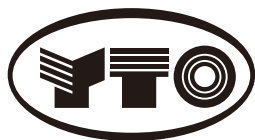


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**第一拖拉机股份有限公司**  
**FIRST TRACTOR COMPANY LIMITED\***

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

(Stock Code: 0038)

## **CONTINUING CONNECTED TRANSACTION – COMMON RESOURCE SERVICES AGREEMENT**

On 28 April 2016, YTO, on behalf of YTO Group, as supplier and/or supplying agent and the Company, on behalf of the Group, as purchaser and/or purchasing agent entered into the Common Resource Services Agreement, pursuant to which YTO Group agreed to provide Common Resource Services to the Group.

As at the date of this announcement, YTO beneficially owns approximately 44.57% equity interest in the Company and is the immediate controlling shareholder of the Company. Accordingly, YTO is a connected person of the Company and the transaction contemplated under the Common Resource Services Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

As the applicable percentage ratios for the Common Resource Services Agreement are more than 0.1% but less than 5%, the provision of services under the Common Resource Services Agreement is subject to the reporting and announcement requirements only and is exempt from the independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

The Board is pleased to announce that on 28 April 2016, YTO, on behalf of YTO Group, as supplier and/or supplying agent and the Company, on behalf of the Group, as purchaser and/or purchasing agent entered into the Common Resource Services Agreement, pursuant to which YTO Group agreed to provide Common Resource Services to the Group.

Details of the principal terms of the Common Resource Services Agreement and its proposed Annual Cap amount are set out below:

**Date**

28 April 2016

**Parties**

- (a) YTO, on behalf of YTO Group, as supplier and/or supplying agent; and
- (b) The Company, on behalf of the Group, as purchaser and/or purchasing agent.

**Services to be provided**

Pursuant to the Common Resource Services Agreement, YTO Group agreed to provide Common Resource Services to the Group, including green services, road services, cleaning services and logistic support services.

**Term**

From 1 January 2016 to 31 December 2016.

**Payment Terms**

Fees actually incurred during the month shall be settled in the following month.

**Pricing Standard for the Transaction**

Under the Common Resource Services Agreement, the price of the services shall be determined according to the following sequence:

- (1) the transaction price between YTO Group and an independent third party; and
- (2) if the above is not applicable, costs plus a percentage mark-up, which is not more than 10% (i.e. price = costs x (1 + percentage mark-up)).

*(whereas the 10% mark-up was determined based on (i) the profit margin of the transactions for the same or similar services between YTO Group and an independent third party; and (ii) the profit margin of the historical transactions with the parties to the Common Resource Services Agreement.)*

YTO Group undertakes that the applicable price for the provision of the services to the Group shall not be higher than the price for the provision of the same services to independent third party customers of YTO Group.

## **Historical Figure and the Proposed Annual Cap Amount for the Transaction under the Common Resource Services Agreement**

The following table sets out the historical service fee of the Common Resource Services of the Company for the year ended 31 December 2015, and the proposed Annual Cap amount for the year ending 31 December 2016 under the Common Resource Services Agreement:

<b>Historical Service Fee</b> <b>For the year ended 31 December 2015</b> <i>RMB '000 (Approximately)</i>	<b>Proposed Annual Cap Amount</b> <b>For the year ending 31 December 2016</b> <i>RMB '000</i>
9,200	10,000

## **Basis for the Proposed Annual Cap Amount under the Common Resource Services Agreement**

The proposed Annual Cap amount for the year ending 31 December 2016 for the Common Resource Services Agreement was determined with reference to the following factors:

- (1) The above historical service fee for the year ended 31 December 2015; and
- (2) Management costs including officers' salaries are expected to increase, which lead to an expected increase in service fee.

## **MEASURE OF INTERNAL CONTROL**

To ensure the Group's conformity with the pricing policies of the Common Resource Services 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, independent non-executive Directors and audit department of the Company:

- (1) the Board has approved the Common Resource Services Agreement according to the connected transaction decision policy, and the independent non-executive Directors have expressed their opinion on whether connected transactions of the Company are on normal commercial terms and fair and reasonable;
- (2) the office to the Board and finance department of the Company have reviewed the reasonableness and fairness of the terms of the Common Resource Services Agreement (the pricing term in particular), and are responsible for counting, supervising and managing implementation of cap amount for transactions;

- (3) the Company's management policies for connected transactions clearly state the principle for determining the prices for connected transactions. When each unit of business enters into contracts in accordance with the Common Resource Services Agreement, the price must be determined in accordance with the pricing standards as agreed in the Common Resource Services Agreement;
- (4) the internal audit department of the Company conducts regular supervision and evaluation on whether procedures to conduct connected transactions of the Company comply with internal control requirements of the Company; and
- (5) the finance department of the Company would request YTO Group to provide the cost breakdown and analysis, and relevant documents including invoices for its transactions with independent third parties for evaluation of reasonableness of the price to be charged by YTO Group before execution of the agreement.

The Directors are of the view that the above internal control measures can ensure that the transaction under the Common Resource Services Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders.

#### **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTION UNDER THE COMMON RESOURCE SERVICES AGREEMENT**

YTO Group possesses relevant capability to provide the Common Resource Services and geographical advantages. The Common Resource Services provided by YTO Group is necessary to the Group and the cooperation between the Group and YTO Group will be favourable for the Company to obtain services in reasonable costs and will provide guarantee to the daily operation of the Group.

The terms of the Common Resource Services Agreement were determined after arm's length negotiations between the parties thereto. The Directors (including the independent non-executive Directors) consider that the terms of the Common Resource Services Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Group and the Shareholders as a whole.

#### **INFORMATION OF THE GROUP, YTO AND YTO GROUP**

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

As at the date of this announcement, 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.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, YTO beneficially owns approximately 44.57% equity interest in the Company and is the immediate controlling shareholder of the Company. Accordingly, YTO is a connected person of the Company and the transaction contemplated under the Common Resource Services Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

As the applicable percentage ratios for the Common Resource Services Agreement are more than 0.1% but less than 5%, the provision of services under the Common Resource Services Agreement is subject to the reporting and announcement requirements only and is exempt from the independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

Zhao Yanshui, Wang Erlong, Li Hepeng, Xie Donggang, Li Kai and Yin Dongfang, the Directors of the Company, have abstained from voting to approve the Common Resource Services Agreement in the Board meeting due to the fact that they were also directors of YTO and are regarded not independent to make any recommendation to the Board.

## **DEFINITIONS**

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

“Annual Cap”	the maximum aggregate annual value for the transaction under Common Resource Services Agreement;
“Board”	the board of Directors;
“Common Resource Services”	services including green services, road services, cleaning services and logistic support services;
“Common Resource Services Agreement”	the agreement dated 28 April 2016 entered into between YTO, on behalf of YTO Group, 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 agreed to provide Common Resource Services to the Group;

“Company”	First Tractor Company Limited* (第一拖拉機股份有限公司), a joint stock company with limited liability incorporated in the PRC, the H Shares and A Shares of which are listed on the main board of the Stock Exchange (Stock Code: 0038) and the Shanghai Stock Exchange (Stock Code: 601038) respectively;
“connected person(s)”	has the same meaning as ascribed to this term under the Listing Rules;
“controlling shareholder”	has the same meaning as ascribed to this term under the Listing Rules;
“CSRC”	China Securities Regulatory Commission;
“Directors”	the directors of the Company, including the independent non-executive directors;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“percentage ratio(s)”	has the same meaning as ascribed to this term under the Listing Rules, as applicable to a transaction;
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	the shareholder(s) of the Company;
“Share(s)”	share(s) of RMB1.00 each of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“YTO”	YTO Group Corporation* (中國一拖集團有限公司), a limited liability company incorporated in the PRC and the controlling shareholder of the Company, holding approximately 44.57% equity interest in the Company;
“YTO Group”	YTO and its subsidiaries (other than the Group); and
“%”	per cent.

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

Luoyang, the PRC  
28 April 2016

*As at the date of this announcement, the Board comprises Mr. Zhao Yanshui (Chairman), Mr. Wang Erlong (vice Chairman) and Mr. Wu Yong as executive Directors; Mr. Li Hepeng, Mr. Xie Donggang, Mr. Li Kai and Mr. Yin Dongfang as non-executive Directors; and Ms. Yang Minli, Mr. Xing Min, Mr. Wu Tak Lung and Mr. Yu Zengbiao as independent non-executive Directors.*

*For the purpose of this announcement, the following exchange rate is used:  
RMB1.00 = HK\$1.21*

\* *For identification purposes only*