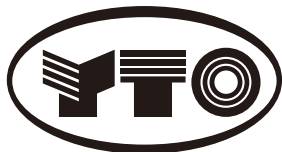


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第一拖拉机股份有限公司*
FIRST TRACTOR COMPANY LIMITED

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

(Stock Code: 0038)

**SALES FRAMEWORK AGREEMENT
AND
PROCUREMENT FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 16 February 2015 in relation to, among other things, the entering into of the Sales Framework Agreement and the Procurement Framework Agreement, and their respective annual transaction cap amounts for the years from 2015 to 2017.

On 29 September 2017, the Company convened a Board meeting at which it was resolved to propose the annual transaction cap amounts for the Sales Framework Agreement for the years 2018, 2019, and 2020 to be RMB235,000,000, RMB250,000,000 and RMB260,000,000 respectively, and the annual transaction cap amounts for the Procurement Framework Agreement for the years 2018, 2019 and 2020 to be RMB70,000,000, RMB80,000,000 and RMB90,000,000 respectively, subject to the approval by the Shareholders at the EGM.

As each of the JV Company and ZF (Hangzhou) is not deemed to be a connected person of the Company under the Hong Kong Listing Rules, the transactions contemplated under the Sales Framework Agreement and the Procurement Framework Agreement do not constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. Further, both the Sales Framework Agreement and the Procurement Framework Agreement have not fixed transaction amounts between the parties and thus the transactions contemplated thereunder do not constitute notifiable transactions of the Company under Chapter 14 of the Hong Kong Listing Rules.

However, pursuant to the Shanghai Listing Rules, the JV Company is regarded as a connected person of the Company and therefore the transactions contemplated under the Sales Framework Agreement and the Procurement Framework Agreement constitute connected transactions of the Company. The respective proposed annual transaction cap amounts for the Sales Framework Agreement and the Procurement Framework Agreement for the years from 2018 to 2020 are subject to the Shareholders' approval at the EGM under the Shanghai Listing Rules.

The Company will convene the EGM for the purposes of, among other things, seeking the Shareholders' approval for the respective annual transaction cap amounts for the years from 2018 to 2020 under the Sales Framework Agreement and the Procurement Framework Agreement. A notice of the EGM will be dispatched to the Shareholders as soon as possible.

Reference is made to the announcement of the Company dated 16 February 2015 in relation to, among other things, the entering into of the Sales Framework Agreement and the Procurement Framework Agreement, and their respective annual transaction cap amounts for the years from 2015 to 2017 (the "**Announcement**").

The Board hereby announces that on 29 September 2017, the Company convened a Board meeting at which it was resolved to propose the annual transaction cap amounts for the Sales Framework Agreement for the years 2018, 2019 and 2020 to be RMB235,000,000, RMB250,000,000 and RMB260,000,000 respectively and the annual transaction cap amounts for the Procurement Framework Agreement for the years 2018, 2019 and 2020 to be RMB70,000,000, RMB80,000,000 and RMB90,000,000 respectively, subject to the approval by the Shareholders at the EGM.

As stated in the Announcement, both the Sales Framework Agreement and the Procurement Framework Agreement were entered into on 16 February 2015. Set out below is a summary of the principal terms of the Sales Framework Agreement and the Procurement Framework Agreement:

SALES FRAMEWORK AGREEMENT

(1) Date

16 February 2015

(2) Parties

- (a) The Company;
- (b) JV Company; and
- (c) ZF (Hangzhou)

(3) Scope of sales

JV Company (as seller) shall sell products manufactured by JV Company (including driven steer axles products) to, among others, the Company (as purchaser) during the term of the Sales Framework Agreement.

(4) Validity period of the agreement

Valid during the term of joint venture of the JV Company.

(5) Separate sales agreement

The parties shall enter into separate sales agreement in respect of each order of products.

(6) Selling price

The parties shall negotiate the selling price of the products with reference to the past and prevailing market price of such products and other factors such as price fluctuation of raw materials. The selling price of the products sold by the JV Company to the Group should not be higher than the selling price of the products sold by the JV Company to ZF (Hangzhou).

(7) Payment terms

The Company shall pay the price of the products on the 15th day of the following month of the invoice date.

PROCUREMENT FRAMEWORK AGREEMENT

(1) Date

16 February 2015

(2) Parties

(a) The Company; and

(b) JV Company

(3) Scope of sales

The Company (as seller) shall sell components of driven steer axles (such as gearings and drive shafts, etc.) to the JV Company (as purchaser) during the term of the Procurement Framework Agreement.

(4) Validity period of the agreement

Valid during the term of joint venture of the JV Company.

(5) Separate procurement agreement

The parties shall enter into separate procurement agreement in respect of each order of components.

(6) Selling price

The parties shall negotiate the selling price of the components with reference to the past and prevailing market price of such components and other factors such as price fluctuation of raw materials.

(7) Payment terms

The JV Company shall pay the price of the goods (including relevant tax) within 50 days after the invoice date.

THE TRANSACTION CAP AMOUNTS

Sales Framework Agreement

The annual transaction cap amounts for the Sales Framework Agreement for the years from 2015 to 2017 are set out below:

For the year ended 31 December 2015	For the year ended 31 December 2016	For the year ending 31 December 2017
RMB250,000,000	RMB270,000,000	RMB300,000,000

The actual transaction amounts for the Sales Framework Agreement for the two years ended 31 December 2015 and 2016 and the six months ended 30 June 2017 are set out below:

For the year ended 31 December 2015	For the year ended 31 December 2016	For the six months ended 30 June 2017
RMB184,710,000	RMB194,960,000	RMB88,300,000

The proposed annual transaction cap amounts for the Sales Framework Agreement for the years from 2018 to 2020 are set out below:

For the year ending 31 December 2018	For the year ending 31 December 2019	For the year ending 31 December 2020
RMB235,000,000	RMB250,000,000	RMB260,000,000

Procurement Framework Agreement

The annual transaction cap amounts for the Procurement Framework Agreement for the years from 2015 to 2017 are set out below:

For the year ended 31 December 2015	For the year ended 31 December 2016	For the year ending 31 December 2017
RMB150,000,000	RMB160,000,000	RMB200,000,000

The actual transaction amounts for the Procurement Framework Agreement for the two years ended 31 December 2015 and 2016 and the six months ended 30 June 2017 are set out below:

For the year ended 31 December 2015	For the year ended 31 December 2016	For the six months ended 30 June 2017
RMB92,670,000	RMB50,310,000	RMB26,840,000

The proposed transaction cap amounts for the Procurement Framework Agreement for the years from 2018 to 2020 are set out below:

For the year ending 31 December 2018	For the year ending 31 December 2019	For the year ending 31 December 2020
RMB70,000,000	RMB80,000,000	RMB90,000,000

INFORMATION OF THE GROUP, JV COMPANY AND ZF (HANGZHOU)

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, forklifts and mining trucks, etc.

The Company holds 49% equity interest in the JV Company, which is principally engaged in the product research and development, application engineering, production, assembling and sales of driven steer axles products for agricultural machinery vehicles.

ZF (Hangzhou) is principally engaged in the production, sales and after sale services of gearboxes, axles and relevant components of vehicles for commercial use, vehicles, vehicles for agricultural use and construction machineries.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, the JV Company and ZF (Hangzhou) and their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company under the Hong Kong Listing Rules.

REASONS FOR THE SALE AND PROCUREMENT UNDER THE SALES FRAMEWORK AGREEMENT AND THE PROCUREMENT FRAMEWORK AGREEMENT

As mentioned above, the Group is engaged in the production and sale of agricultural machineries and power machineries. The entering into of the Sales Framework Agreement and the sale thereunder enables the Company to satisfy its needs of driven steer axles products for production of agricultural machinery products (such as tractors).

The Company can satisfy the JV Company's procurement need of components for its daily production of driven steer axles products, and thus the entering into of the Procurement Framework Agreement and the procurement thereunder can bring reliable supply of components for the JV Company, fully utilize its manufacturing capacity for components, enable the Company to facilitate the expansion of the Company's scope of centralized procurement and effectively control the procurement costs.

The terms of the Sales Framework Agreement and the Procurement Framework Agreement were determined after arm's length negotiations between the parties thereto. The proposed annual transaction cap amounts for the years from 2018 to 2020 under the Procurement Framework Agreement have been determined based on (i) the actual transaction amounts for the Procurement Framework Agreement for the two years ended 31 December 2015 and 2016 and the six months ended 30 June 2017; (ii) proportion between the procurement amount of components by the JV Company from the Company and the JV Company's similar procurement; and (iii) the expected growth of the JV Company's sales for the coming three years. The proposed annual transaction cap amounts for the years from 2018 to 2020 under the Sales Framework Agreement have been determined based on (i) the actual transaction amounts for the Sales Framework Agreement for the two years ended 31 December 2015 and 2016 and the six months ended 30 June 2017; (ii) proportion between the procurement amount of products by the Company from the JV Company and the Company's similar procurement; and (iii) the expected growth of the Company's sales for the coming three years.

In light of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Sales Framework Agreement and the Procurement Framework Agreement are on normal commercial terms, and that the sales and procurement contemplated thereunder in the years from 2018 to 2020 and their respective proposed annual transaction cap amounts for the years from 2018 and 2020 are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATION

Hong Kong Listing Rules Implications

As each of the JV Company and ZF (Hangzhou) is not deemed to be a connected person of the Company under the Hong Kong Listing Rules, the transactions contemplated under the Sales Framework Agreement and the Procurement Framework Agreement do not constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. Further, both the Sales Framework Agreement and the Procurement Framework Agreement have not fixed transaction amounts between the parties and thus the transactions contemplated thereunder do not constitute notifiable transactions of the Company under Chapter 14 of the Hong Kong Listing Rules.

Shanghai Listing Rules Implications

Pursuant to the Shanghai Listing Rules, the JV Company is regarded as a connected person of the Company and therefore the transactions contemplated under the Sales Framework Agreement and the Procurement Framework Agreement constitute connected transactions of the Company. The respective proposed annual transaction cap amounts for the years from 2018 to 2020 under the Sales Framework Agreement and the Procurement Framework Agreement are subject to the Shareholders' approval at the EGM under the Shanghai Listing Rules.

THE EGM

The Company will convene the EGM for the purposes of, among other things, seeking the Shareholders' approval for the respective proposed annual transaction cap amounts for the years from 2018 to 2020 under the Sales Framework Agreement and the Procurement Framework Agreement. At the EGM, voting for the proposed ordinary resolutions shall be taken by way of poll. No Shareholders are required to abstain from voting on the resolutions in relation to the respective proposed annual transaction cap amounts for the years from 2018 to 2020 under the Sales Framework Agreement and the Procurement Framework Agreement at the EGM. A notice of the EGM will be dispatched to the Shareholders as soon as possible.

RECOMMENDATION

The Audit Committee of the Board considers that the Sales Framework Agreement, the Procurement Framework Agreement, the sales and procurement contemplated thereunder as well as their respective proposed annual transaction cap amounts for the years from 2018 to 2020 meet the normal production and operation needs of the Company, and the terms of such agreements are not less favourable than normal commercial terms. Therefore, the Audit Committee of the Board approved the sales and procurement contemplated under the above two agreements and their respective proposed annual transaction cap amounts for the years from 2018 to 2020, and approved the Company to submit the respective proposed annual transaction cap amounts for the years from 2018 to 2020 under the Sales Framework Agreement and the Procurement Framework Agreement to the EGM for approval in accordance with the relevant requirements.

The Directors (including the independent non-executive Directors) consider that the terms of the Sales Framework Agreement and the Procurement Framework Agreement, and the sales and procurement contemplated thereunder are on normal commercial terms, and such agreements as well as their respective proposed annual transaction cap amounts for the years from 2018 to 2020 are fair and reasonable and in the interests of the Group and the Shareholders as a whole. The respective proposed annual transaction cap amounts of such agreements for the years from 2018 to 2020 meet the normal production and operation needs of the Company, and the decision-making procedure conformed to the relevant requirements.

In light of the above, the Board recommends the Shareholders to vote in favour of the ordinary resolutions in respect of the respective proposed annual transaction cap amounts for the years from 2018 to 2020 under the Sales Framework Agreement and the Procurement Framework Agreement to be proposed at the EGM.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	First Tractor Company Limited* (第一拖拉機股份有限公司), a joint stock company with limited liability incorporated in the PRC, the H shares and A shares of which are listed on the main board of the Stock Exchange (Stock Code: 0038) and the Shanghai Stock Exchange (Stock Code: 601038) respectively
“Directors”	the directors of the Company, including the independent non-executive directors
“EGM”	the extraordinary general meeting of the Company to be held on 15 November 2017 for the purposes of, among other things, seeking the Shareholders’ approval for the respective proposed annual transaction cap amounts for the years from 2018 to 2020 for the Sales Framework Agreement and the Procurement Framework Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“JV Company”	ZF YTO (Luoyang) Axle Co., Ltd.* (采埃孚一拖(洛陽)車橋有限公司), a limited liability company incorporated in the PRC, and owned as to 49% and 51% by the Company and ZF (China) Investment Co., Ltd.* (采埃孚(中國)投資有限公司), respectively
“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

“Procurement Framework Agreement”	the procurement framework agreement dated 16 February 2015 entered into between the Company and the JV Company, pursuant to which the Company has agreed to sell components of driven steer axles (such as gearings and drive shafts, etc.) to the JV Company during the term of such agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Sales Framework Agreement”	the sales framework agreement dated 16 February 2015 entered into among the Company, the JV Company and ZF (Hangzhou), pursuant to which the JV Company has agreed to sell products manufactured by the JV Company (including driven steer axles products) to, among others, the Company during the term of such agreement
“Shanghai Listing Rules”	the Shanghai Stock Exchange Share Listing Rules
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“ZF (Hangzhou)”	ZF Drivotech (Hangzhou) Co. Ltd.* (采埃孚傳動技術(杭州)有限公司), a limited liability company incorporated in the PRC

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

Luoyang, the PRC
29 September 2017

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 identification purposes only*