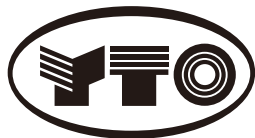


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第一拖拉机股份有限公司
FIRST TRACTOR COMPANY LIMITED*

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

(Stock Code: 0038)

CONNECTED TRANSACTION FIRST GENERAL CONTRACTING AGREEMENT

On 31 March 2017, the Company, China Automotive and SCIVIC entered into the First General Contracting Agreement for the purpose of the Construction Project at a total consideration of RMB175,626,400 (equivalent to approximately HK\$198,458,000).

As at the date of this announcement, both China Automotive and SCIVIC are subsidiaries of Sinomach, which is the ultimate controlling shareholder of the Company, therefore both of them are regarded as connected persons of the Company. Pursuant to Chapter 14A of the Listing Rules, the transaction contemplated under the First General Contracting Agreement constitutes a connected transaction of the Company.

Since the applicable percentage ratios are more than 0.1% but less than 5%, the transaction contemplated under the First General Contracting Agreement is subject to the reporting and announcement requirements only but exempt from the independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the Company's indicative announcement dated 15 December 2016 regarding the result of open tender and connected transaction.

In order to newly construct a digitalized smart driving cab factory (the “**Factory Construction**”), the Company has commenced to conduct the Construction Project and the Painting Line Project, and has entrusted Weixin Tender Company to conduct open tenders for these two projects. For details of the Painting Line Project, please refer to the Company’s announcement dated 4 January 2017 regarding the connected transaction under the Second General Contracting Agreement and the circular of the Company dated 15 February 2017 in relation thereto.

For the Construction Project, the Company has already issued letters of acceptance to China Automotive and SCIVIC on 14 December 2016, confirming that they would become the general contractors of the Construction Project.

The Board is pleased to announce that on 31 March 2017, the Company, China Automotive and SCIVIC entered into the First General Contracting Agreement for the purpose of the Construction Project at a total consideration of RMB175,626,400 (equivalent to approximately HK\$198,458,000).

Set out below is a summary of the principal terms of the First General Contracting Agreement:

FIRST GENERAL CONTRACTING AGREEMENT

Date: 31 March 2017

Parties: (1) the Company; and
(2) China Automotive and SCIVIC, as the general contractors

Completion deadline

The conditions for the completion and acceptance of the Construction Project shall be fulfilled before June 2018.

Scope of contracting

Pursuant to the First General Contracting Agreement, China Automotive and SCIVIC shall be responsible for construction of a digitalized smart driving cab factory and its supporting area, including engineering investigation, technological design, installation and debugging of non-standard and standard processing equipment (excluding painting line equipment), architectural engineering construction, training and warranty, etc..

Consideration

The consideration under the First General Contracting Agreement is the bidding price jointly offered by China Automotive and SCIVIC at the open tender, which is RMB175,626,400 (equivalent to approximately HK\$198,458,000), including RMB49,816,400 for processing equipment (including RMB14,816,400 for non-standard equipment and RMB35,000,000 for standard equipment), RMB114,000,000 for construction and installation work and RMB11,810,000 for survey, design and EPC general contracting (including RMB360,000 for survey work, RMB4,000,000 for design work and RMB7,450,000 as other expenses).

The consideration shall be settled by the Company out of its internal resources and in the form of commercial acceptance bill(s) in the following manner:

- (i) 20% of the construction and installation fee and 30% of the non-standard equipment fee, being prepayment, shall be paid upon signing of the First General Contracting Agreement;
- (ii) 100% of the survey fee, shall be paid upon submission of the geologic survey report to the Company;
- (iii) Up to 60% of the design fee shall have been paid upon provision of construction drawings for the main building of the factory and its supporting area of the Construction Project by the general contractors; up to 90% of the design fee shall have been paid upon provision of a full set of construction drawings for the Construction Project by the general contractors;
- (iv) 70% of the fee for the construction and installation work completed in the previous month shall be paid monthly, and up to 80% of the construction and installation fee shall have been paid upon examination and acceptance of the Construction Project;
- (v) 60% of the non-standard equipment fee shall be paid upon arrival of the non-standard equipment at the site and acceptance by the Company, and up to 90% of the non-standard equipment fee shall have been paid upon completion of installation and adjustment of the equipment;
- (vi) the standard equipment fee shall be paid according to the purchase contract(s);
- (vii) Up to 90% of other expenses shall have been paid upon examination and acceptance of the Construction Project;

- (viii) Up to 95% of the total consideration (exclusive of survey fee) shall have been paid upon completion, examination and acceptance of the Construction Project, as well as upon review of the completion documents by the audit department of the Company; and
- (ix) 5% of the total consideration (exclusive of survey fee), being the quality assurance deposit for the construction, shall be paid upon expiry of warranty period.

Other terms of the First General Contracting Agreement

Subject to the terms and conditions of the First General Contracting Agreement, China Automotive and SCIVIC may sub-contract the construction work of the Construction Project to other parties upon obtaining consent from the Company. All sub-contracting projects shall not affect the obligations and duties of China Automotive and SCIVIC under the First General Contracting Agreement. China Automotive and SCIVIC shall be responsible for supervising and managing the process, quality and progress of the construction work conducted by the sub-contractors, and fully responsible for the sub-contractors' responsibilities under the First General Contracting Agreement. China Automotive and SCIVIC shall also be responsible for organizing all the materials held by the sub-contractors at the completion of the Construction Project.

REASONS FOR ENTERING INTO THE FIRST GENERAL CONTRACTING AGREEMENT

China Automotive has been awarded by the State 26 Grade A certificates in respect of engineering investigation, design, consultation, manufacturing, supervision and environment assessment, etc.. China Automotive is one of the largest industrial design institutes of large machinery in the PRC and one of the largest engineering companies in the machinery industry in the PRC with most of Grade A certificates.

SCIVIC is one of the largest surveying and design units in the PRC machinery industry, with the most comprehensive professional facilities and advanced composite technologies. SCIVIC has passed the ISO9001 quality certification and has been awarded by the State nine Grade A certificates in respect of project surveying, design, consultation and supervision, etc. SCIVIC has a strong capability of design and project management in the machinery industry in terms of construction consultation, design and contracting, etc..

Driving cab is an important part of a tractor and is crucial to the performance of a tractor. However, the production conditions and capabilities of the existing plants of the Company are unable to meet the market demand for high quality driving cabs. In order to satisfy the market requirements, the Company intends to construct the digitalized smart driving cab factory in Luoyang, Henan Province, the PRC, for the purpose of producing driving cab with advanced performance for hi-powered, mid-powered tractors and other agricultural machineries.

For Factory Construction, the Company proposes to implement the Construction Project and has entrusted Weixin Tender Company to conduct an open tender. In view of the above experience and qualification of China Automotive and SCIVIC, and as they have won the bidding for the general contractors of the Construction Project in open tender, the Company entered into the First General Contracting Agreement with China Automotive and SCIVIC.

The terms of the First General Contracting Agreement were determined based on the terms of the open tender and bidding and after arm's length negotiations between the parties thereto. Even though the transaction contemplated under the First General Contracting Agreement is not in the ordinary and usual course of business of the Group, the Directors (including the independent non-executive Directors) consider that such terms of the First General Contracting Agreement are on normal commercial terms, fair and reasonable and in the interest of the Group and the Shareholders as a whole.

Since the general contracting of the Construction Project was conducted and the general contractors were selected by way of open tender, none of the Directors had any material interest in the First General Contracting Agreement.

INFORMATION OF THE COMPANY, CHINA AUTOMOTIVE, SCIVIC AND WEIXIN TENDER COMPANY

The Group is principally engaged in the production and sale 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 and mining trucks, etc..

China Automotive is a design institute for the large scale machinery industry. Its principal business is planning, design and general engineering contracting of machinery manufacturing factories, and is specialized in provision of engineering design, project management and general contracting throughout the process of engineering construction.

SCIVIC is principally engaged in Grade-A design of machineries and civil buildings; construction survey and measurement; geotechnical and hydrology engineering; consultancy, contracting and supervision of construction; manufacturing and installation of non-standard equipment and electrical automation equipment; consultancy and design of foreign-related construction; general contracting of construction; import and export of equipment and materials; and designation of labor.

Weixin Tender Company is a company incorporated in the PRC with Grade A Construction Tendering Agency Qualification* (工程招標代理甲級資格) issued by the Ministry of Housing and Urban-Rural Development of the PRC, Grade A Qualification Certificate for Procurement Agency Institute of the Government* (政府採購代理甲級資格) issued by the Ministry of Finance of the PRC, Grade A Qualification Certificate for Tendering Agency Institute of the Investment Project of the Central Government* (中央投資項目招標代理甲級資格) issued by National Development and Reform Commission, Grade B Ready Qualification of International Tendering of Mechanical and Electrical Products* (預乙級機電產品國際招標資格) issued by the Ministry of Commerce of the PRC and Grade A Construction Cost Consultation Qualification* (工程造價諮詢甲級資質) issued by the Provincial Construction Department. By reason of Weixin Tender Company's qualifications mentioned above and its rich experience in conducting open tenders, the Company has entrusted Weixin Tender Company to conduct open tenders for the general contracting of the Construction Project and the Painting Line Project, respectively, and for other construction projects in recent years. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, Weixin Tender Company and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

LISTING RULES IMPLICATIONS

As at the date of this announcement, both China Automotive and SCIVIC are subsidiaries of Sinomach, which is the ultimate controlling shareholder of the Company, therefore both of them are regarded as connected persons of the Company. Pursuant to Chapter 14A of the Listing Rules, the transaction contemplated under the First General Contracting Agreement constitutes a connected transaction of the Company.

Since the applicable percentage ratios are more than 0.1% but less than 5%, the transaction contemplated under the First General Contracting Agreement is subject to the reporting and announcement requirements only but exempt from the independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“China Automotive”	China Automotive Engineering Corporation* (中國汽車工業工程有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of Sinomach
“China United”	China United Engineering Corporation* (中國聯合工程公司), an enterprise incorporated in the PRC, which is wholly-owned by Sinomach
“Company”	First Tractor Company Limited* (第一拖拉機股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, 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 it under the Listing Rules
“Construction Project”	a construction project of modern agricultural equipment of digitalized smart driving cab of the Company
“controlling shareholder”	has the same meaning as ascribed to it under the Listing Rules
“Directors”	the directors of the Company, including the independent non-executive directors of the Company
“First General Contracting Agreement”	the general contracting agreement dated 31 March 2017 entered into among the Company, China Automotive and SCIVIC, pursuant to which China Automotive and SCIVIC have agreed to act as the general contractors for the Construction Project
“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
“Painting Line Project”	a painting line project of modern agricultural equipment of digitalized smart driving cab of the Company
“percentage ratios”	has the same meaning as ascribed to it 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
“SCIVIC”	SCIVIC Engineering Corporation Co., Ltd.* (機械工業第四設計研究院有限公司), a company incorporated in the PRC and a subsidiary of Sinomach
“Second General Contracting Agreement”	a general contracting agreement to be entered into between the Company and either China Automotive or China United, pursuant to which either China Automotive or China United shall agree to act as the general contractor for the Painting Line Project, details of which were disclosed in the Company’s announcement dated 4 January 2017 and the circular of the Company dated 15 February 2017
“Shareholder(s)”	the shareholder(s) of the Company
“Sinomach”	China National Machinery Industry Corporation* (中國機械工業集團有限公司), the controlling shareholder of YTO and the ultimate controlling shareholder of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning as ascribed to it under the Listing Rules

“Weixin Tender Company”	Henan Weixin Tender Management and Consultation Co., Ltd.* (河南省偉信招標管理諮詢有限公司)
“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 410,690,578 A shares of the Company
“%”	per cent

For the purpose of this announcement, the following exchange rate is used: RMB1.00 = HK\$1.13.

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

Luoyang, the PRC
31 March 2017

As at the date of this announcement, the board of directors of the Company 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 identification purposes only*