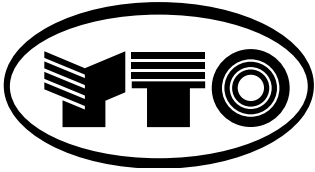


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第一拖拉机股份有限公司*
FIRST TRACTOR COMPANY LIMITED

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

(Stock Code: 0038)

CONNECTED TRANSACTION - CAPITAL CONTRIBUTION TO TRACTORS RESEARCH COMPANY

On 21 September 2012, the Company entered into the Capital Increase Agreement with YTO, pursuant to which the Company and YTO have agreed to make capital contribution in cash to Tractors Research Company by injecting RMB132,600,000 (equivalent to approximately HK\$163,098,000) and RMB127,400,000 (equivalent to approximately HK\$156,702,000) respectively.

Tractors Research Company is a non wholly-owned subsidiary of the Company, owned as to 51% by the Company and 49% by YTO. YTO is the controlling shareholder of the Company and therefore is a connected person of the Company. Since Tractors Research Company is a non wholly-owned subsidiary of the Company where YTO (being the connected person of the Company) holds more than 10% of its voting shares, Tractors Research Company is also a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

In light of the above, the capital contribution by the Company to Tractors Research Company (being a connected person of the Company) under the Capital Increase Agreement constitutes a connected transaction of the Company. As the applicable percentage ratios are less than 5%, the Capital Increase Agreement is subject to the reporting and announcement requirements only but exempt from the independent shareholders' approval requirement pursuant to Rule 14A.32 of the Listing Rules.

The capital contribution by YTO to Tractors Research Company (being a subsidiary of the Company) under the Capital Increase Agreement also constitutes a connected transaction of the Company under the Listing Rules. However, such capital contribution by YTO will be exempt from the announcement, reporting and independent shareholders' approval requirements under Rule 14A.31(3)(a) of the Listing Rules on the basis that YTO's capital contribution will be made in proportion to its equity interest in Tractors Research Company.

INTRODUCTION

On 21 September 2012, the Company entered into the Capital Increase Agreement with YTO, pursuant to which the Company and YTO have agreed to make capital contribution to Tractors Research Company by injecting RMB132,600,000 (equivalent to approximately HK\$163,098,000) and RMB127,400,000 (equivalent to approximately HK\$156,702,000) respectively.

The summary of the principal terms of the Capital Increase Agreement is set out below:-

THE CAPITAL INCREASE AGREEMENT

Date

21 September 2012

Parties

- 1) The Company, holding 51% equity interest in Tractors Research Company; and
- 2) YTO, holding 49% equity interest in Tractors Research Company.

Details of the transaction

The Company and YTO shall make capital contribution to Tractors Research Company in proportion to their respective percentage of equity interest in Tractors Research Company.

Pursuant to the Capital Increase Agreement, the registered capital of Tractors Research Company will increase from, as at the date hereof, RMB185,000,000 to RMB445,000,000. The total capital contribution by the Company and YTO is therefore RMB260,000,000.

Capital contribution

Pursuant to the Capital Increase Agreement, the Company and YTO shall make capital contribution of RMB132,600,000 (equivalent to approximately HK\$163,098,000) and RMB127,400,000 (equivalent to approximately HK\$156,702,000) to Tractors Research Company respectively.

The Company intends to satisfy the above amount in cash by its internal resources.

Upon completion of the capital contribution, Tractors Research Company shall engage a verification institution to issue a verification report within 10 days and amend its articles of association accordingly. The change of industry and business registration shall be completed by Tractors Research Company within 30 days after completion of the capital contribution.

Payment terms

The capital contribution will be made in the following manners:

- (a) 60% of the total capital contribution being RMB156,000,000 (i.e. the Company and YTO will contribute RMB79,560,000 and RMB76,440,000 respectively) will be made before 30 September 2012; and
- (b) The balance of 40% of the total capital contribution being RMB104,000,000 (i.e. the Company and YTO will contribute RMB53,040,000 and RMB50,960,000 respectively) will be made before 31 March 2013.

INFORMATION OF TRACTORS RESEARCH COMPANY

Set out below is the basic financial information of Tractors Research Company prepared in accordance with the PRC accounting standards:

Book value of the total assets as at 30 June 2012 (<i>unaudited</i>)	:	RMB546,358,400
Book value of the net assets as at 30 June 2012 (<i>unaudited</i>)	:	RMB328,993,600
Net profit before taxation and extraordinary items for the year ended 31 December 2011 (<i>audited</i>)	:	RMB31,164,100
Net profit after taxation and extraordinary items for the year ended 31 December 2011 (<i>audited</i>)	:	RMB27,600,300
Net profit before taxation and extraordinary items for the year ended 31 December 2010 (<i>audited</i>)	:	RMB28,523,900
Net profit after taxation and extraordinary items for the year ended 31 December 2010 (<i>audited</i>)	:	RMB25,449,500

Upon completion of the capital contribution under the Capital Increase Agreement, the registered capital of Tractors Research Company will increase up to RMB445,000,000 and Tractors Research Company will still be owned as to 49% by YTO and 51% by the Company. Tractors Research Company will remain to be a non wholly-owned subsidiary of the Company.

REASONS FOR THE CAPITAL CONTRIBUTION

The capital contribution to be made shall be mainly used to finance the “Independent Research & Development Capability Enhancement Project” of Tractors Research Company. Through the construction of advanced facilities such as new and special laboratories for whole machine, engine, components and parts, and test track, the technological research and development capacity of Tractors Research Company will achieve top-tier international standard and such construction shall have a significant impact on the independent research and development capability and standard of Tractors Research Company. The research and development and commercialization process of high-end products such as shift transmission tractors and hi-powered diesel engines will be further accelerated. Meanwhile, it shall help accelerating the pace of upgrading of the key products of the Company and improve the product structure and realize industrial promotion, so as to further foster and maintain the leading position of the Company’s products and technology in the agricultural machinery industry in the PRC and support the Company to achieve its strategic target.

The terms of the Capital Increase Agreement have been determined after arm's length negotiations between the Company and YTO. The Directors (including the independent non-executive Directors) consider that the Capital Increase Agreement was entered into in the ordinary course of business of the Company and on normal commercial terms and the terms thereof are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

INFORMATION OF TRACTORS RESEARCH COMPANY, THE GROUP AND YTO

Tractors Research Company is a limited liability company incorporated in the PRC. Its principal activities include research, development and design as well as examination and testing of products such as tractors, power machineries and relevant components and parts.

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, forklift trucks and mining trucks, etc.

YTO is the controlling shareholder of the Company, holding 44.57% of the voting shares of the Company, and is principally engaged in the production of transporting machineries, casting parts, vehicles products and components, etc.

RELATIONSHIP BETWEEN THE PARTIES AND THE LISTING RULES IMPLICATIONS

Tractors Research Company is a non wholly-owned subsidiary of the Company, owned as to 51% by the Company and 49% by YTO. As mentioned above, YTO is the controlling shareholder of the Company and therefore is a connected person of the Company. Since Tractors Research Company is a non wholly-owned subsidiary of the Company where YTO (being the connected person of the Company) holds more than 10% of its voting shares, Tractors Research Company is also a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

In light of the above, the capital contribution by the Company to Tractors Research Company (being a connected person of the Company) under the Capital Increase Agreement constitutes a connected transaction of the Company. As the applicable percentage ratios are less than 5%, the Capital Increase Agreement is subject to the reporting and announcement requirements only but exempt from the independent shareholders' approval requirement pursuant to Rule 14A.32 of the Listing Rules.

The capital contribution by YTO to Tractors Research Company (being a subsidiary of the Company) under the Capital Increase Agreement also constitutes a connected transaction of the Company under the Listing Rules. However, such capital contribution by YTO will be exempt from the announcement, reporting and independent shareholders' approval requirements under Rule 14A.31(3)(a) of the Listing Rules on the basis that YTO's capital contribution will be made in proportion to its equity interest in Tractors Research Company.

Since Mr. Zhao Yanshui, Ms. Dong Jianhong and Mr. Qu Dawei, the executive Directors of the Company, as well as Mr. Yan Linjiao and Mr. Liu Yongle, the non-executive Directors of the Company, had connected relationship with YTO, they have therefore abstained from voting on the Board resolutions approving the Capital Increase Agreement.

DEFINITIONS

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

“Board”	the board of Directors of the Company;
“Capital Increase Agreement”	the agreement dated 21 September 2012 entered into between the Company and YTO, pursuant to which the Company and YTO has agreed to make capital contribution to Tractors Research Company for a total amount of RMB260,000,000 in proportion to their respective holding of the equity interest in Tractors Research Company;

“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 Stock Exchange and the Shanghai Stock Exchange respectively;
“connected person(s)”	has the same meaning as ascribed to this term under the Listing Rules;
“controlling shareholder”	has the same meaning as ascribed to this term under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time);
“percentage ratio(s)”	has the same meaning as ascribed to this term under the Listing Rules, as applicable to a transaction
“PRC”	The People’s Republic of China which, for the purpose of this announcement, does not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	the holder(s) of the share(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Tractors Research Company”	Luoyang Tractors Research Company Limited* (洛陽拖拉機研究所有限公司), a limited liability company incorporated in the PRC and a non wholly-owned subsidiary of the Company;
“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; and
“%”	per cent.

For the purpose of this announcement, the exchange rate of RMB1.00 = HK\$1.23 has been used.

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

Luoyang, the PRC
21 September 2012

As at the date of this announcement, Mr. Zhao Yanshui is the Chairman and executive Director of the Company and Mr. Su Weike is the vice Chairman and non-executive Director of the Company. Other members of the Board are three executive Directors, namely, Ms. Dong Jianhong, Mr. Qu Dawei and Mr. Liu Jiguo; two non-executive Directors, namely, Mr. Yan Linjiao and Mr. Liu Yongle; and four independent non-executive Directors, namely, Mr. Luo Xiwen, Mr. Chan Sau Shan, Gary, Mr. Hong Xianguo and Mr. Zhang Qiusheng.

* *For identification purposes only*