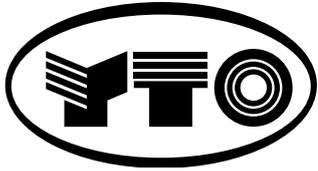


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**第一拖拉机股份有限公司**  
**FIRST TRACTOR COMPANY LIMITED**\*

*(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**

The Board is pleased to announce that on 16 February 2015, the Company, the JV Company and ZF (Hangzhou) entered into the Sales Framework Agreement, 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 the Sales Framework Agreement. On the same day, the Company and the JV Company also entered into the Procurement Framework Agreement, 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 the Procurement Framework Agreement.

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 the Hong Kong Listing Rules. Further, both the Sales Framework Agreement and the Procurement Framework Agreement have not fixed transaction amount between the parties and thus the transactions contemplated thereunder do not constitute notifiable transactions of the Company under the Hong Kong Listing Rules.

Nevertheless, 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 Sales Framework Agreement and the Procurement Framework Agreement as well as their respective transaction cap amounts are subject to the Shareholders' approval at a general meeting of the Company under the Shanghai Listing Rules.

The Company will convene a general meeting for the purpose of, among others, seeking the Shareholders' approval for the Sales Framework Agreement, the Procurement Framework Agreement and their respective transaction cap amounts. At the general meeting, 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 Sales Framework Agreement, the Procurement Framework Agreement and their respective transaction cap amounts at the general meeting. A notice of the general meeting will be dispatched to the Shareholders.

Reference is made to the announcements of the Company dated 18 July 2014 and 22 July 2014 respectively in relation to, among others, the discloseable transaction of the Company regarding the establishment of the JV Company.

The Board is pleased to announce that on 16 February 2015, the Company, the JV Company and ZF (Hangzhou) entered into the Sales Framework Agreement, 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 the Sales Framework Agreement. On the same day, the Company and the JV Company also entered into the Procurement Framework Agreement, 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 the Procurement Framework Agreement.

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 factor 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.

## **ESTIMATED TRANSACTION CAP AMOUNTS**

The estimated transaction cap amount for the Sales Framework Agreement for the years from 2015 to 2017 is set out below:

<b>For the year ending 31 December 2015</b>	<b>For the year ending 31 December 2016</b>	<b>For the year ending 31 December 2017</b>
RMB250,000,000	RMB270,000,000	RMB300,000,000

The estimated transaction cap amount for the Procurement Framework Agreement for the years from 2015 to 2017 is set out below:

<b>For the year ending 31 December 2015</b>	<b>For the year ending 31 December 2016</b>	<b>For the year ending 31 December 2017</b>
RMB150,000,000	RMB160,000,000	RMB200,000,000

## **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, forklift 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 ENTERING INTO 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 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 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 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 such agreements as well as their respective transaction cap amounts are fair and reasonable and in the interest of the Group and the Shareholders as a whole.

## **LISTING RULES IMPLICATION**

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 the Hong Kong Listing Rules. Further, both the Sales Framework Agreement and the Procurement Framework Agreement have not fixed transaction amount between the parties and thus the transactions contemplated thereunder do not constitute notifiable transactions of the Company under the Hong Kong Listing Rules. Should the transactions contemplated under the Sales Framework Agreement and/or the Procurement Framework Agreement become notifiable transactions of the Company, the Company will make further announcement(s), as and when appropriate, in accordance with the Hong Kong Listing Rules.

Nevertheless, 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 Sales Framework Agreement and the Procurement Framework Agreement as well as their respective transaction cap amounts are subject to the Shareholders' approval at a general meeting of the Company under the Shanghai Listing Rules.

## **GENERAL MEETING**

The Company will convene a general meeting for the purpose of, among others, seeking the Shareholders' approval for the Sales Framework Agreement, the Procurement Framework Agreement and their respective transaction cap amounts. At the general meeting, 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 Sales Framework Agreement, the Procurement Framework Agreement and their respective transaction cap amounts at the general meeting. A notice of the general meeting will be dispatched to the Shareholders.

## **RECOMMENDATION**

The Audit Committee of the Board considers that the Sales Framework Agreement, the Procurement Framework Agreement as well as their respective estimated transaction cap amounts meet the normal production and operation needs of the Company, and the terms of such agreements are not less favorable than normal commercial terms. Therefore, the Audit Committee of the Board approves the Company to enter into the Sales Framework Agreement and the Procurement Framework Agreement, and submit such agreements as well as their respective transaction cap amounts to the general meeting of the Company 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 are on normal commercial terms, and such agreements as well as their respective transaction cap amounts are fair and reasonable and in the interest of the Group and the Shareholders as a whole. The estimated transaction cap amounts of such agreements 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 for the ordinary resolutions in respect of the Sales Framework Agreement, the Procurement Framework Agreement and their respective transaction cap amounts to be proposed at the general meeting.

## **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
“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 between 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  
16 February 2015

*As at the date of this announcement, 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.*

\* *for identification purposes only*