyang, Henan Province, the PRC as soon as possible and in any event not less than 24 hours before the time scheduled for holding of the EGM or any adjourned meeting (as the case may be). Completion and deposit of the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting (as the case may be) should you so wish.

An announcement of the poll results of the EGM will be published by the Company in accordance with the requirements under the Hong Kong Listing Rules.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information as set out in the appendix to this circular and the notice of the EGM.

The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

Yours faithfully,
By order of the Board
First Tractor Company Limited*
Zhao Yanshui
Chairman

* *For identification purposes only*

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Non-exempt CCT Agreements, the Non-exempt CCT Transactions and their respective Annual Cap amounts.

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)

10 October 2015

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular (the "**Circular**") dated 10 October 2015 issued by First Tractor Company Limited* (the "**Company**") to the Shareholders, of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as the members of the Independent Board Committee to consider the Non-exempt CCT Agreements, the Non-exempt CCT Transactions and their respective Annual Cap amounts, and to advise the Independent Shareholders as to whether, in our opinion, the terms of the Non-exempt CCT Agreements, the Non-exempt CCT Transactions and their respective Annual Cap amounts are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Veda Capital has been appointed as the independent financial adviser to advise us and the Independent Shareholders in respect of the Non-exempt CCT Agreements, the Non-exempt CCT Transactions and their respective Annual Cap amounts.

We wish to draw your attention to (i) the "Letter from the Board"; (ii) the "Letter from Veda Capital" to the Independent Board Committee and the Independent Shareholders which contains its advice in respect of the Non-exempt CCT Agreements, the Non-exempt CCT Transactions and their respective Annual Cap amounts; and (iii) the additional information as set out in the appendix to the Circular.

Having considered the terms and conditions of each of the Non-exempt CCT Agreements, the Non-exempt CCT Transactions and their respective proposed Annual Cap amounts, and having taken into account the opinion of Veda Capital and, in particular, the factors, reasons and recommendations as set out in the "Letter from Veda Capital" on pages 43 to 82 of the Circular, we are of the opinion that the Non-exempt CCT Agreements were entered into in the ordinary and usual course of business of the Group, on normal commercial terms and that the terms of the Non-exempt CCT Agreements, the Non-exempt CCT Transactions and their respective Annual Cap amounts are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favor of the ordinary resolutions concerning the same to be proposed at the EGM.

Yours faithfully,
For and on behalf of the Independent Board Committee

Mr. Hong Xianguo **Mr. Xing Min** **Mr. Wu Tak Lung** **Mr. Yu Zengbiao**

Independent non-executive Directors

* *For identification purposes only*

The following is the full text of the letter from Veda Capital setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt CCT Agreements and their respective proposed Annual Cap amounts, which has been prepared for the purpose of inclusion in this circular.

VEDA | CAPITAL
智略資本

Veda Capital Limited
Suite 3711, 37/F
Tower II, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

10 October 2015

To the Independent Board Committee and the Independent Shareholders of
First Tractor Company Limited

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of each of the transactions contemplated under each of the Non-exempt CCT Agreements and their respective proposed Annual Cap amounts for the three years ending 31 December 2016, 2017 and 2018, details of which are set out in the Letter from the Board (the "**Board Letter**") contained in the circular to the Shareholders dated 10 October 2015 (the "**Circular**"), of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 25 August 2015, the Company (on behalf of the Group) and/or its subsidiaries, First Tractor Finance, entered into, inter alia,the Non-exempt CCT Agreements with YTO and/or YTO (on behalf of YTO Group and/or Sinomach and/or the subsidiaries of Sinomach and/or associates of YTO and/or YTO Extended Group) and/or Sinomach Finance, for a term of three years commencing from 1 January 2016, in respect of the continuations of transactions of certain materials, components and financial services and the new transactions of interbank business services.

As at the Latest Practicable Date, YTO beneficially owns approximately 44.57% of the issued share capital of the Company and is the controlling shareholder of the Company. As Sinomach holds approximately 83.71% of the shareholding interest in YTO, Sinomach is a controlling shareholder of YTO. Therefore, Sinomach and its subsidiaries are deemed as connected persons of the Company according to the Hong Kong Listing Rules. Also, as at a the Latest Practicable Date, First Tractor Finance is owned as to approximately 88.6% by the Company and approximately 0.6% by YTO and a non-wholly-owned subsidiary of the Company.

Accordingly, each of the transactions contemplated under the Non-exempt CCT Agreements entered into between the Company and YTO, First Tractor Finance and YTO, and First Tractor Finance and Sinomach Finance, constitutes a continuing connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

YTO and its associates are required under the Hong Kong Listing Rules to abstain from voting on the resolutions to be proposed to approve the Non-exempt CCT Agreements and their respective Annual Cap amounts at the EGM to be convened.

As the applicable percentage ratios under each of the Non-exempt CCT Agreements, on an annual basis, are more than 5%, the transactions contemplated under the Non-exempt CCT Agreements are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. In addition, the Company is required to comply with the annual review requirements under the Hong Kong Listing Rules in respect of each of the Non-exempt CCT Transactions.

The Independent Board Committee, comprising all the independent non-executive Directors (namely Mr. Hong Xianguo, Mr. Xing Min, Mr. Wu Tak Lung and Mr. Yu Zengbiao), has been formed to consider the transactions contemplated under each of the Non-exempt CCT Agreements and their respective proposed Annual Cap amounts for the three years ending 31 December 2016, 2017 and 2018, and to advise the Independent Shareholders as to whether each of the Non-exempt CCT Agreements and their respective proposed Annual Cap amounts for the three years ending 31 December 2016, 2017 and 2018 is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in these regards.

As at the Latest Practicable Date, we were not aware of any relationships or interest between Veda Capital and the Company or any other parties that could be reasonably regarded as hindrance to Veda Capital's independence as defined under Rule 13.84 of the Hong Kong Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the undertaking and the transactions contemplated thereunder. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates, and accordingly, are eligible to give independent advice and recommendations on the terms of the undertaking and the transactions contemplated thereunder. Apart from normal professional fees payable to us in connection with this appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied upon accuracy of the information and representations contained in the Circular and information provided to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry and were based on honestly-held opinions.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statements in the Circular misleading. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and management of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendation to the Independent Board Committee and the Independent Shareholders on the Non-exempt CCT Agreements and their respective proposed Annual Cap amounts, we have taken into consideration the following principal factors and reasons:

I. Reasons for entering into the Non-exempt CCT Agreements

(A) Material Procurement Agreement and (B) Sale of Goods Agreement

As set out in the Board Letter, the Group and YTO Extended Group have been carrying out transactions with each other to facilitate their productions and operations since 1997. The existing material procurement agreement and the existing sale of goods agreement (both dated 29 October 2012) entered into between the Company and YTO are set to be expired on 31 December 2015. In view of the long-established relationship between the Group and YTO Extended Group, the geographical convenience between the Group and YTO Extended Group provides a reliable supply of raw materials and provision of services, which are favorable to (i) the Company's effective control over the product performance and quality and (ii) the after-sales services as it offers fast, convenient and timely communication and coordination between the transaction parties. As the entering and renewing of the said agreements are expected to effectively lower the operation risk of both the Group and YTO Extended Group, and is thus favorable to the Company's daily operation and management of production, the Board wishes to ensure the continuation of the on-going transactions of goods and services to or from YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach.

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 other accessories of tractors, forklifts and mining trucks etc.

Sinomach is principally engaged in the business of research and development and manufacturing of machinery equipment, heavy machineries and engineering projects domestically and internationally, sales of automotive and parts, contracting of international projects and tendering of domestic and international projects, and import and export business. YTO Group is principally engaged in the production and sales of agricultural implements, industrial equipment manufacturing, vehicle products and components.

We noted from the website of YTO Group (www.yto-en.com) (the "**YTO website**"), the lines of products of YTO Group (other than the Group) consist of special vehicles, agricultural machineries and tools, components (including moulds), tobacco machineries and intelligent equipment, etc.. YTO Group manufactures its products in accordance with, and is widely certified for, both Chinese and international standards and its products are currently sought after by customers domestically and internationally. Also noted from the YTO website, YTO Group has over fifty years of production experience and is committed to provide customers with high quality products. YTO Group implements a thorough quality control system which monitors each phase of manufacturing, from raw material selection, through production, to the delivery to its customers and it is one of their practices to purchase raw materials and spare parts in large quantities in order to purchase products at the most economical prices. The accessories sales network of YTO Group includes 23 provinces of China with a total of 106 distributors. A subsidiary of YTO Group controls up to seven branches across different channels of logistic services including automobiles and railway, warehouses for distribution and equipment for lifting services. Besides, the logistic network of YTO Group becomes well developed and enjoys the advantages from economics of scales given its location in Jianxi, which is conveniently located in the center of the industrialized zone in Luoyang.

Pursuant to the Sale of Goods Agreement, the Company will, on behalf of the Group, as a supplier and/or supplying agent, provide to the members of YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach, products to be used in the production of the purchaser (the "**Sales Products**"), including but not limited to, raw materials (including steel), spare parts (including casting parts), components (including semi-finished parts and finished parts) and equipment (including diesel engines and tractors). Having considered the wide sales network and the well-developed logistics and storage facilities of YTO Group, the Sale of Goods Agreement provides a channel for the Company to distribute the spare parts manufactured by the Company.

Pursuant to the Material Procurement Agreement, the YTO, on behalf of YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach will, as supplier and/or supplying agent, provide to the Group, products required in the production of the Group (the "**Procurement Products**"), including but not limited to raw materials (including steel, pig iron, waste steel, coke, nonferrous metals and lubricating oil), other industrial equipment (including machine tools), components (including clamping apparatus and moulds) and spare parts (including oil injection pumps). As advised by the Company and we have reviewed the suppliers list provided by the Company, the Company has 664 independent suppliers for the Procurement Products. Given the principal business of the Group as mentioned above, major production capacity of the Group is allocated for the production of agricultural machineries and power machineries. Therefore, it is more cost and time effective for the Group to procure the Procurement Products instead of producing them by the Company itself. In fact, some of the raw materials are not able to be produced by the Company.

As mentioned in the Group's annual report for the year ended 31 December 2014 ("**AR 2014**"), the Group is of the view that the growth of the agricultural machinery industry will slow down and the development of the agricultural machinery industry is changing into innovation-driven. Under the mindset of "focusing on the core areas for stronger businesses", the Company is actively adapting to the changes in the industry and is expected to take first mover advantages in market competition in the future through, inter alia, prioritizing development of the primary business, technological upgrade in the Company's main products, increasing contribution of new products and focusing on improving the quality and efficiency in development.

Entering of the Material Procurement Agreement and the Sale of Goods Agreement will (i) allow the parties under the above agreements to strengthen and continue the business cooperation that has been established since 1997; (ii) reduce operation risks and facilitate productions of the Group; (iii) aid the Group in adapting to the industry development by providing reliable supplier, lowering production costs and improving efficiency in production that ultimately may allow the Group to enjoy first mover advantages over its competitors in the agricultural industry; and (iv) broaden the Group's customers' base by leveraging on the reputation, products and sales network of YTO Group. Given the above reasons, we are of the view that the entering of the Material Procurement Agreement and the Sale of Goods Agreement are in the ordinary course of business and are in the interests of the Company and the Independent Shareholders as a whole.

(C) Loan Service Agreement, (D) Bills Discounting Service Agreement and (E) Bills Acceptance Service Agreement

Aside from the entering into and renewing of the Material Procurement Agreement and the Sale of Goods Agreement, the Group has also entered into the Loan Service Agreement, Bills Discounting Service Agreement and Bills Acceptance Service Agreement for the continuations of the financial services between the YTO, on behalf of YTO Extended Group, and First Tractor Finance, which is a subsidiary of the Company.

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

Pursuant to the Loan Service Agreement, First Tractor Finance may provide loan services to YTO Extended Group. Further terms and details of such agreement are disclosed in the sections below in this letter and under the section headed "(C) Loan Service Agreement" in the Board Letter.

Based on the information provided by the Company, the service fees (referred as interest income to First Tractor Finance) charged by First Tractor Finance for providing the loan services to connected persons accounted for approximately 49.2% (in the year 2013), approximately 47.0% (in the year 2014) and approximately 50.6% (for the first six months of 2015) of the total service income charged by First Tractor Finance from the Group and the members of YTO Extended Group for such services respectively.

Pursuant to the Bills Discounting Service Agreement, First Tractor Finance may provide bills discounting services to YTO Extended Group, whereby First Tractor Finance will pay the face value of undue bills presented by YTO Extended Group net of the discount interests. Further terms and details of such agreement are disclosed in the sections below in this letter and under the section headed "(D) Bills Discount Service Agreement" in the Board Letter.

Based on the information provided by the Company, the service fees (referred as interest income to First Tractor Finance) charged by First Tractor Finance for providing the bills discounting services to connected persons accounted for approximately 38.6% (in the year 2013), approximately 64.8% (in the year 2014) and approximately 57.1% (for the first six months of 2015) of the total service income charged by First Tractor Finance from the Group and the members of YTO Extended Group for such services respectively.

Pursuant to the Bills Acceptance Service Agreement, First Tractor Finance may provide bills acceptance services to YTO Extended Group, whereby First Tractor Finance will guarantee the payment of bills issued by YTO Extended Group and, in return, receive services fees from YTO Extended Group. Further terms and details of such agreement are disclosed in the sections below in this letter and under the section headed "(E) Bills Acceptance Service Agreement" in the Board Letter.

Based on the information provided by the Company, the service fees charged by First Tractor Finance for providing the bills acceptance services to connected persons accounted for approximately 26% (for the years 2013, 2014 and the first six months of 2015) of the total service income charged by First Tractor Finance from the Group and the members of YTO Extended Group for such services respectively.

Thus, each of the Loan Service Agreement, Bills Discounting Service Agreement and Bills Acceptance Service Agreement contributes separate service incomes to First Tractor Finance and the Group. First Tractor Finance may independently provide individual financial service products to the counterparties in need of the relevant services.

As noted from the Board Letter, the Directors have also considered other reasons for entering into the above said financial services agreements, details of which are fully set out in the section headed "REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS CONTEMPLATED UNDER THE NEW AGREEMENTS AND THE DEPOSIT SERVICE AGREEMENT" in the Board Letter and are expected to have in the following key benefits:

(a) First Tractor Finance, as a key platform for business settlement between the Group and YTO Extended Group, may provide timely settlement in internal capital that will foster settlement efficiency, accelerate the Company's cash flow and increase the Company's liquidity and has significant advantage in business efficiency over other commercial banks;

(b) due to the long-term business relationship between YTO Extended Group and First Tractor Finance , there are lower risks in transactions with strict compliance with the loan credit rating requirements according to a credit rating policy approved by the internal control committee (the credit rating is determined based on the customer's solvency, profitability, compliance and future prospects and other indicators with reference to the international industry practice) and loan approval procedures (a pre-lending investigation report with information including client's credit rating status, credit limit and conditions of use prepared by the officer from credit department will be approved by manager of the credit department and the loan review committee) in all transactions as First Tractor Finance fully understands the credibility and financial position of YTO Extended Group; and

(c) (after the Group has sufficient funds for its operation) allocating excess capital reserves for the provision of financial services to YTO Extended Group may effectively improve the Company's capital efficiency and liquidity which ultimately benefit the Group.

We have enquired with the Company and the Company has confirmed that First Tractor Finance has yet to record any defaults or receive late repayments from YTO Extended Group during their business relationship.

Having considered (i) the principal activities of First Tractor Finance including the provision of financial services to members of the Group as well as members of YTO Extended Group and such services in return contributing to service incomes; (ii) the service incomes received from the connected persons contributed to First Tractor Finance in the past; (iii) First Tractor Finance has established a long-term business relationship with YTO Extended Group and the entering and extending of these financial services agreements may strengthen such cooperation for further business opportunities provided by the members of YTO Extended Group; (iv) the financial services provided to YTO Extended Group by First Tractor Finances will present the Group with benefits and conveniences as discussed herein; and (v) the fact that the Group could earn the interest rate spread between the applicable fees of the relevant financial services, we are of the view that the entering of the Loan Service Agreement, Bills Discounting Service Agreement and Bills Acceptance Service Agreement are in the ordinary course of business and are in the interests of the Company and the Independent Shareholders as a whole.

(F) Interbank Business Services Agreement

Pursuant to the Interbank Business Services Agreement, the parties of the agreement may provide financing services to each other, including interbank deposit, lending, credit assets transfer (fund borrowing from other financial institution by transferring ownership of undue credit assets) and bond transactions conducted between financial institutions.

As set out in the Board Letter, the Group's production and sales of agricultural machinery products has significant seasonal characteristics, which imposes pressure to the liquidity of First Tractor Finance in certain period. We were given to understand that such seasonal characteristics are due to the fluctuation of demands for agricultural machineries and related services. The Company usually demands for more resources in spring (March to May) and autumn (July to September) due to the seasonal characteristics in the agricultural industry (that relates to the principal business of the Company, i.e. the utilisation of tractors and other agricultural machineries) and thus the increase in demands for financing. In order to ensure sufficient funds required for the production operation of the Group, First Tractor Finance is currently using interbank business services to deal with short-term liquidity problem. Meanwhile, in the case of excess reserves, interbank business services can improve capital efficiency and profitability of First Tractor Finance. The main purpose of entering into the Interbank Business Services Agreement is to further expand the choices in selecting counterparties of First Tractor Finance and to improve its bargaining power.

As previously mentioned, the principal activities of First Tractor Finance, a subsidiary of the Company and a non-banking financial institution approved and regulated by the relevant PRC regulatory authorities, include the provision of financial services to members of the Group as well as members of YTO Extended Group. It commenced operation since 28 December 1992 with a registered capital of RMB500 million. Its role in the Group and intention is to, including but not limited to, manage, facilitate and improve the management and settlement efficiency of the Group's unused fund as well as providing certain financial management services to the members of the Group as well as members of YTO Extended Group.

As advised by the Company, First Tractor Finance has been actively providing financial services since established. Having obtained and reviewed the relevant licenses (i.e. operation, financing and agencies) provided to us by the Company, we noted that First Tractor Finance is although regulated, it is allowed to provide the financial services set out in the respective financial services agreements mentioned herein. According to the information provided by the Company, First Tractor Finance's operation scale has continued to grow through time. Its total asset value has risen from approximately RMB2.21 billion to RMB4.30 billion, representing a growth of approximately 94.6%, from 2012 to end of June 2015 and which ultimately, gradually enhanced the business of First Finance Tractor. In addition, First Tractor Finance's profitability has also improved from approximately RMB70.7 million to approximately RMB90.9 million in 2012 and 2014 respectively, representing a growth of approximately 28.6%. Furthermore, the net profit of First Tractor Finance for the first six months of 2015 reached approximately RMB45.2 million.

Although both First Tractor Finance and Sinomach Finance are non-banking financial institutions, certain requirements and regulations applied by the China Banking Regulatory Commission and the People's Bank of China, through the participation of the banking industry, added advantages to the Group as their settlement efficiency are higher as compared to banking financial institutions in terms of providing interbank business services, which is due to the fact that these non-banking financial institutions can, typically, provide more flexibilities in services to clients with willingness to cater individual circumstances and thus may offer quicker turnarounds on loans applications. As advised by the Company, the interbank financial services set out under the Interbank Business Services Agreement are generally short-term financial activities through fundraising on a long-established platform that can be used for relieving liquidity pressures of First Tractor Finance as well as the members of the Group (if any). Comparing with commercial banks, the Company advises that the settlement services offered by these non-banking financial institutions can save time of settlement from half day to around two to three days depending on the service types to be provided. Furthermore, Sinomach Finance, as a non-banking financial institution approved and regulated by the relevant PRC regulatory authorities, is also expected to enjoy the advantages in, among other reasons, efficient settlement of funds. By entering into the Interbank Business Services Agreement, First Tractor Finance can obtain funds from additional sources which is expected to benefit the Group by providing additional alternative sources in obtaining necessary funds if and when necessary that in turns, with Sinomach Finance served as a business partner upon entering into the said agreement, providing additional market information and suppliers of sources of funds and ultimately increasing the bargaining power of First Tractor Finance.

Having considered (i) the principal activities of the First Finance Tractor; (ii) First Tractor Finance through the financial services under the Interbank Business Services Agreement, may provide the Group available funds in a timely manner and relieve liquidity pressure resulted from seasonal changes that may affect the operation of First Tractor Finance; (iii) it is reasonable for the Group and/or First Tractor Finance to arrange more sources of funding to ensure stable financing and improve liquidity to facilitate production and operation of the Group; and (iv) in the case of excess reserves under certain period, the Group could earn additional interest income which will be beneficial to the Group, we are of the view that the entering of the Interbank Business Services Agreement is in the ordinary course of business and is in the interests of the Company and the Independent Shareholders as a whole.

II. Principal terms of the Non-exempt CCT Agreements

(A) Material Procurement Agreement

The Material Procurement Agreement dated 25 August 2015 will extend the duration of the existing material procurement agreement (the "**Existing Procurement Agreement**") for three years commencing from 1 January 2016 to 31 December 2018.

As set out in the Board Letter, payment terms under the Material Procurement Agreement shall be principally settled within three months from the date of confirmation of receiving the goods by the purchaser. Subject to negotiation between the parties, prepayments by the purchaser of no more than six months from the estimated date of delivery of the goods are acceptable.

Pricing standards

Pursuant to the Material Procurement Agreement, YTO (on behalf of YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach) as the supplier and/or supplying agent. The price of goods to be supplied or provided will be determined based on the following price basis:

(1) the market price of an independent third party obtained through prices quoted on websites for the industry or enquiries in the market (i.e. the price of the same or similar product provided to independent third parties by suppliers other than YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach in the same region during the ordinary course of business on normal commercial terms);

(2) if there is no market price determined by an independent third party, the transaction price between YTO Group, associates of YTO, Sinomach or the subsidiaries of Sinomach and an independent third party; and

(3) if none of the above is applicable, costs plus a percentage mark-up (tax-inclusive), which is not more than 30% (i.e. price = cost x (1 + percentage mark-up)), whereas the 30% mark-up is determined based on (i) the average sales margin of listed companies engaged in special purpose equipment (the industry classification is according to the China Securities Regulatory Commission) for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015; (ii) the sales margin of the same or similar products of YTO Group; and (iii) the margin of the historical transactions with the parties to the Material Procurement Agreement.

We have reviewed the terms of the Existing Material Procurement Agreement and noted that the major terms and pricing basis of the Material Procurement Agreement were similar to the Existing Material Procurement Agreement in material aspects.

As advised by the Company, the pricing basis for the Procurement Products with more than one suppliers including YTO Group and independent third parties would be the pricing basis nos. (1) and (2). As further advised by the Company, for most of the Procurement Products, there are two to three suppliers for each type of the Procurement Products (including YTO Group and independent third parties).

Therefore, pricing basis nos. (1) and (2) were mostly adopted in the transactions under the Existing Material Procurement Agreement for the three years ended 31 December 2015. For other Procurement Products which YTO Group was the only supplier to the Group, pricing basis no. (3), i.e. cost plus a percentage mark-up, was adopted. Usually, YTO Group would indicate the percentage mark-up charged to the Group and to the independent third parties for the same product as a reference for the Group to assess the fairness and reasonableness of the price.

We have also enquired with the Company on the internal procedures to ensure that the above mentioned pricing standards are properly followed. We noted that the agreement for procurement together with the negotiation memo between the relevant staff of the Company and the suppliers are first delivered to the head of operation department for review and approval. The operation department is responsible for assessing the suppliers' products qualities, production capacities, etc. Secondly, the finance department would review and compare the price and terms of the procurement agreement among two to three suppliers, subject to the type of the Procurement Products, to make sure the prices and terms offered by YTO Group are fair and reasonable that they are no less favourable than those offered by the independent suppliers. For those Procurement Products that there is no independent suppliers, the finance department of the Company would request YTO Group to provide the cost breakdown and analysis and the finance department will evaluate reasonableness of the price charged. The agreement would then be reviewed and approved by the legal department to ensure legality and if necessary, technical department of the Company would review the agreement as well. The agreement can be executed upon obtaining the approvals from all of the above mentioned departments of the Company.

Besides, we have obtained and reviewed twelve randomly selected sample invoices and/or contracts for each of the transactions entered into (i) between the Group and YTO Group under the Existing Material Procurement Agreement; and (ii) between the Group and independent third parties during the same period, where price comparison of similar type of Procurement Products is available. We observed that the price charged by YTO Group to the Group is not less favourable than that charged to the independent third parties. As advised by the Company, the amount of the transactions which the pricing basis no. (3) were adopted for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015 accounted for less than 8% of the total historical transaction amounts for the corresponding periods. We have reviewed and obtained three randomly selected samples which the cost plus a percentage mark-up pricing basis was adopted and we noted that the percentage mark-up charged to the Company is not less favourable than that charged to the independent third parties by YTO Group for similar products.

Given that (i) the transactions under the abovementioned samples were transacted during the term of the Existing Material Procurement Agreement and thus are relevant samples; (ii) the samples represent the transactions which covered different types of the Procurement Products where price comparison with independent third parties is available; and (iii) the amount of the transactions which the pricing basis no. (3) was adopted for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015 accounted for less than 8% of the total historical transaction amounts for the corresponding periods, we consider the samples reviewed are fair and representative.

Also, in order to further assess the fairness and reasonableness of the mark-up of 30%, we have searched on the website of China Securities Regulatory Commission (the "**CSRC**") (http://www.csrc.gov.cn) and we noted that the Company is classed into manufacturing industry noted as special purpose equipment with an industry code 35 under the classification of the company industry by the CSRC in the second quarter of 2015. We also noted that there are 159 listed companies, the shares of them are listed on the Shanghai Stock Exchange, under the same industry code as the Company. According to the available information from Bloomberg, the average sales margin of the 159 listed companies for each of 2013, 2014 and interim of 2015 is 30.61%, 30.15% and 30.45% respectively. Thus, the mark-up percentage of not more than 30% under the Material Procurement Agreement is in line with the market and we are of the view that the mark-up percentage of not more than 30% is fair and reasonable.

Having considered that (i) the Material Procurement Agreement is an extension of the Existing Material Procurement Agreement and the major terms and pricing basis of the Material Procurement Agreement were similar to the Existing Material Procurement Agreement in material aspects; (ii) YTO undertakes that the applicable price of the goods offered to the Group shall not be less favourable than that offered to independent third party customers of YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach for the same goods; (iii) the terms of the contracts entered into by the Group with YTO Group and the terms of the contracts entered into by the Group with independent third parties are comparable and the price charged by YTO Group to the Group is not less favourable than that charged to the independent third parties as shown in relevant samples; (iv) the mark-up percentage charged to the Company is not less favourable than that charged to the independent third parties by YTO Group for similar products as shown in similar samples; and (v) the Company has adopted certain internal control policies to ensure the compliance of the pricing basis as set out in the section headed "Measures of Internal Control" in the Board Letter and same procedures for approving the procurement agreements were adopted for the transactions entered into by the Company with YTO Group and independent third parties as mentioned above, we are of the view that the terms of the Material Procurement Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Annual Caps under the Material Procurement Agreement

In respect of the Existing Material Procurement Agreement, the following table sets out the historical transaction amounts for the years ended 31 December 2013 and 2014, and for the six months ended 30 June 2015. The table also sets out the proposed Annual Cap amounts for each of the three years ending 31 December 2016, 2017 and 2018 under the Material Procurement Agreement:

Historical transaction amounts		
For the year ended 31 December		**For the six months**
2013	**2014**	**ended 30 June 2015**
RMB'000	*RMB'000*	*RMB'000*
764,694	376,160	286,050

Proposed Annual Caps amounts For the year ended 31 December		
2016	**2017**	**2018**
RMB'000	*RMB'000*	*RMB'000*
500,000 (the "**2016 MP Annual Cap**")	500,000 (the "**2017 MP Annual Cap**")	500,000 (the "**2018 MP Annual Cap**")

As noted from the Board Letter,

The proposed Annual Cap amounts for the years of 2016, 2017 and 2018 for the Material Procurement Agreement are based on:

(1) the historical transaction amounts and the estimated amounts in 2015 (approximately RMB500 million) after taking into account of the expected increase in the proportion of procurement of spare parts from independent third parties (resulted from the products technological advancement, replacement and the increase in centralized procurement capacity); and

(2) the relatively steady sales of tractors, power machineries and other major products from 2016 to 2018 due to the overall slowdown in the growth of the agricultural machinery industry since 2014 and the structural adjustment period of products in the future. As mentioned in the interim report of the Company for the six months ended 30 June 2015, in the first half of 2015, the policies on maintaining stable growth and reform measures for promoting reform, adjusting structure, benefiting people and preventing risks launched by the PRC government in the earlier stage have showed effects and the industrial economy presented a moderate but stable trend. The principal operating revenue of sizable agricultural machinery enterprises continued to grow at a slower rate. As affected by the factors including the year-on-year increase in the subsidies for purchase of agricultural machineries in the first half of this year and the good harvest in Heilongjiang Province in the Northeast Region, the sales of the tractor industry recovered to a certain degree in the first half of this year and fluctuated within a narrow range at the high level. Meanwhile, as affected by factors like the deep ploughing, straw mulching and land transfer promoted by the PRC government, the trend of product and power upgrade of tractors continued to develop. In the first half of this year, the accumulated sales volume of the hi-powered and mid-powered

tractors industry reached 196,000 units, representing a slight year-on-year decrease of 0.4%, of which the sales volume of hi-powered wheeled tractors was 77,800 units, representing a 14.9% year-on-year increase, the sales volume of tractors with power of 100 horsepower or above was 33,900 units, representing a 44.8% year-on-year increase, and the sales volume of mid-powered wheeled tractors was 118,000 units, representing a 8.4% year-on-year decrease.

Upon enquiry with the management of the Company, with reference to the historical transactions, the ratio of the raw material procurement amount in the first-half year and the second-half year is 6:4. Based on the historical transaction amounts of RMB286 million for the six months ended 30 June 2015 and the aforesaid ratio, the anticipated amount for the year ending 31 December 2015 will be approximately RMB477 million. The 2016 MP Annual Cap represents approximately a 5% increment as compared to the anticipated amount for the year ending 31 December 2015. As set out in the AR 2014, from the prospective of the external environment, the growth of the agricultural machinery industry will further slowdown, shift in growth momentum, change in development mode and advancement in competition become new normal of the industry development. The development of the agricultural machinery industry is also changing from policy resources oriented mode to innovation-driven and brand operations mode. Meanwhile, industry competition changes from price and product competition to higher level competition including commercial model competition and customer value creation competition. From the prospective of the internal status, with significant progress in technological upgrade of the Company's main products, the Company will take first mover advantages in market competition in the future.

According to the AR 2014, the Company will have a closer business relationship with an international leading corporation in the research, development and production of core parts of tractor. We expect that the ability in technology research and development and quality control of the Company could be strengthened by acquiring the Technology and Material Research Institute and Calibration and Testing Center from YTO. The Company will have a first mover advantage under the agricultural policy directed by the Chinese government. The State Council of the PRC released certain policy documents such as the "Strengthen Scientific and Technological Innovation in the Agricultural Revolution (《強化科技創新為農業轉方式插上騰飛的翅膀》)", the PRC Government has been encouraging rural residents to use tractors and the higher technical support machinery for agriculture in the meantime emphasizing mechanization in agriculture is a crucial factor in developing China. Compared to some of the developed countries, the rate of mechanization in China is still relatively low. It is anticipated that under the promotion of the Chinese government certain tractors or agricultural machineries will be upgraded or changed in order to enhance the efficiency and productivity of farming.

The "Twelfth Five-Year Plan for National Mechanization of Agriculture Development Goal ("全國農業機械化科技發展十二五規劃出台明確發展目標")" (source: National Development and Reform Commission* (中華人民共和國國家發展和改革委員會), (xwzx.ndrc.gov.cn)) further details the objectives and plans for mechanization of the agricultural sector. The Chinese government expects to improve both quantity and quality of agricultural machineries. By 2015, gross agricultural machinery is expected to reach one billion kilowatts. The policy stated there should be (i) a significant progress of mechanization in production of the majority of agricultural products; (ii) energy-efficient and environment-friendly machinery in agricultural is widely applied (iii) more experts and technicians in mechanization of agriculture.

Given the above mentioned, we are of the view that the 2016 MP Annual Cap is fair and reasonable so far so the Independent Shareholders are concerned.

Besides, we were given to understand from the Company that due to the increase in standard of the diesel engine emission imposed by the PRC Government, the Company is looking to increase procurement of the purchase of spare parts required for products upgrading from independent third parties. Hence, the procurement of raw materials from YTO Group is expected to be reduced. Therefore, we are of the view that the 2017 MP Annual Cap and the 2018 MP Annual Cap, both as same as the 2016 MP Annual Cap without any increment are fair and reasonable so far as the Independent Shareholders are concerned.

(B) Sale of Goods Agreement

The Sale of Goods Agreement dated 25 August 2015 will extend the duration of the existing sale of goods agreement (the "**Existing Sale of Goods Agreement**") for three years commencing from 1 January 2016 to 31 December 2018.

As set out in the Board Letter, the payment terms under the Sale of Goods Agreement shall be principally settled within three months after the date of delivery of goods by the supplier. Subject to negotiation between the parties, prepayments by the purchaser of no more than six months from the estimated delivery date of the goods are acceptable.

Pricing standards

Under the Sale of Goods Agreement, the Company, on behalf of the Group, as supplier and/or supplying agent and YTO, on behalf of YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach, as purchaser and/or purchasing agent. The applicable price of the goods to be supplied or provided will be:

(1) the market price determined by an independent third party obtained through prices quoted on websites for the industry or enquiries in the market (i.e. the price of the same or similar product provided to independent third parties by suppliers other than the Group in the same region during the ordinary course of business on normal commercial terms);

(2) if there is no market price determined by an independent third party, the transaction price between the Group and an independent third party; and

(3) if none of the above is applicable, costs plus a percentage mark-up (tax inclusive),which is not more than 30% (i.e. price = cost x (1 + percentage mark-up)), whereas the 30% mark-up is determined based on (i) the average sales margin of listed companies engaged in special purpose equipment (the industry classification is according to the China Securities Regulatory Commission) for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015; (ii) the sales margin of the same or similar products of the Company; and (iii) the margin of the historical transactions with the parties to the Sale of Goods Agreement.

In any event, the applicable price of the goods offered to YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach by the Group shall not be more favourable than that offered to independent third party customers of the Group. In the event that the pricing standard (3) above is applicable and the Group is of the view that the 30% mark-up is not more favorable to the Group nor does not satisfy the Group's principle for determining the prices for connected transaction, the Group will negotiate with YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach to suspend the relevant transaction under the Sale of Goods Agreement and may revise the relevant pricing standards of the transaction under the Sale of Goods Agreement, subject to the Independent Shareholders' approval.

We have reviewed the terms of the Existing Sale of Goods Agreement and noted that the major terms and pricing basis of the Sale of Goods Agreement were similar to the Existing Sale of Goods Agreement in material aspects. We are given to understand from the Company that the prices charged by the Company to the independent third parties will be determined after arm's length negotiation and taking into account the costs of the goods to be sold plus a reasonable mark-up. The Company would review the latest prices of the relevant goods charged by the Company to the independent third parties before entering into transactions under the Sale of Goods Agreement.

As advised by the Company, the pricing basis nos. (2) and (3) for Sales Products were adopted in the transactions under the Existing Sale of Goods Agreement (depending on whether there was a comparable transaction price between the Group and an independent third party for the product).

We have also enquired the Company on the internal procedures to ensure that the above mentioned pricing standards are properly followed. We have obtained and reviewed the price list of the Company for the Sales Products and are given to understand from the Company that same price would be applied to both YTO Group and independent third parties for same type of Sales Products unless different raw materials or components for the Sales Products are specially requested by the purchaser and the price difference would be the difference in costs. The agreement for sales together with the negotiation memo between the relevant staff of the Company and the purchaser are first delivered to the head of operation department for review and approval. The operation department is responsible for assessing the production capacities of the Company and the credibility of the purchaser, etc. Secondly, the finance department would review and analyse the cost breakdown of the Sales Products and compare the price to be charged with the aforesaid price list, to make sure the prices and terms offered to YTO Group are fair and reasonable that they are no more favourable than those offered to independent purchasers. The agreement would then be reviewed and approved by the legal department to ensure the legality and if necessary, technical department of the Company would review the agreement as well. The agreement can be executed upon obtaining the approvals from all of the above mentioned departments of the Company. We have obtained and reviewed certain sample agreement approval forms for approving the agreement for the sales of similar Sales Products from the Company to YTO Group and independent third parties respectively and we noted that each of the department head of the above mentioned departments of the Company was required to comment and sign on the approval forms for both the transactions entered into between (i) the Company and YTO Group; and (ii) the Company and independent third parties.

We have obtained and reviewed three randomly selected sample purchase orders and/or contracts for similar types of goods entered into (i) between the Group and YTO Group under the Existing Sale of Goods Agreement; and (ii) between the Group and independent third parties during the same period. We were given to understand by the Company that pricing basis no. (3) is adopted most often when determining the pricing basis under the Existing Sales of Goods Agreement, while the amount of the transactions which pricing basis of comparing the price with independent third parties was adopted for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015 accounted for less than 5% of the total historical transaction amounts for the corresponding periods. Nevertheless, among the available samples, we observed that the terms of the contracts entered into by the Group with YTO Group and the terms of the contracts entered into by the Group with independent third parties are comparable and the price charged by the Group to YTO Group is not more favourable than that charged to the independent third parties Given that (i) the transactions under the abovementioned samples were transacted during the term of the Existing Sale of Goods Agreement and thus are relevant samples; (ii) the samples represent the transactions which covered different types of the Sale Products where price comparison with independent third parties is available; and (iii) the Company adopted pricing basis no. (3) most often as compared to pricing basis no. (2), we consider the samples reviewed are fair and representative.

In assessing the reasonableness of the mark-up percentage of 30%, we have enquired with the Company and are given to understand that the mark-up percentage of 30% is in line with the historical gross profit margin of the Group. However, comparison is not appropriate to be made as the historical gross profit margin covers all types of goods sold by the Group while the gross profit margin varies with the cost of each good. Despite such fact, the Company confirmed that the gross profit margin applied to the goods to be sold under the Sale of Goods Agreement will not be lower than that of the same goods to be sold to the independent third parties. In addition, we have searched on the website of the CSRC (http://www.csrc.gov.cn) and we noted that the Company is classed into manufacturing industry noted as special purpose equipment with an industry code 35 under the classification of the company industry by the CSRC in the second quarter of 2015. We also noted that there are 159 listed companies, the shares of them are listed on the Shanghai Stock Exchange, are under the same industry code as the Company. According to the available information from Bloomberg, the average sales margin of the 159 listed companies for each of 2013, 2014 and interim of 2015 is 30.61%, 30.15% and 30.45% respectively. Thus, the mark-up percentage of not more than 30% under the Sale of Goods Agreement is in line with the market. Given the above, we are of the view that the mark-up percentage of not more than 30% under the Sale of Goods Agreement is fair and reasonable.

Having considered that (i) the Sale of Goods Agreement is an extension of the Existing Sale of Goods Agreement and the major terms and pricing basis of the Sale of Goods Agreement were similar with the Existing Sale of Goods Agreement in material aspects; (ii) in any event, the applicable price of the goods offered to YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach by the Group shall not be more favourable than that offered to independent third party customers of the Group; (iii) the terms of the contracts entered into by the Group with YTO Group and the terms of the contracts entered into by the Group with independent third parties are comparable and the price charged by the Group to YTO Group is not more favourable than that charged to the independent third parties as shown in relevant samples; (iv) the mark-up percentage charged by the Company to YTO Group is not more favourable than that charged to the independent third parties for similar goods as shown in similar samples; and (v) the Company has adopted certain internal control policies to ensure the compliance of the pricing basis as set out in the section headed "Measures of Internal Control" in the Board Letter and same procedures for approving the sales agreements were adopted for the transactions entered into by the Company with YTO Group and independent third parties as mentioned above, we are of the view that the terms of the Sale of Goods Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Annual Caps under the Sale of Goods Agreement

In respect of the Existing Sale of Goods Agreement, the following table sets out the historical transaction amounts for the years ended 31 December 2013 and 2014, and for the six months ended 30 June 2015. The table also sets out the proposed Annual Cap amounts for each of the three years ending 31 December 2016, 2017 and 2018 under the Sale of Goods Agreement:

Historical transaction amounts		
For the year ended 31 December		**For the six months**
2013	**2014**	**ended 30 June 2015**
RMB'000	*RMB'000*	*RMB'000*
119,516	113,450	98,230

Proposed Annual Caps amounts		
For the year ended 31 December		
2016	**2017**	**2018**
RMB'000	*RMB'000*	*RMB'000*
350,000 (the "**2016 Sales Annual Cap**")	200,000 (the "**2017 Sales Annual Cap**")	210,000 (the "**2018 Sales Annual Cap**")

As noted from the Board Letter, the proposed Annual Cap amounts for the years of 2016, 2017 and 2018 for the Sale of Goods Agreement are based on:

(1) the historical transaction amounts in 2013, 2014 and the six months ended 30 June 2015;

(2) the expected growth in sales of spare parts to YTO Group. The Company intends to sell spare parts to YTO Group for YTO Group to resell them to its distributors in order to (i) make use of the existing well-established distribution network of YTO Group to increase the sales of spare parts; and (ii) reduce the expenses of the Company in storage, logistics, transportation and distribution network maintenance arose from the sales of spare parts;

(3) the expected increase in the volume of procurement by YTO Group, associates of YTO, Sinomach and the subsidiaries of Sinomach conducted via procurement platform of the Group. According to the information provided by YTO Group, YTO Group has cooperated with an automotive manufacturer to manufacture certain supplies and parts required for the production of pickup trucks and through such cooperation to exploit the opportunities and increase its market share in the pickup trucks market in China and the number of pickup trucks to be produced is expected to increase gradually from 2015 to 2018; and

(4) the expected increase in demand for tractors and spare parts by YTO in 2016 as YTO (as the contractor) has entered into an agreement with foreign government on 13 October 2014 with a contract sum of USD24 million, of which YTO agreed to supply tractors and spare parts and provide the related after-sales services. The agreement is expected to complete in 2016.

As noted from the circular of the Company dated 16 October 2014 and as advised by the Company, a project contracting agreement was entered into between YTO (as contractor) and a foreign government (as contractee) on 13 October 2014,which involves supply and provision of agricultural tractors, spare parts and relevant after-sales services (the "**Foreign Contract**"), and it is expected that YTO will procure the subject goods under the Foreign Contract from the Group (the "**Foreign Contract Procurement**"). The agreed sum of the sales and purchases of the goods under the Foreign Contract is approximately USD24 million and as advised by the Company, no Foreign Contract Procurement has been conducted as at the Latest Practicable Date. It is expected that the obligation under the Foreign Contract will be performed in the year 2016.

As further noted from the circular, YTO (Luoyang) Zhongcheng Machinery Company Limited* (一拖(洛陽)中成機械有限公司) ("**YTO Zhongcheng Machinery**"), being a subsidiary of YTO, is expected to continue the procurement of raw materials and spare parts from the Group, following the completion of the sale of 73% equity interest in YTO Zhongcheng Machinery by the Company to YTO in July 2014 (the "**Zhongcheng Procurement**") and as advised by the Company, the Zhongcheng Procurement will be continued in future.

According to the business plan of YTO Group provided by the Company to us, YTO Group has cooperated with an automotive manufacturer to produce pickup trucks and through such cooperation to exploit the opportunities and increase its market share in the pickup trucks market in China. The number of pickup trucks to be produced in cooperation is expected to increase gradually from 2015 to 2018. Due to such cooperation, YTO will continue to procure part of the raw materials and spare parts from the Group (the "**Automotive Procurement**").

Given (i) the expected increase in demand on raw materials by YTO Group; (ii) the outstanding amount under the Foreign Contract of approximately USD24 million and the Foreign Contract will continue in 2016; (iii) the Zhongcheng Procurement has commenced since July 2014 and will continue in 2016; (iv) the Automotive Procurement will continue in 2016; and (v) the positive outlook of the PRC agricultural machinery market as set out in the sub-section headed "Annual Caps under the Material Procurement Agreement", we are of the view that the 2016 Sales Annual Cap is fair and reasonable.

As compared with the 2016 Sales Annual Cap, the 2017 Sales Annual Cap represents a decrease of approximately 43% and the 2018 Sales Annual Cap represents a slight increase of approximately 5% as compared to the 2017 Sales Annual Cap. Having considered (i) it is expected that the Foreign Contract will be completed in 2016; (ii) the expected increase in demand on raw materials by YTO Group; (iii) both of the Zhongcheng Procurement and the Automotive Procurement will continue in 2017 and 2018; and (iv) the positive outlook of the PRC agricultural machinery market as set out in the sub-section headed "Annual Caps under the Material Procurement Agreement", we are of the view that the 2017 Sales Annual Cap and the 2018 Sales Annual Cap are fair and reasonable.

(C) Loan Service Agreement, (D) Bills Discounting Service Agreement and (E) Bills Acceptance Service Agreement

The Loan Service Agreement dated 25 August 2015 will extend the duration of the existing loan service agreement (the "**Existing Loan Service Agreement**") for three years commencing from 1 January 2016 to 31 December 2018. Pursuant to the Loan Service Agreement, First Tractor Finance will provide loan services to YTO Extended Group. First Tractor Finance may request YTO Extended Group to provide pledge of assets or other guarantees to secure YTO Extended Group's liabilities arising from the performance of the Loan Service Agreement. YTO undertakes that the deposit maintained by YTO Extended Group with First Tractor Finance should be greater than the loan balance at all time. If YTO Extended Group breaches such undertaking, First Tractor Finance has the right to restrict payment to any third parties by YTO Extended Group from its deposit maintained with First Tractor Finance, or request YTO Extended Group to increase its deposit balance with First Tractor Finance. First Tractor Finance shall first satisfy the funding needs of the Group. Depending on the condition of shortfall of funding of the Group, First Tractor Finance has the right to issue a termination or terms amendment notice to YTO Extended Group, requesting for termination or amendments to the terms of the loans granted to YTO Extended Group so as to collect the money to support the production operation of the Group. As set out in the Board Letter, the payment terms under the Loan Service Agreement shall be specified on a separate contract to be agreed by the parties.

The Bills Discounting Service Agreement dated 25 August 2015 will extend the duration of the existing bills discounting service agreement (the "**Existing Bills Discounting Service Agreement**") for three years commencing from 1 January 2016 to 31 December 2018. Pursuant to the Bills Discounting Service Agreement, First Tractor Finance will provide bills discounting services to YTO Extended Group, whereby First Tractor Finance will pay the face value of undue bills presented by YTO Extended Group net of the discount interests. As set out in the Board Letter, the payment terms under the Bills Discounting Service Agreement shall be specified on a separate contract to be agreed by the parties.

The Bills Acceptance Service Agreement dated 25 August 2015 will extend the duration of existing bills acceptance service agreement (the "**Existing Bills Acceptance Service Agreement**") for three years commencing from 1 January 2016 to 31 December 2018. Pursuant to the Bills Acceptance Service Agreement, First Tractor Finance will provide bills acceptance services to YTO Extended Group, whereby First Tractor Finance guarantees the payment of bills issued by YTO Extended Group. In return, YTO Extended Group shall pay the service fees. First Tractor Finance may request YTO Extended Group to provide pledge of assets or other guarantees to secure the liabilities arising from the performance of YTO Extended Group under the Bills Acceptance Service Agreement. As set out in the Board Letter, the payment terms under the Bills Acceptance Service Agreement shall be specified on a separate contract to be agreed by the parties.

Pricing standards

The services fees charged by First Tractor Finance for any loan services, bills discounting services and bills acceptance services will be:

Loan Services

(1) the rate prescribed by CBRC or PBOC (including the benchmark interest rate prescribed by the PBOC from time to time and published on PBOC's website for the same type and same period of loans (PBOC will also notify all relevant institutions of any updates of such interest rate in writing));

(2) if the above rate is not applicable (e.g. in the event that the rate prescribed by CBRC or PBOC cannot compensate the lending risk of First Tractor Finance after its evaluation on the creditability of the borrowers and the market condition) the rate charged in the same industry in the PRC for the same type and same period of loans by enquiries in the market; and

(3) if none of the above is applicable, determined under arm's length negotiation between First Tractor Finance and YTO Extended Group after considering the fair rate offered by the third party on comparable transactions in the same industry, their financial positions and terms and size of the transactions as the main factor.

The Company is currently using the pricing basis nos. (1) and (2) to determine the service fees for the loan services depending on whether the rate prescribed by CBRC or PBOC can compensate the lending risk of First Tractor Finance after its evaluation on the creditability of the borrowers and the market condition. We have enquired with the management of the Company and are given to understand that First Tractor Finance would also make reference to the credit scores of the clients when determining the services fees. For those clients with same credit scores and same terms of loan services, same service fees would be charged.

Bills Discounting Services

(1) the rate in relation to the same type and same period of bills discounting services prescribed by CBRC or PBOC;

(2) if the above rate is not applicable (as the rate prescribed by CBRC or PBOC currently is a bills rediscounting rate), the rate charged by the same industry in the PRC for the same type and same period of bills discounting services by enquiries in the market; and

(3) if none of the above is applicable, determined after arm's length negotiation between First Tractor Finance and YTO Extended Group after considering the fair rate offered by the third party on the comparable transactions in the same industry, their financial position and terms and size of the transactions as the main factor.

The Company is currently using the price basis nos. (2) and (3) to determine the service fees for bills discounting services. We have enquired with the management of the Company and are given to understand that First Tractor Finance would make reference to the rate quoted by around 10 financial institutions when determining the services fees.

Bills Acceptance Services

(1) the rate in relation to the same type and same period of bills acceptance services prescribed by CBRC or PBOC;

(2) if the above rate is not applicable, the rate charged by the same industry in the PRC for the same type and same period of bills acceptance services by enquiries in the market; and

(3) if none of the above is applicable, determined after arm's length negotiation between First Tractor Finance and YTO Extended Group after considering the fair rate offered by the third party on the comparable transactions in the same industry, their financial positions and terms and size of the transactions as the main factor.

The Company is currently using the rate prescribed by CBRC or PBOC to determine the service fees for the bills acceptance services. The other pricing standards may be applicable in case of any future changes in the rate prescribed by CBRC or PBOC, e.g. change in type and period of the rate for bills acceptance announced by CBRC or PBOC, which makes the rate no longer applicable to the Bills Acceptance Service Agreement.

We have enquired with the management of the Company and are given to understand that the determination of the service fees by First Tractor Finance is in line with the common practice of the financial institutions in the PRC and same practice is applied to all clients.

First Tractor Finance undertakes that the applicable service fees charged to YTO Extended Group by First Tractor Finance shall not be more favourable than those charged to independent third party customers of First Tractor Finance for the same services.

We have also enquired the Company on the internal procedures to ensure that the above mentioned pricing standards are properly followed. We are given to understand from the Company that the agreement for the loan services/bills discounting services/bills acceptance services (the "**Financial Services Agreements**") together with the credit scores of the clients, the then financial status of the First Tractor Finance, the rate of other financial institutions, etc. would be sent to the loan review committee, assets and liabilities committee and investment committee for review and approve. The committees would evaluate the applicability, effectiveness of the Financial Services Agreement and also perform the risk assessment. The agreement can be executed upon obtaining the approvals from the general manager of First Tractor Finance.

In addition, we have reviewed the terms of the Existing Loan Service Agreement, Existing Bills Discounting Service Agreement and the Existing Bills Acceptance Service Agreement and noted that the major terms and pricing basis of the Loan Service Agreement, Bills Discounting Service Agreement and the Bills Acceptance Service Agreement were similar with the respective Existing Loan Service Agreement, Existing Bills Discounting Service Agreement and the Existing Bills Acceptance Service Agreement in material aspects.

We have obtained and reviewed two to three sample contracts entered into (i) between First Tractor Finance and YTO Extended Group and/or subsidiaries of the Company; and (ii) between First Tractor Finance and independent third parties under the Existing Loan Service Agreement, Existing Bills Discounting Service Agreement and the Existing Bills Acceptance Service Agreement. We were given to understand from the Company that the previous transactions in respect of each of the abovementioned agreements were principally entered into with members of YTO Extended Group and/or subsidiaries of the Company and accordingly, we have not obtained and included previous transactions that were entered with independent third parties in our analysis. We observed that the pricing terms (i.e. the respective rates charged by First Tractor Finance) of such contracts are in line with the said respective pricing basis described above (i.e. (i) the pricing terms of the transactions in respect of the Existing Loan Service Agreement and the Existing Bills Acceptance Service Agreement from the samples we obtained matched with their respective pricing basis no. (1); and (ii) the pricing terms of the transactions in respect of the Existing Bills Discounting Services Agreement are in line with the prevailing market rate from (a) an official website (www.chinacp.com.cn) of China Foreign Exchange Trade System & National Interbank Funding Center (an institution directly under the PBOC) and, to our understanding, (b) after comparing with comparable rates of commercial banks).

Having considered (i) the rate prescribed by the China Banking Regulatory Commission and the People's Bank of China are commonly recognized as a market benchmark; (ii) the terms of the contracts entered into by First Tractor Finance with YTO Extended Group and/or subsidiaries of the Company in line with the said pricing basis under the Financial Services Agreement; (iii) the deposit maintained by YTO Extended Group should be greater than the loan balance at all time as undertaken under the Loan Services Agreement; (iv) First Tractor Finance shall first satisfy the funding needs of the Group; and (v) the Company has adopted certain internal control policies to ensure the compliance of the pricing basis as set out in the section headed "**Measures of Internal Control**" in the Board Letter and same procedures were adopted for approving the Financial Services Agreements entered by First Tractor Finance with YTO Extended Group and independent third parties respectively as mentioned above, we are of the view that the terms of the Loan Service Agreement, Bills Discounting Service Agreement and Bills Acceptance Service Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Annual Caps under the Loan Service Agreement

The proposed Annual Cap amounts for the transactions under the Loan Service Agreement (the "**Loan Service Annual Caps**") for each of the three years ending 31 December 2016, 2017 and 2018 is RMB800 million, RMB850 million and RMB900 million respectively.

As noted from the Board Letter, the Loan Service Annual Caps are determined with reference to the following factors:

(1) First Tractor Finance's historical average financial resources at the end of each month (2013: RMB2.6 billion; 2014: RMB3.1 billion; January to June 2015: RMB4.0 billion) and expected average financial resources at the end of each month (2016: approximately RMB3.5 billion; 2017: approximately RMB4.0 billion; and 2018: approximately RMB4.5 billion);

(2) the business plans and capital requirements of YTO Extended Group. According to the information provided by YTO Extended Group, YTO Extended Group has a sound operation and good progresses in its business development in areas including industrial equipment, tobacco machineries and special vehicle manufacturing and expects that these businesses will continue to grow. Moreover, the funds requirement of YTO Extended Group is expected to be used mainly in the development of these businesses, daily operation and new products and projects development;

(3) the expected proportion of the maximum outstanding Annual Cap amount for the loan provided to YTO Extended Group by First Tractor Finance in 2016 to 2018 to the expected average financial resources of First Tractor Finance in 2016 to 2018, amounting to 23%, 21% and 20% respectively, which is close to the proportion of the actual highest balance of loan provided to YTO Extended Group by First Tractor Finance to the average financial resources of First Tractor Finance in 2013 and 2014; and

(4) in determining Annual Caps for the provision of loan and bills discounting services, First Tractor Finance will first take into account of the total amount of financing to be provided by First Tractor Finance to YTO Extended Group and then determine the means of financing i.e. loan and bills discounting. The total amount of financing (including loan and bills discounting) to be provided to YTO Extended Group by First Tractor Finance in each of the three years ending 31 December 2016, 2017 and 2018 are approximately RMB1.23 billion, RMB1.31 billion and RMB1.39 billion respectively (the "**Expected Loan & Bills Discounting Services Amount**"). The historical figures of the loan and bills discounting provided to YTO Extended Group by First Tractor Finance amounted to approximately 80% and 20% of the total loan amount (including loan and bills discounting), respectively. Yet, due to the on-going expansionary policy in the PRC which sharply lowers the discounting interest rate, it is expected that the demand for bills discounting service from YTO Extended Group will increase, and the loan and bills discounting provided to YTO Extended Group will amount to 65% and 35% of the total loan amount (including both loan and bills discounting) in each of the three years ending 31 December 2016, 2017 and 2018. Hence the Annual Caps for loan services for the same period are RMB800 million, RMB850 million and RMB900 million respectively.

We are given to understand that financial resources of First Tractor Finance is the key factor to determine the Annual Cap under the Loan Service Agreement. As advised by the Company, pursuant to the three years plan of the First Tractor Finance, the expected average financial resources at the end of each month for 2016, 2017 and 2018 is RMB3.5 billion, RMB4.0 billion and RMB4.5 billion respectively. Each of the 2016 Loan Annual Cap, the 2017 Loan Annual Cap and the 2018 Loan Annual Cap represents 23%, 21% and 20% of the respective expected average financial resources at the end of each month for 2016, 2017 and 2018. We have reviewed the information provided by the Company and noted that the maximum outstanding amount of loan and bills discounting services of YTO Extended Group for the year ended 31 December 2013 and 31 December 2014 represented approximately 25% and 28% of the average financial resources of First Tractor Finance in the corresponding year. Given the development of the business of YTO Extended Group which will increase the demand on funding, it is expected that the percentage will be at a level above 30%. According to the estimation by the management of the Company, the percentage of Expected Loan & Bill Discounting Services Amount to the average financial resources of First Tractor finance is approximately 35%, 33% and 31% for each of the respective year 2016, 2017 and 2018. With reference to the historical figures, the proportion of the loan amount provided to YTO Extended Group from First Tractor Finance to the average financial resources of First Tractor Finance for each of the year ended 31 December 2013 and 31 December 2014 was approximately 22% and the expected loan amount to the average financial resources of First Tractor Finance for the year ending 31 December 2015 is approximately 17%. The 2016 Loan Annual Cap of RMB800 million, the 2017 Loan Annual Cap of RMB850 million and the 2018 Loan Annual Cap of RMB900 million represented approximately 23%, 21% and 20% of the expected average financial resources for the year ending 31 December 2016, 2017 and 2018 respectively (the "**Loan Proportion**").

Having considered (i) the Loan Proportion is in line with the historical amounts; (ii) the business plans and capital requirement of YTO Extended Group; and (iii) First Tractor Finance has adopted certain internal control policies to ensure the compliance of the pricing basis as set out in the section headed "Measures of Internal Control" in the Board Letter and the procedures for approving the Financial Services Agreements as mentioned above, we are of the view that the Loan Service Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

Annual Caps under the Bills Discounting Service Agreement

The proposed Annual Cap amounts for the transactions under the Bills Discounting Service Agreement (the "**Bills Discounting Service Annual Caps**") for each of the three years ending 31 December 2016, 2017 and 2018 is RMB430 million, RMB460 million and RMB490 million respectively.

As noted from the Board Letter, the Bills Discounting Service Annual Caps are determined with reference to the following factors:

(1) First Tractor Finance's historical average financial resources at the end of each month (2013: RMB2.6 billion; 2014: RMB3.1 billion; January to June 2015: RMB4.0 billion) and the expected average financial resources at the end of each month (2016: approximately RMB3.5 billion; 2017: approximately RMB4.0 billion; and 2018: approximately RMB4.5 billion);

(2) the business plans and capital requirements plan of YTO Extended Group. According to the information provided by YTO Extended Group, YTO Extended Group has a sound operation and good progresses in its business development in areas including industrial equipment, tobacco machineries and special vehicle manufacturing and expects that these businesses will continue to grow. Moreover, the funds requirement of YTO Extended Group is expected to be used mainly in the development of these businesses, daily operation and new products and projects development;

(3) in determining Annual Caps for the provision of loan and bills discounting services, First Tractor Finance will first take into account of the total amount of financing to be provided by First Tractor Finance to YTO Extended Group and then determine the means of financing i.e. loan and bills discounting. The total amount of financing (including loan and bills discounting) to be provided to YTO Extended Group by First Tractor Finance in each of the three year sending 31 December 2016, 2017 and 2018 are approximately RMB1.23 billion, RMB1.31 billion and RMB1.39 billion respectively. The historical figures of the loan and bills discounting of First Tractor Finance amounted to approximately 80% and 20% of the total loan amount (including loan and bill discounting), respectively. Yet, due to the on-going expansionary policy in the PRC which sharply lowers the discounting interest rate, it is expected that the demand for bills discounting service from YTO Extended Group will increase, and the loan and bills discounting provided to YTO Extended Group will amount to 65% and 35% of the total loan amount in each of the three years ending 31 December 2016, 2017 and 2018. Hence the Annual Caps for bills discounting services for the same period are RMB430 million, RMB460 million and RMB490 million respectively; and

(4) the on-going expansionary monetary policy in PRC that sharply lowers the discounting rate (which drops lower than the loan interest rate) and hence results in an increase in demand for bills discounting services from YTO Extended Group.

According to the financial statistics for the first half of 2015 from the People Bank of China (the "**PBOC**"), the broad money supply that covers cash in circulation and all deposits (the "**M2**") which refers to the entire stock of liquid assets in an economy (such as cash and current account deposits) as well as less liquid assets (such as saving deposits and money market mutual funds), was RMB133.34 trillion at the end of June 2015, recorded an increase of 11.8 percent year-on-year basis, due to the implementation of the loosening monetary policy set by the PBOC. The PBOC used a number of monetary-policy tools to increase the supply of liquidity by the dwindling inflows of foreign exchange and the increased willingness of market participants to hold foreign exchange. With reference to the SHIBOR, which tumbled from 3.34 per cent in March 2015 to 1.28 per cent in July 2015 resulting a significant decrease of 2.06 per cent. In March 2015, the weighted average loan interest rate offered to non-financial companies and other sectors was 6.56 per cent, a reduction of 0.62 percentage point from the beginning of 2015. Meanwhile, according to "Notice on Regulating Financial Institutions and the Business Sectors ("關於規範金融機構同業業務的通知")", PBOC further regulate financial institutions to effectively allocate more capital to the real economy and encourage to provide loan services to enterprises. Due to the decrease in interest rate, YTO Extended Group is able to obtain funding at a lower cost. Under the loosening monetary policy by PBOC, there will be a downward trend in the interest rate of the money market which can stimulate more demand for the bills discounting service in the future. YTO (on behalf of YTO Extended Group) gets the cash instantaneously giving business cycle a better momentum. It allows YTO to meet its business needs for funds as well as to conduct other business with much less funding constraints.

We have reviewed the historical figures provided by the Company and noted that the loan and bills discounting of First Tractor Finance amounted to 65% and 35% of the total loan amount (including both loan and bills discounting), respectively. The Bills Discounting Service Annual Caps for 2016, 2017 and 2018 represented 35% of the corresponding Expected Loan & Bills Discounting Services Amount for 2016, 2017 and 2018 respectively.

Having considered (i) the calculation of the Expected Loan & Bills Discounting Services as set out in the paragraph headed "Annual Caps under the Loan Service Agreement" and the proportion of loan and bills discounting service; (ii) the business plans and capital requirement plans as mentioned of YTO Extended Group; (iii) the expected increase in demand for the bills discounting service; (iv) First Tractor Finance has adopted certain internal control policies to ensure the compliance of the pricing basis as set out in the section headed "Measures of Internal Control" in the Board Letter and the procedures for approving the Financial Services Agreements as mentioned above, we are of the view that the Bills Discounting Service Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

Annual Caps under the Bills Acceptance Service Agreement

The proposed Annual Cap amounts for the transactions under the Bills Acceptance Service Agreement (the "**Bills Acceptance Caps**") for each of the three years ending 31 December 2016, 2017 and 2018 is RMB250 million, RMB280 million and RMB300 million respectively. Details of the basis to determine the Bills Acceptance Caps have been set out under the section headed "Basis for the Proposed Annual Cap Amounts under the Bills Acceptance Service Agreement" in the Board Letter.

As advised by the Company, the maximum outstanding amount of bills acceptance services of YTO Extended Group increased from approximately RMB280.0 million in 2013 to approximately RMB416.0 million in 2014 and in the same years, bills in the amounts of approximately RMB214.2 million and approximately RMB167.6 million were accepted by First Tractor Finance. We were given the knowledge of the business plan of YTO Extended Group to implement the just-in-time payment policy (to obtain a better price, YTO Extended Group will shorten the payment period with its suppliers) in its procurement business. Further advised by the Company, strong cash liquidity must be guaranteed for the above mentioned plan, YTO Extended Group's demand for the bills acceptance services are expected to increase significantly and will hence require more bills acceptance business from First Tractor Finance.

We were given to understand from the Company that the directors of YTO Extended Group are expecting to have an approximate 10% annual growth in the total amounts of bills to be issued by YTO Extended Group to be accepted(i) upon the implementation of the above mentioned plan by YTO Extended Group; and (ii) corresponded to each of the annual growth rate of the previous three years of YTO Extended Group which was not less than 10%. Based on the historical transaction amount of approximately RMB416.0 million and the said annual growth, the total amounts bills for acceptance will reach approximately RMB460.0 million in 2015 and further reaching approximately RMB500 million, approximately RMB550 million and approximately RMB600 million respectively under the term of the Bills Acceptance Service Agreement from 2016 to 2018. Given the above, First Tractor Finance expected to accept approximate 50% of the expected amounts bills acceptance demanded by YTO Extended Group and therefore result in the proposed Bills Acceptance Caps. The 50% ratio was determined based on the fact that the Group has been providing half of the bills acceptance services to YTO Extended Group in the previous years and by doing so and not providing more than 50%, allows the Group to better monitor its operation risks.

In view of the above mentioned, we considered the Bills Acceptance Caps are fair and reasonable so far as the Independent Shareholders are concerned.

(F) Interbank Business Services Agreement

The Interbank Business Services Agreement will be for a term of three years commencing from 1 January 2016 to 31 December 2018.

As set out in the Board Letter, the payment terms under the Interbank Business Services Agreement shall be specified on a separate contract to be agreed by the parties whereas the party with capital inflow from another party shall pay the service fees.

Pricing standards

The service fees charged by First Tractor Finance and Sinomach Finance to each other for different financing services as extracted from the Board Letter will be determined by:

(1) based on the SHIBOR announced by Shanghai Interbank Offered Market in the same type and same period of transaction for interbank lending and interbank bond transactions rate for bond transactions conducted between financial institutions (including state-owned commercial banks, joint-equity banks and urban commercial banks);

(2) with reference to the deposit rates for the same type and same period of funds announced by other financial institutions (including state-owned commercial banks, joint-equity banks and urban commercial banks) for interbank deposit;

(3) with reference to the market price of the target assets in capital financing announced by other financial institutions (including state-owned commercial banks, joint-equity banks and urban commercial banks) for credit asset transfer; and

(4) if none of the above is applicable, after arm's length negotiation between the counterparties after considering their financial positions and terms, size and quality of the financial assets.

The Company is currently using SHIBOR to determine the service fees for the services under the Interbank Business Services Agreement. The other pricing standards may be applicable in case of any future changes in SHIBOR, i.e. imposition of terms and conditions which make SHIBOR no longer applicable to the Interbank Business Services Agreement.

We also noted that Sinomach Finance undertakes that the applicable price of the capital inflow services offered to First Tractor Finance, being the party with capital inflow from the other party, by Sinomach Finance shall not be less favourable than those offered to independent third party customers of Sinomach Finance for the same services. In addition, First Tractor Finance undertakes that the applicable price of the capital outflow service offered from First Tractor Finance to Sinomach Finance, being the party with capital inflow from the other party, shall not be more favourable than those offered to independent third party customers of First Tractor Finance for the same services (the "**Interbank Undertakings**").

We are given to understand from the Company that the Company adopted a series of internal control policies on its daily operation and on providing financial services to ensure the Company's conformity with the pricing policies of, inter alia, the Interbank Business Services Agreement as mentioned in the sections above in this letter and under the section headed "MEASURES OF INTERNAL CONTROL", in particular, when in conducting interbank business services, the pricing mechanism will be determined by the relevant committees of First Tractor Finance after obtaining quotations from 2 to 3 target banks (such as state-owned commercial banks, joint-equity banks and urban commercial banks). In this connection, we have obtained and reviewed (i) a copy of the internal control procedures of First Tractor Finance; and (ii) the qualifications of the members of the said committees of First Tractor Finance to have sufficient relevant experience. Furthermore, under the terms of the Interbank Business Services Agreement, First Tractor Finance may request Sinomach Finance to provide pledge of assets or other guarantees to secure the liabilities arising from the performance of Sinomach Finance.

We have also enquired with the Company for the internal procedures to ensure that the above mentioned pricing standards are properly followed. We are given to understand from the Company that the agreement for the interbank business services together with the credit scores of the clients, the financial status of the First Tractor Finance, the quotations from other banks and/or financial institutions etc. would be sent to the loan review committee, assets and liabilities committee and investment committee for review and approval. The committees would evaluate the applicability and effectiveness of the agreement and also perform the risk assessment. The agreement can be executed upon obtaining the approvals from the general manager of First Tractor Finance.

As confirmed by the Company, First Tractor Finance has also provided interbank business services to the independent third parties customers and the major terms and the pricing mechanism under those agreements to be entered with independent third parties customers will, in all material respects, be in line with the corresponding terms and pricing mechanism of the Interbank Business Services Agreement.

Having considered (i) SHIBOR announced by Shanghai Interbank Offered Market are used as a market benchmark; (ii) First Tractor Finance has a clear pricing mechanism in place as guidelines to be followed which demonstrated that different pricing rates are applied for the different financial service as well as being restrained under the Interbank Undertakings; (iii) First Tractor Finance has adopted certain internal control policies to ensure the compliance of the pricing basis as set out in the section headed "Measures of Internal Control" in the Board Letter and the procedures for approving the Financial Services Agreements as mentioned above are also applied to interbank business services; (iv) the fact that First Tractor Finance may request Sinomach Finance to provide pledge of assets or other guarantees to secure the liabilities is in favorable to the Group, we are of the view that the terms of the Interbank Business Services Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Annual Caps under the Interbank Business Services Agreement

The proposed Annual Cap amounts for the transactions under the Interbank Business Services Agreement (the "**Interbank Caps**") for each of the three years ending 31 December 2016, 2017 and 2018 is RMB700 million, RMB800 million and RMB900 million respectively. Details of the basis to determine the Interbank Caps have been set out under the section headed "Basis for the Proposed Annual Cap Amounts under the Interbank Business Services Agreement" in the Board Letter.

As advised by the Company, although there was no historical transaction for mutual provision of financing services between First Tractor Finance and Sinomach Finance including interbank deposit, lending and credit assets transfer and bond transactions conducted between financial institutions, First Tractor Finance has historically been providing such services to other independent third parties. According to the data provided by the Company, the historical maximum outstanding transaction amount for interbank business services conducted with independent third parties in 2013, 2014 and for the first six months of 2015 were approximately RMB1,944.0 million, approximately RMB2,955.0 million and approximately RMB4,165.0 million respectively.

From the above, we noted that the extent of the amount of interbank services historically conducted by First Tractor Finance with independent third parties was not less than approximately RMB1,944.0 million and has been increasing throughout the years. However, due to the fact that no historical transaction records with Sinomach Finance and/or connected persons were recorded, as advised by the Company, the setting of the Interbank Caps was therefore, as mentioned in the Board Letter, based on the historical transaction amounts of interbank business services conducted with independent third parties and while subject to the risk control policy implemented by the CBRC. As advised by the Company, based on historical transactions record, it is in its capability to conduct the said transaction amounts for the interbank services at such extents.

As advised by the Company, First Tractor Finance is a licensed non-banking financial institution in the PRC and all the interbank financial services provided by First Tractor Finance have to be subject to the supervision of CBRC. We were given to understand that when computing the amount of the Interbank Caps, First Tractor Finance has separately computed from two different interbank services, namely the interbank lending and interbank borrowing services.

In respect of the interbank lending services, First Tractor Finance recorded an average monthly outstanding amount of approximately RMB2,137.0 million for the first six months of 2015 and is expected to maintain to lend an outstanding amount at RMB2,200.0 million for the three upcoming years. During 2016 to 2018, interbank lending services to Sinomach Finance is expected to account for not more than RMB350 million, RMB400 million and RMB450 million respectively. As advised by the Company, the primary capital of First Tractor Finance is expected to be RMB800 million, RMB850 million and RMB900 million in 2016, 2017 and 2018 respectively, the said amounts for each of the three years allow the Group to comply with the relevant risk control policy implemented by the CBRC (being interbank lending from a commercial bank to a single financial institution (the net amount after deducting risk free assets) shall not exceed 50% of the bank's primary capital).

In respect of the interbank borrowing services, First Tractor Finance recorded an average monthly outstanding amount of approximately RMB1,065.0 million for the first six months of 2015. During 2016 to 2018, interbank borrowing services to Sinomach Finance is expected to account for not more than RMB350 million, RMB400 million and RMB450 million respectively. As the total liabilities of First Tractor Finance is estimated to reach RMB2,700.0 million, RMB3,150.0 million and RMB3,600 million in 2016, 2017 and 2018 respectively, the said amounts for each of the three years allow the Group to comply with the risk control policy implemented by the CBRC (being the balance of interbank borrowing of a commercial bank shall not exceed one-third of the bank's total liability).

Summing the expected amounts of the two types of financial services, the Interbank Caps for each of the three years ending 31 December 2016, 2017 and 2018 is RMB700 million, RMB800 million and RMB900 million respectively.

We have reviewed the business license of First Tractor Finance as well as the latest relevant policy in respect of the risk control policy for interbank business services between financial institutions implemented by the CBRC as provided by the Company. We noted that the available financial services provided by First Tractor Finance are subject to such policies and the Interbank Caps are determined correspondingly. We were further given to understand from our discussions with the Company that given the belief that the interbank financing services may not only add source of revenue but also improve liquidity and enhance bargaining power of First Tractor Finance which result in the increase in the Interbank Caps for the years ending 2017 and 2018.

In view of the above factors, we considered the settings of the Interbank Caps are fair and reasonable so far as the Independent Shareholders are concerned.

III. Recommendation

Having considered the above-mentioned principal factors and reasons, we consider (i) each of the terms of the Non-exempt CCT Agreements and their respective proposed Annual Cap amounts for the three years ending 31 December 2016, 2017 and 2018 are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) each of the Non-exempt CCT Transactions is in the ordinary and usual course of business of the Company and is in the interests of the Company and the Independent Shareholders as a whole. We would therefore recommend the Independent Shareholders and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions to approve the Non-exempt CCT Agreements and their respective proposed Annual Cap amount to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Veda Capital Limited

Hans Wong	**Julisa Fong**
Chairman	*Managing Director*

Notes:

Mr. Hans Wong is a licensed person under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 20 years of experience in investment banking and corporate finance.

Ms. Julisa Fong is a licensed person under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 19 years of experience in investment banking and corporate finance.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Interests of the Directors, supervisors and Chief Executive of the Company

Save as disclosed below, as at the Latest Practicable Date, none of the Directors, supervisors or chief executives of the Company had any interest or short position in any shares, underlying shares and/or debentures (as the case may be) of the Company or any associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director, supervisors or chief executive was taken or deemed to have under such provisions of the SFO) or which was required to be entered into the register required to be kept by the Company pursuant to section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as contained in Appendix 10 to the Hong Kong Listing Rules:

Name	The Company/ associated corporation	Capacity	Number of securities held	Approximate percentage in the total issued share capital of the Company *(%)*
Wu Tak Lung *(Director)*	The Company	Beneficial owner	10,000 H Shares (Long Position)	0.001

(ii) Interests of Substantial Shareholders and other Shareholders

Save as disclosed below, as at the Latest Practicable Date, the Directors were not aware of any person who had any interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were required to be notified to the Company and the Stock Exchange pursuant to section 324 of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	Capacity	Number of Shares interested[1]	Approximate percentage of the relevant class of issued share capital of the Company *(%)*	Approximate percentage of the total issued share capital of the Company *(%)*	Class of Shares
YTO[2]	Beneficial owner	443,910,000(L)	74.74	44.57	A Share
UBS AG[3]	Beneficial owner/ Security interest/ Interest in controlled corporation	24,464,128(L)	6.09	2.46	H Share
	Beneficial owner/ Interest in controlled corporation	508,000(S)	0.13	0.05	H Share

Notes:

1. (L) – Long position, (S) – Short position

2. Sinomach is the controlling shareholder of YTO. Sinomach is deemed to have the same interest in the Company as those owned by YTO by virtue of the SFO.

3. UBS Group AG is the controlling shareholder of UBS AG. UBS Group AG is deemed to have the same interest in the Company as those owned by UBS AG by virtue of the SFO.

Save as disclosed above, there are no other persons (other than the Directors, supervisors or chief executives of the Company) who, as at Latest Practicable Date, had any interest or short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

3. DISCLOSURE OF OTHER INTERESTS OF THE DIRECTORS

(a) Interests in contract or arrangement

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

(b) Interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2014, being the date to which the latest published audited accounts of the Group were made up.

(c) Interests in competing business

As at the Latest Practicable Date, none of the Directors or any of their respective associates of the Company were interested in any business apart from the Company's business, which competed or was likely to compete, either directly or indirectly, with the Company's business.

4. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had entered, or proposed to enter, into a service contract with any member of the Group (excluding contracts expiring or determinable by the relevant member of the Group within one year without payment of compensation, other than statutory compensation).

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, the date to which the latest published audited accounts of the Group were made up.

6. EXPERT AND CONSENTS

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Veda Capital	a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO

Veda Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, Veda Capital did not have any direct or indirect interest in any assets which had since 31 December 2014 (being the date which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, Veda Capital was not beneficially interested in the share capital of any member of the Group, nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on Monday to Friday (other than public holidays) at the office of Messrs. Li & Partners at 22nd Floor, World Wide House, Central, Hong Kong for a period of 14 days from the date of this circular:

(a) the Old Agreements;

(b) the New Agreements; and

(c) the Deposit Service Agreement.

8. GENERAL

In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

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)

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting (the "**EGM**") of First Tractor Company Limited (the "**Company**") will be held at 2:30 p.m. on 29 October 2015, Thursday, at No. 154 Jianshe Road, Luoyang, Henan Province, the People's Republic of China (the "**PRC**"), for the purpose of considering and, if thought fit, passing the following resolutions.

Unless otherwise indicated, capitalized terms used herein shall have the same meanings as those defined in the announcements of the Company dated 25 August 2015 and the circular of the Company dated 11 September 2015.

ORDINARY RESOLUTIONS

THAT:

"1. the Material Procurement Agreement (a copy of which has been produced to the EGM marked "1" and signed by the chairman of the EGM for the purpose of identification), the terms and conditions thereof, the transactions contemplated thereunder and the proposed Annual Cap amounts for each of the three financial years ending 31 December 2018, be and are hereby approved, ratified and confirmed;

2. the Sale of Goods Agreement (a copy of which has been produced to the EGM marked "2" and signed by the chairman of the EGM for the purpose of identification), the terms and conditions thereof, the transactions contemplated thereunder and the proposed Annual Cap amounts for each of the three financial years ending 31 December 2018, be and are hereby approved, ratified and confirmed;

3. the Loan Service Agreement (a copy of which has been produced to the EGM marked "3" and signed by the chairman of the EGM for the purpose of identification), the terms and conditions thereof, the transactions contemplated thereunder and the proposed Annual Cap amounts for each of the three financial years ending 31 December 2018, be and are hereby approved, ratified and confirmed;

4. the Bills Discounting Service Agreement (a copy of which has been produced to the EGM marked "4" and signed by the chairman of the EGM for the purpose of identification), the terms and conditions thereof, the transactions contemplated thereunder and the proposed Annual Cap amounts for each of the three financial years ending 31 December 2018, be and are hereby approved, ratified and confirmed;

5. the Bills Acceptance Service Agreement (a copy of which has been produced to the EGM marked "5" and signed by the chairman of the EGM for the purpose of identification), the terms and conditions thereof, the transactions contemplated thereunder and the proposed Annual Cap amounts for each of the three financial years ending 31 December 2018, be and are hereby approved, ratified and confirmed;

6. the Interbank Business Services Agreement (a copy of which has been produced to the EGM marked "6" and signed by the chairman of the EGM for the purpose of identification), the terms and conditions thereof, the transactions contemplated thereunder and the proposed Annual Cap amounts for each of the three financial years ending 31 December 2018, be and are hereby approved, ratified and confirmed;

7. the Composite Services Agreement (a copy of which has been produced to the EGM marked "7" and signed by the chairman of the EGM for the purpose of identification), the terms and conditions thereof, the transactions contemplated thereunder and the proposed Annual Cap amounts for each of the three financial years ending 31 December 2018, be and are hereby approved, ratified and confirmed;

8. the Energy Procurement Agreement (a copy of which has been produced to the EGM marked "8" and signed by the chairman of the EGM for the purpose of identification), the terms and conditions thereof, the transactions contemplated thereunder and the proposed Annual Cap amounts for each of the three financial years ending 31 December 2018, be and are hereby approved, ratified and confirmed;

9. the Properties Lease Agreement (a copy of which has been produced to the EGM marked "9" and signed by the chairman of the EGM for the purpose of identification), the terms and conditions thereof, the transactions contemplated thereunder and the proposed Annual Cap amounts for each of the three financial years ending 31 December 2018, be and are hereby approved, ratified and confirmed;

10. the Land Lease Agreement (a copy of which has been produced to the EGM marked "10" and signed by the chairman of the EGM for the purpose of identification), the terms and conditions thereof, the transactions contemplated thereunder and the proposed Annual Cap amounts for each of the three financial years ending 31 December 2018, be and are hereby approved, ratified and confirmed;

11. the Technology Services Agreement (a copy of which has been produced to the EGM marked "11" and signed by the chairman of the EGM for the purpose of identification), the terms and conditions thereof, the transactions contemplated thereunder and the proposed Annual Cap amounts for each of the three financial years ending 31 December 2018, be and are hereby approved, ratified and confirmed;

12. any one of the Directors be hereby authorised for and on behalf of the Company, among other matters, to sign, execute, perfect, deliver or to authorise signing, executing, perfecting and delivering all such documents and deeds, to do or authorise doing all such acts, matters and things as they may in their discretion consider necessary, expedient or desirable to give effect to and implement the Material Procurement Agreement, the Sale of Goods Agreement, the Loan Service Agreement, the Bills Discounting Service Agreement, the Bills Acceptance Service Agreement, the Interbank Business Services Agreement, the Composite Services Agreement, the Energy Procurement Agreement, the Properties Lease Agreement, the Land Lease Agreement and the Technology Services Agreement (together the "**New Agreements**") and to waive compliance from or make and agree such variations of a non-material nature to any of the terms of the New Agreements that may in their discretion consider to be desirable and in the interest of the Company and all the Directors' acts as aforesaid be hereby approved, ratified and confirmed;

13. the appointment of Mr. Zhao Yanshui to be the Director of the Seventh Board for a term of three years from 29 October 2015 to 28 October 2018 be hereby approved;

14. the appointment of Mr. Wang Erlong to be the Director of the Seventh Board for a term of three years from 29 October 2015 to 28 October 2018 be hereby approved;

15. the appointment of Mr. Wu Yong to be the Director of the Seventh Board for a term of three years from 29 October 2015 to 28 October 2018 be hereby approved;

16. the appointment of Mr. Li Hepeng to be the Director of the Seventh Board for a term of three years from 29 October 2015 to 28 October 2018 be hereby approved;

17. the appointment of Mr. Xie Donggang to be the Director of the Seventh Board for a term of three years from 29 October 2015 to 28 October 2018 be hereby approved;

18. the appointment of Mr. Li Kai to be the Director of the Seventh Board for a term of three years from 29 October 2015 to 28 October 2018 be hereby approved;

19. the appointment of Mr. Yin Dongfang to be the Director of the Seventh Board for a term of three years from 29 October 2015 to 28 October 2018 be hereby approved;

20. the appointment of Ms. Yang Minli to be the independent non-executive Director of the Seventh Board for a term of three years from 29 October 2015 to 28 October 2018 be hereby approved;

21. the appointment of Mr. Xing Min to be the independent non-executive Director of the Seventh Board for a term of three years from 29 October 2015 to 28 October 2018 be hereby approved;

22. the appointment of Mr. Wu Tak Lung to be the independent non-executive Director of the Seventh Board for a term of three years from 29 October 2015 to 28 October 2018 be hereby approved;

23. the appointment of Mr. Yu Zengbiao to be the independent non-executive Director of the Seventh Board for a term of three years from 29 October 2015 to 28 October 2018 be hereby approved;

24. the appointment of Mr. Li Pingan to be the Supervisor (non-staff representative Supervisor) of the Seventh Supervisory Committee for a term of three years from 29 October 2015 to 28 October 2018 be hereby approved;

25. the appointment of Mr. Xu Weilin to be the Supervisor (non-staff representative Supervisor) of the Seventh Supervisory Committee for a term of three years from 29 October 2015 to 28 October 2018 be hereby approved;

26. the appointment of Mr. Wang Yong to be the Supervisor (non-staff representative Supervisor) of the Seventh Supervisory Committee for a term of three years from 29 October 2015 to 28 October 2018 be hereby approved;

27. the appointment of Mr. Huang Ping to be the Supervisor (non-staff representative Supervisor) of the Seventh Supervisory Committee for a term of three years from 29 October 2015 to 28 October 2018 be hereby approved;

28. the remuneration proposals for the Directors of the Seventh Board and Supervisors of the Seventh Supervisory Committee be hereby approved;

29. any one of the Directors be hereby authorised for and on behalf of the Company, among other matters, to sign, execute, perfect, deliver or to authorize signing, executing, perfecting and delivering all such documents and deeds, to do or authorize doing all such acts, matters and things as they may in their discretion consider necessary, expedient or desirable to give effect to and implement the renewal or purchase of the Directors' liabilities insurance for the Directors, Supervisors and senior management officers of the Company (the "**Directors' Liabilities Insurance**") with an insurance coverage of RMB30,000,000 or a Directors' Liabilities Insurance that may in their discretion consider to be desirable and in the interest of the Company and all the Directors' acts as aforesaid be hereby approved, ratified and confirmed;

30. the amendments to Articles 2 and 35 of the Rules of Procedures of Board Meetings be hereby approved; and

31. the termination of the Company's product upgrading and capacity expanding project in fuel injection system; and the use of all of the balance of the proceeds from the initial public offering of A shares of the Company with the interests permanently supplementing the general working capital of the YTO (Luoyang) Fuel Injection Pump Co., Ltd.* (一拖(洛陽)燃油噴射有限公司) in its ordinary production operation be hereby approved."

SPECIAL RESOLUTION

THAT:

"1. the proposed amendments to the Articles of Association be hereby approved and confirmed, and the Board be hereby authorised to revise the wordings of such amendments as appropriate (no approval from the Shareholders is required for such revision), and execute relevant documents and/or take all relevant actions as it considers necessary or expedient and in the interest of the Company to effect the proposed amendments, to comply with the PRC laws and regulations and meet the requirements of the relevant regulatory authorities of the PRC (if any); and deal with other matters arising from the amendments to the Articles of Association."

(For details of the above resolutions, please refer to the announcements of the Company dated 25 August 2015 and the circular of the Company date 11 September 2015.)

By Order of the Board
First Tractor Company Limited*
YU Lina
Company Secretary

Luoyang, the PRC
11 September 2015

As at the date of this notice, Mr. Zhao Yanshui is the Chairman of the Company and Mr. Wang Erlong is the vice Chairman of the Company. Other members of the Board are six Directors, namely, Mr. Yan Linjiao, Mr. Wu Zongyan, Mr. Wang Kejun, Mr. Guo Zhiqiang, Mr. Liu Jiguo and Mr. Wu Yong; and four independent non-executive Directors, namely, Mr. Hong Xianguo, Mr. Xing Min, Mr. Wu Tak Lung and Mr. Yu Zengbiao.

Notes:

1. The register of members of the Company will be temporarily closed from 29 September 2015 to 28 October 2015 (both days inclusive) during which no transfer of Shares will be registered in order to determine the list of Shareholders for attending the EGM. The last lodgment for the transfer of the H Shares of the Company should be made on 25 September 2015 at Hong Kong Registrars Limited by or before 4:00 p.m. The Shareholders or their proxies being registered before the close of business on 25 September 2015 are entitled to attend the EGM by presenting their identity documents. The address of Hong Kong Registrars Limited, the H Share registrar of the Company, is Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

2. Each Shareholder having the rights to attend and vote at the EGM is entitled to appoint one or more proxies (whether a Shareholder or not) to attend and vote on his behalf. Should more than one proxy be appointed by one Shareholder, such proxy shall only exercise his voting rights on a poll.

3. Shareholders can appoint a proxy by an instrument in writing (i.e. by using the proxy form enclosed). The proxy form shall be signed by the person appointing the proxy or an attorney authorised by such person in writing. If the proxy form is signed by an attorney, the power of attorney or other documents of authorization shall be notarially certified. To be valid, the proxy form and the notarially certified power of attorney or other documents of authorisation must be delivered to the Company's registered address at No. 154 Jianshe Road, Luoyang, Henan Province, the PRC, or the Company's H Share registrar, Hong Kong Registrars Limited at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in not less than 24 hours before the time scheduled for the holding of the EGM or any adjournment thereof.

4. Shareholders who intend to attend the EGM are requested to deliver the duly completed and signed reply slip for attendance to the Company's registered and principal office in person, by post or by facsimile on or before 4:00 p.m., 8 October 2015.

5. Shareholders or their proxies shall present proofs of their identities upon attending the EGM. Should a proxy be appointed, the proxy shall also present the proxy form.

6. The EGM is expected to last for less than one day. The Shareholders and proxies attending the EGM shall be responsible for their own travelling and accommodation expenses.

7. The Company's registered address:
   No. 154 Jianshe Road, Luoyang, Henan Province, the PRC
   Postal code: 471004
   Telephone: (86-379) 6496 7038
   Facsimile: (86-379) 6496 7438
   Email: msc0038@ytogroup.com

* *For identification purposes only*