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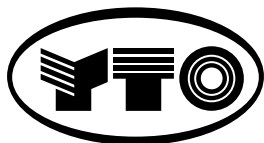
**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountants or other professional adviser.

**If you have sold or transferred** all your shares in First Tractor Company Limited, you should at once hand this circular with the accompanying supplemental form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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 AND DISCLOSEABLE TRANSACTIONS  
ACQUISITIONS OF THE LANDS AND BUILDINGS**

**Independent Financial Adviser to the Independent Board Committee and  
the Independent Shareholders of First Tractor Company Limited  
in respect of the connected transactions**

寶  
橋  
BRIDGE PARTNERS

**BRIDGE PARTNERS CAPITAL LIMITED**

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A letter from the Board is set out on pages 1 to 15 of this circular.

A letter from the Independent Board Committee is set out on page 16 of this circular.

A letter from Bridge Partners Capital Limited, the Independent Financial Adviser, containing its recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 30 of this circular.

A supplemental notice of the 2010 annual general meeting (the "AGM") of First Tractor Company Limited (the "Company") to be held at 9:00 a.m., on 17 June 2011 (Friday) at No.154 Jianshe Road, Luoyang, Henan Province, the People's Republic of China (the "PRC") is set out on pages 56 to 58 of this circular.

A supplemental form of proxy for use at the AGM is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying supplemental form of proxy in accordance with the instructions printed thereon. In case of H Shares, the supplemental proxy form shall be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong; and in case of Domestic Shares, the supplemental proxy form shall be lodged at the registered address and principal place of business of the Company at No.154 Jianshe Road, Luoyang, Henan Province, the PRC, as soon as possible and in any event not less than 24 hours before the time scheduled for holding the AGM (or any adjourned meeting thereof). Completion and delivery of the supplemental form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment if you so desire.

26 May 2011

\* For identification purposes only

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## DEFINITIONS

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*In this circular, the following expressions shall have the meanings stated below unless the context otherwise requires:*

“Acquisitions”	the acquisitions of the Lands and Buildings pursuant to the Assets Transfer Agreements
“AGM”	the 2010 annual general meeting of the Company to be convened and held at 9:00 a.m. on 17 June 2011 (Friday) at No.154 Jianshe Road, Luoyang, Henan Province, the PRC, for, among other things, the Independent Shareholders to consider and, if thought fit, approve the Assets Transfer Agreements and the transactions contemplated thereunder
“Announcement”	the announcement of the Company dated 18 May 2011 in relation to the Acquisitions
“Assets Transfer Agreement I”	the assets transfer agreement dated 18 May 2011 entered into between the Company and YTO, pursuant to which the Company has agreed to purchase the Land and Building I from YTO
“Assets Transfer Agreement II”	the assets transfer agreement dated 18 May 2011 entered into between YTO and YTO Diesel, pursuant to which YTO Diesel has agreed to purchase the Land and Building II from YTO
“Assets Transfer Agreements”	the Assets Transfer Agreement I, the Assets Transfer Agreement II and the Capital Increase Agreement
“associate(s)”	has the same meaning as ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Bridge Partners” or “Independent Financial Adviser”	Bridge Partners Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisitions, being a licensed corporation licensed by Securities and Futures Commission to carry out on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

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## DEFINITIONS

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“Capital Increase Agreement”	the capital increase agreement dated 18 May 2011 entered into among the Company, YTO, YTO Diesel and the Natural Person Investors, pursuant to which YTO shall make capital contribution to YTO Injection Pump by injecting the Land and Building III with the appraised value of approximately RMB26,000,000 (equivalent to approximately HK\$30,940,000) as at 31 March 2011 in return for 18.184% equity interest in YTO Injection Pump (as enlarged by the capital injection by YTO)
“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 of which are listed on the Stock Exchange (Stock Code: 0038)
“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
“Directors”	the directors of the Company, including the independent non-executive directors
“Domestic Share(s)”	the ordinary shares of the Company of RMB1.00 each which are subscribed for in Renminbi by PRC nationals and/or PRC incorporated entities, all of which have been allotted and issued and are fully paid up
“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
“H Share(s)”	the overseas listed foreign share(s) having a nominal value of RMB1.00 each in the capital of the Company, which are subscribed for and traded in Hong Kong dollars, all of which are listed on the Stock Exchange
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Chan Sau Shan, Gary, Mr. Luo Xiwen, Mr. Hong Xianguo and Mr. Zhang Qiusheng

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## DEFINITIONS

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“Independent Shareholders”	Shareholders other than YTO and its associates
“independent third parties”	third parties independent of the Company and connected persons of the Company
“Land and Building I”	the land use rights related to three land parcels all located at No.154, Jianshe Road, Luoyang, Henan Province, the PRC, with a total gross land area of approximately 515,127.30 sq. m., together with some of the buildings erected thereon with a total gross floor area of approximately 48,210.12 sq. m.
“Land and Building II”	the land use rights related to the land parcel located at No.154, Jianshe Road, Luoyang, Henan Province, the PRC, with a gross land area of approximately 59,811.40 sq. m., together with a building erected thereon with a total gross floor area of approximately 208.82 sq. m.
“Land and Building III”	the land use rights related to the land parcel located at No.154, Jianshe Road, Luoyang, Henan Province, the PRC, with a gross land area of approximately 33,056.20 sq. m., together with a building erected thereon with a total gross floor area of approximately 1,909.88 sq. m.
“Lands and Buildings”	the Land and Building I, the Land and Building II and the Land and Building III
“Latest Practicable Date”	23 May 2011, being the latest practicable date prior to the printing of this circular for ascertaining information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Natural Person Investors”	seven natural person investors of YTO Injection Pump, namely, Hao Jianguo, Zhao Zhonghai, Yang Xiangsu, Zhu Baoyu, Guan Jun, Zhang Yanqing and Li Shaofeng, collectively holding 3.38% equity interest in YTO Injection Pump as at the Latest Practicable Date, all being independent third parties
“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 circular, excludes Hong Kong and the Macau Special Administrative Region of the PRC and Taiwan

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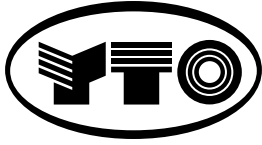
## DEFINITIONS

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“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)
“Shareholder(s)”	registered holder(s) of the Shares
“Shares”	Domestic Shares and H Shares
“Sinomach”	China National Machinery Industry Corporation* (中國機械工業集團有限公司), a company incorporated in the PRC wholly-owned by the State-owned Assets Supervision and Administration Commission, the ultimate controller of the Company and the controlling shareholder of YTO
“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 443,910,000 or 52.48% voting Shares of the Company
“YTO Diesel”	YTO (Luoyang) Diesel Engine Co., Ltd* (一拖(洛陽)柴油機有限公司), a PRC joint venture and a non wholly-owned subsidiary of the Company
“YTO Injection Pump”	YTO (Luoyang) Fuel Injection Pump Co., Ltd* (一拖(洛陽)燃油噴射有限公司), a limited liability company incorporated in the PRC and a non wholly-owned subsidiary of the Company
“sq. m.”	square meter
“%”	per cent.

*For the purpose of this circular, the exchange rate of RMB1.00 = HK\$1.19 has been used, where applicable, for purposes of illustration only and does not constitute a representation that any amounts have been, could have been or may be exchanged, at this or any other rates.*

\* For identification purposes only



**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)

*Board of Directors:*

Mr. Zhao Yanshui (*Chairman*)  
Ms. Dong Jianhong  
Mr. Qu Dawei  
Mr. Yan Linjiao  
Mr. Liu Yongle  
Mr. Chan Sau Shan, Gary\*\*  
Mr. Luo Xiwen\*\*  
Mr. Hong Xianguo\*\*  
Mr. Zhang Qiusheng\*\*

*Registered and principal office:*

No.154 Jianshe Road  
Luoyang, Henan Province  
The PRC

\*\* *Independent non-executive Director*

26 May 2011

*To the Shareholders*

Dear Sir or Madam,

**CONNECTED AND DISCLOSEABLE TRANSACTIONS  
ACQUISITIONS OF THE LANDS AND BUILDINGS**

**INTRODUCTION**

Reference is made to the Announcement.

On 18 May 2011, the Company and/or YTO Diesel (as the case may be) entered into the Assets Transfer Agreements, namely the Assets Transfer Agreement I, Assets Transfer Agreement II and Capital Increase Agreement, for acquisitions of the Lands and Buildings from YTO.

\* *For identification purposes only*

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## LETTER FROM THE BOARD

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As all the Lands and Buildings are located on the same piece of land which is situated at No.154, Jianshe Road, Luoyang, Henan Province, the PRC, the Assets Transfer Agreement I, Assets Transfer Agreement II and Capital Increase Agreement shall be aggregated pursuant to Rule 14A.25 of the Listing Rules. Since the applicable percentage ratios (after aggregation) under the Assets Transfer Agreements are more than 5% but less than 25%, the Assets Transfer Agreements are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The transactions contemplated under the Assets Transfer Agreements also constitute discloseable transactions of the Company and are therefore subject to the reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules. Further, pursuant to Rule 14.29 of the Listing Rules, the transaction contemplated under the Capital Increase Agreement constitutes a deemed disposal of part of the equity interest in YTO Injection Pump by the Company to YTO.

The purpose of this circular is to provide you with (i) details of the Assets Transfer Agreements, (ii) a letter from the Independent Board Committee to the Independent Shareholders regarding the Assets Transfer Agreements, (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Assets Transfer Agreements, (iv) the valuation report on the Lands and Buildings prepared by Grant Sherman Appraisal Limited, a Hong Kong independent qualified valuer, (v) an extract of the valuation reports on the Lands and Buildings prepared by Renda Real Estate Appraisal Co. Ltd\* (北京仁達房地產評估有限公司), a PRC independent professional valuer, (vi) an extract of the valuation report on YTO Injection Pump prepared by Beijing China Enterprise Appraisals Company, Inc.\* (北京中企華資產評估有限責任公司), a PRC independent professional valuer, and (vii) a supplemental notice of the AGM to be convened for, among other things, the Independent Shareholders to approve the Acquisitions.

Principal terms of the Assets Transfer Agreements are set out below:-



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## LETTER FROM THE BOARD

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### ASSETS TRANSFER AGREEMENT I AND ASSETS TRANSFER AGREEMENT II

Save and except for the contractual parties, subjects of the transactions and considerations, other principal terms of the Assets Transfer Agreement I and Assets Transfer Agreement II are substantially the same.

	<b>Assets Transfer Agreement I</b>	<b>Assets Transfer Agreement II</b>
<b>Parties</b>	<p>(1) The Company, as purchaser</p> <p>(2) YTO, the controlling shareholder of the Company, as vendor</p>	<p>(1) YTO Diesel, a non wholly-owned subsidiary of the Company, as purchaser</p> <p>(2) YTO, as vendor</p>
<b>Assets to be acquired</b>	<p>Pursuant to the Assets Transfer Agreement I, the Company has agreed to purchase from YTO the Land and Building I, details of which are set out in the paragraph headed “INFORMATION OF THE LANDS AND BUILDINGS AND YTO INJECTION PUMP” below.</p> <p>As at the signing date of the Assets Transfer Agreement I, YTO has mortgaged a land under the Land and Building I with a gross land area of approximately 64,320.80 sq. m. to a bank to secure its loans of RMB80,000,000. Pursuant to the Assets Transfer Agreement I, YTO shall cause the said mortgage to be released within 20 working days upon the effective date of the agreement.</p>	<p>Pursuant to the Assets Transfer Agreement II, YTO Diesel has agreed to purchase from YTO the Land and Building II, details of which are set out in the paragraph headed “INFORMATION OF THE LANDS AND BUILDINGS AND YTO INJECTION PUMP” below.</p>
<b>Consideration</b>	RMB404,800,000 (equivalent to approximately HK\$481,712,000)	RMB44,070,000 (equivalent to approximately HK\$52,443,300)

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## LETTER FROM THE BOARD

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**Payment terms**

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| (i) 30% of the consideration, i.e. approximately RMB121,440,000 (equivalent to approximately HK\$144,513,600) be paid to YTO within 15 working days upon the effective date of the agreement;  | (i) 30% of the consideration, i.e. approximately RMB13,220,000 (equivalent to approximately HK\$15,731,800) be paid to YTO within 15 working days upon the effective date of the agreement;  |
| (ii) 30% of the consideration, i.e. approximately RMB121,440,000 (equivalent to approximately HK\$144,513,600) be paid to YTO within 30 working days upon completion of the registration procedures for transferring the Land and Building I to the Company; and | (ii) 30% of the consideration, i.e. approximately RMB13,220,000 (equivalent to approximately HK\$15,731,800) be paid to YTO within 30 working days upon completion of the registration procedures for transferring the Land and Building II to YTO Diesel; and |
| (iii) balance of the consideration, i.e. RMB161,920,000 (equivalent to approximately HK\$192,684,800) be paid to YTO within 1 year upon the effective date of the agreement.   | (iii) balance of the consideration, i.e. RMB17,630,000 (equivalent to approximately HK\$20,979,700) be paid to YTO within 1 year upon the effective date of the agreement.   |

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## LETTER FROM THE BOARD

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<b>Conditions precedent</b>	The Assets Transfer Agreement I shall take effect upon fulfillment of the following:	The Assets Transfer Agreement II shall take effect upon fulfillment of the following:
	(i) approval of the agreement be obtained from the general meeting of YTO; and	(i) approval of the agreement be obtained from the general meeting of YTO;
	(ii) approval of the agreement be obtained from the Independent Shareholders at the AGM.	(ii) approval of the agreement be obtained from the general meeting of YTO Diesel; and
		(iii) approval of the agreement be obtained from the Independent Shareholders at the AGM.

The above considerations were determined by the parties with reference to the appraised values of the Land and Building I and the Land and Building II (further details are set out in the paragraph headed “BASIS OF THE CONSIDERATIONS” below), which are subject to registration with Sinomach in accordance with the relevant requirements under the PRC regulations.

### CAPITAL INCREASE AGREEMENT

#### Parties

- (1) YTO;
- (2) The Company;
- (3) YTO Diesel; and
- (4) Seven Natural Person Investors. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, all the Natural Person Investors are independent third parties.

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## LETTER FROM THE BOARD

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### **Details of the transaction**

YTO shall make capital contribution to YTO Injection Pump by injecting the Land and Building III with the appraised value of approximately RMB26,000,000 (equivalent to approximately HK\$30,940,000) as at 31 March 2011 in return for 18.184% equity interest in YTO Injection Pump (as enlarged by the capital injection by YTO).

Pursuant to the Capital Increase Agreement, the registered capital of YTO Injection Pump will increase from, as at the date hereof, RMB77,000,000 to RMB94,114,000.

As at the date hereof, the shareholders of YTO Injection Pump are the Company, YTO Diesel and the Natural Person Investors, holding 52%, 44.62% and 3.38% equity interest in YTO Injection Pump respectively. Each of the Company, YTO Diesel and the Natural Person Investors has agreed to waive its pre-emptive rights over the capital injection under the Capital Increase Agreement.

For the purpose of the Capital Increase Agreement, the parties thereto agree to convene a general meeting of YTO Injection Pump, within 15 days upon the effective date of the Capital Increase Agreement, to (i) approve the above capital injection to YTO Injection Pump by YTO and (ii) amend the articles of association and register of members of YTO Injection Pump accordingly.

### **Consideration**

Pursuant to the Capital Increase Agreement, YTO shall make capital contribution to YTO Injection Pump by injecting the Land and Building III with the appraised value of approximately RMB26,000,000 (equivalent to approximately HK\$30,940,000) as at 31 March 2011 in return for 18.184% equity interest in YTO Injection Pump (as enlarged by the capital injection by YTO).

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## LETTER FROM THE BOARD

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### **Arrangement in relation to the consideration**

YTO shall complete the capital injection of the Land and Building III to YTO Injection Pump within 60 days upon the effective date of the Capital Increase Agreement. With regards to the capital injection under the Capital Increase Agreement, YTO shall engage a verification institution to issue a verification report within 3 days upon completion of the transfer of the Land and Building III to YTO Injection Pump and the filing receipts in connection with the transfer of the Land and Building III shall be obtained from the relevant governmental authorities within 3 days upon issuance of the above verification report.

With respect to the consideration under the Capital Increase Agreement, it is agreed that RMB17,114,000 shall be used to increase the registered capital of YTO Injection Pump from RMB77,000,000 to RMB94,114,000 whereas the remaining RMB8,886,000 will be treated as the capital surplus reserve of YTO Injection Pump.

### **Conditions precedent**

The Capital Increase Agreement shall take effect upon fulfillment of the following conditions precedent:

- (i) approval of the agreement be obtained from the general meeting of YTO; and
- (ii) approval of the agreement be obtained from the Independent Shareholders at the AGM.

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## LETTER FROM THE BOARD

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### BASIS OF THE CONSIDERATIONS

The considerations under the Assets Transfer Agreements were determined after arm's length negotiations between the respective parties with reference to the total appraised values of the Lands and Buildings, being RMB474,870,000, and the appraised net assets value of YTO Injection Pump, being RMB116,980,000, as at 31 March 2011. As opposed to the valuation approach stated in the Announcement, the appraisals of the buildings under the Assets Transfer Agreements were conducted by using the replacement cost approach (重置成本法) whilst the appraisals of the lands under the Assets Transfer Agreements were conducted by using the market comparison approach (市場比較法) and cost approach (成本逼近法)<sup>Note</sup>, all of which were prepared by Renda Real Estate Appraisal Co. Ltd\* (北京仁達房地產評估有限公司), a PRC independent professional valuer. The appraisal of YTO Injection Pump was conducted by using the asset based valuation approach, which was prepared by Beijing China Enterprise Appraisals Company, Inc.\* (北京中企華資產評估有限責任公司), a PRC independent professional valuer.

As the considerations under the Assets Transfer Agreements were determined with reference to the appraised values of the Lands and Buildings and the appraised net assets value of YTO Injection Pump, all of which were provided by the PRC independent professional valuers, the Directors (including the independent non-executive Directors) consider that the considerations under the Assets Transfer Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Save and except for the consideration under the Capital Increase Agreement, the Company intends to satisfy the above consideration in cash from its internal resources and bank loans whereas YTO Diesel intends to satisfy the above consideration in cash from its internal resources.

*Note:* The cost approach (成本逼近法) is a valuation approach which determines the land value mainly based on the total amount of expenses incurred from the development of the land plus certain related profits, interests and land appreciation incomes.

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## LETTER FROM THE BOARD

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### INFORMATION OF THE LANDS AND BUILDINGS AND YTO INJECTION PUMP

(1) **The Lands and Buildings**

All the Land and Building I, Land and Building II and Land and Building III are located on the same piece of land which is situated at No.154, Jianshe Road, Luoyang, Henan Province, the PRC, details of which are set out below:-

Land and Building I      the land use rights related to three land parcels with a total gross land area of approximately 515,127.30 sq. m., together with 19 blocks of buildings erected thereon with a total gross floor area of approximately 48,210.12 sq. m.

Land and Building II      the land use rights related to the land parcel with a total gross land area of approximately 59,811.40 sq. m., together with a building erected thereon with a total gross floor area of approximately 208.82 sq. m.

Land and Building III      the land use rights related to the land parcel with a total gross land area of approximately 33,056.20 sq. m., together with a building erected thereon with a total gross floor area of approximately 1,909.88 sq. m.

*Note:* Save and except for the buildings to be acquired under the Assets Transfer Agreements as mentioned above, the Company, YTO Diesel and YTO Injection Pump collectively own 156 blocks of buildings (the “**Group’s Buildings**”) which are erected on the above lands to be acquired.

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## LETTER FROM THE BOARD

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Set out below is the basic financial information of the Lands and Buildings prepared in accordance with the PRC accounting standards:

	<b>Land and Building I</b> <i>(approximately RMB'000)</i>	<b>Land and Building II</b> <i>(approximately RMB'000)</i>	<b>Land and Building III</b> <i>(approximately RMB'000)</i>
Appraised value as at 31 March 2011	404,800	44,070	26,000
Original acquisition costs	141,190	23,592	15,138
Book value as at 31 March 2011 (unaudited)	100,914	18,767	11,498
Rental income for the year ended 31 December 2009 (unaudited)	10,266	1,459	738
Rental income for the year ended 31 December 2010 (unaudited)	10,266	1,459	738

**(2) YTO Injection Pump**

As at the date hereof, the registered capital of YTO Injection Pump is RMB77,000,000. YTO Injection Pump is owned as to 52%, 44.62% and 3.38% by the Company, YTO Diesel and the Natural Person Investors respectively, and therefore is a non wholly-owned subsidiary of the Company. YTO Injection Pump is principally engaged in manufacture and sale of fuel injection pumps and fuel jets.



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## LETTER FROM THE BOARD

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Set out below is the basic financial information of YTO Injection Pump prepared in accordance with the PRC accounting standards:

	<b>YTO Injection Pump</b> <i>(approximately RMB'000)</i>
Appraised net assets value as at 31 March 2011	116,980
Book value of the net assets as at 31 March 2011 (unaudited)	96,620
Net profit before taxation and extraordinary items for the year ended 31 December 2009 (audited)	7,876
Net profit after taxation and extraordinary items for the year ended 31 December 2009 (audited)	5,604
Net profit before taxation and extraordinary items for the year ended 31 December 2010 (audited)	7,793
Net profit after taxation and extraordinary items for the year ended 31 December 2010 (audited)	7,756

### **EFFECTS OF THE ACQUISITIONS**

Pursuant to the Assets Transfer Agreement I, upon completion of the acquisition of the Land and Building I, the land lease agreement, supplemental land lease agreement and properties lease agreement entered into between the Company and YTO on 21 October 2009 or 28 June 2010 (as the case may be) shall automatically lapse. Please refer to the Company's announcements dated 21 October 2009 and 28 June 2010 for details of the abovementioned agreements.

Pursuant to the Assets Transfer Agreement II, upon completion of the acquisition of the Land and Building II, the relevant lease agreements involving the Land and Building II entered into between YTO and YTO Diesel shall automatically lapse.

Upon completion of the Capital Increase Agreement, the registered capital of YTO Injection Pump will increase up to RMB94,114,000 and YTO Injection Pump will be owned as to (as enlarged by the capital injection by YTO) 18.184%, 42.544%, 36.509% and 2.763% by YTO, the Company, YTO Diesel and the Natural Person Investors respectively. YTO Injection Pump will remain as a non wholly-owned subsidiary of the Company through its direct shareholding and indirect shareholding through YTO Diesel. The transaction contemplated under the Capital Increase Agreement constitutes a deemed disposal of part of the equity interest in YTO Injection Pump by the Company to YTO pursuant to Rule 14.29 of the Listing Rules. No gain or loss will be recorded in the transaction contemplated under the Capital Increase Agreement.

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## LETTER FROM THE BOARD

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### REASONS FOR THE ACQUISITIONS

Currently, the Company, YTO Diesel and YTO Injection Pump have been using the Lands and Buildings where the principal place of business and production lines of the Group are situated. While all the land use rights related to the lands under the Assets Transfer Agreements are held by YTO, the Group's Buildings erected on such lands are owned by the Company, YTO Diesel or YTO Injection Pump. Taking into consideration that the titles of the Group's Buildings and the underlying land use rights belong to different parties and are of potential risks, coupled with the reason that the lands leased by the Group under the Lands and Buildings amount to approximately 50% of the area of the lands used by the Group which raises concern as to the completeness of the Group's assets, the Group proposes to acquire the Lands and Buildings through the Company and YTO Diesel and by way of capital injection in order to solve the Group's issue that the titles of buildings and the underlying land use rights belong to different parties as well as to turn the Company's relevant productive factors more comprehensive, thereby enhancing the independence of the Company. Besides, the Acquisitions can enable the Group to adjust the arrangement and usage over the Lands and Buildings with flexibility in accordance with its business plans and can save the annual rental fees of the Lands and Buildings paid by the Group. Further, since YTO Injection Pump will remain as a non wholly-owned subsidiary of the Company after completion of the Capital Increase Agreement, the deemed disposal of part of the equity interest in YTO Injection Pump by the Company to YTO under the Capital Increase Agreement will not affect the Company's control over YTO Injection Pump. Acquiring the Land and Building III from YTO by way of capital injection can also save the fund which would have been required to be paid to YTO for acquisition of the Land and Building III.

In view of the above, the Directors believe that the Acquisitions will benefit the Company and the Group in terms of business development and risk management as well as costs control in the long run.

The terms of the Assets Transfer Agreements were determined after arm's length negotiations between the respective parties thereto. The Directors (including the independent non-executive Directors) consider that each of the Assets Transfer Agreements was entered into in the ordinary course of business and on normal commercial terms and the respective terms thereof are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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

The Group is principally engaged in production and sale of agricultural machineries, power machineries and agricultural construction machineries.

YTO Diesel is a non wholly-owned subsidiary of the Company, which is owned as to 58.80% by the Company and is principally engaged in manufacture and sale of diesel engines.

YTO is the controlling shareholder of the Company, holding 443,910,000 or 52.48% of the voting Shares of the Company, and is principally engaged in production of transporting machineries, casting parts, vehicles products and components, etc.

### RELATIONSHIP BETWEEN PARTIES AND LISTING RULES IMPLICATIONS

YTO Diesel is a non wholly-owned subsidiary of the Company. YTO is the controlling shareholder of the Company and therefore is a connected person of the Company. Accordingly, the transactions contemplated under the Assets Transfer Agreements constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As all the Lands and Buildings are located on the same piece of land which is situated at No.154, Jianshe Road, Luoyang, Henan Province, the PRC, the Assets Transfer Agreement I, Assets Transfer Agreement II and Capital Increase Agreement shall be aggregated pursuant to Rule 14A.25 of the Listing Rules. Since the applicable percentage ratios (after aggregation) under the Assets Transfer Agreements are more than 5% but less than 25%, the Assets Transfer Agreements are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The transactions contemplated under the Assets Transfer Agreements also constitute discloseable transactions of the Company and are therefore subject to the reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules. Further, pursuant to Rule 14.29 of the Listing Rules, the transaction contemplated under the Capital Increase Agreement constitutes a deemed disposal of part of the equity interest in YTO Injection Pump by the Company to YTO.

Mr. Zhao Yanshui and Mr. Yan Linjiao, being the executive Director and non-executive Director of the Company respectively, are also the directors of YTO. According to the articles of association of the Company, Mr. Zhao and Mr. Yan have abstained from voting on the Board resolutions approving the Assets Transfer Agreements and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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### AGM

According to Article 65 of the articles of association of the Company, Shareholder(s) individually or jointly holding 3% or more of the total number of the Company's voting Shares shall have the right to propose an ex tempore motion 10 days prior to the general meeting by furnishing the same to the Board in writing. The Board shall issue a supplemental notice of general meeting to the Shareholders within 2 days after receiving the proposed motion and pass the ex tempore motion to the general meeting for consideration. On 16 May 2011, the Company received a letter from its controlling shareholder, YTO, requesting for inclusion of the new ordinary resolutions to consider and approve the Assets Transfer Agreements by the Independent Shareholders at the forthcoming AGM, a notice of which has already been sent to the Shareholders on 27 April 2011. On 18 May 2011, the Board resolved to put forward the said new ordinary resolutions at the AGM for the Independent Shareholders' consideration and approval.

The AGM will be held at 9:00 a.m. on Friday, 17 June 2011 at No.154 Jianshe Road, Luoyang, Henan Province, the PRC for, among other things, the Independent Shareholders to approve the Assets Transfer Agreements and the transactions contemplated thereunder.

Supplemental notice of the AGM is set out on pages 56 to 58 of this circular.

A supplemental form of proxy for use at the AGM is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying supplemental form of proxy in accordance with the instructions printed thereon. In case of H Shares, the supplemental proxy form shall be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong; and in case of Domestic Shares, the supplemental proxy form shall be lodged at the registered address and principal place of business of the Company at No.154 Jianshe Road, Luoyang, Henan Province, the PRC, as soon as possible and in any event not less than 24 hours before the time scheduled for holding the AGM (or any adjourned meeting thereof). Completion and delivery of the supplemental form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment if you so desire.

In view of the interests of YTO in the Assets Transfer Agreements, YTO, holding 443,910,000 or 52.48% voting Shares of the Company, and its associates will abstain from voting in respect of the resolutions relating to the Assets Transfer Agreements to be proposed at the AGM. The votes to be taken at the AGM in relation to the proposed ordinary resolutions will be taken by poll.

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## LETTER FROM THE BOARD

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### RECOMMENDATIONS

The Company has appointed Bridge Partners as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisitions. The text of the letter of advice from Bridge Partners to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 30 of this circular.

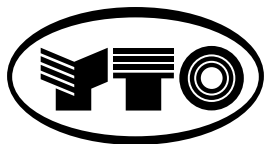
The Independent Board Committee comprising all the independent non-executive Directors (namely Mr. Chan Sau Shan, Gary, Mr. Luo Xiwen, Mr. Hong Xianguo and Mr. Zhang Qiusheng) has been established to provide recommendation to the Independent Shareholders in respect of the Acquisitions. The letter from the Independent Board Committee, which contains its recommendation to the Independent Shareholders in respect of the Acquisitions, is set out on page 16 of this circular.

The Board considers that the Acquisitions are in the interests of the Company and the Shareholders, and the terms and conditions of the Assets Transfer Agreements are fair and reasonable so far as the Company and the Shareholders as a whole are concerned. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the AGM as set out in the supplemental notice of the AGM.

### ADDITIONAL INFORMATION

Your attention is drawn to the general information set out in Appendix IV to this circular.

Yours faithfully,  
For and on behalf of  
**First Tractor Company Limited**  
**Zhao Yanshui**  
*Chairman*



**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)

26 May 2011

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED AND DISCLOSEABLE TRANSACTIONS**  
**ACQUISITIONS OF THE LANDS AND BUILDINGS**

We have been appointed as members of the Independent Board Committee to give our advice on the Assets Transfer Agreements (namely Assets Transfer Agreement I, Assets Transfer Agreement II and Capital Increase Agreement) and the transactions contemplated thereunder, details of which are set out in the letter from the Board included in the circular to the Shareholders dated 26 May 2011 (the “Circular”), of which this letter forms a part. Terms used herein shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Bridge Partners has been appointed as the Independent Financial Adviser to advise us on the Assets Transfer Agreements and the transactions contemplated thereunder. The letter from Bridge Partners is set out on pages 17 to 30 of the Circular.

Having considered the terms and conditions of the Assets Transfer Agreements, the advice given by Bridge Partners and the principal factors and reasons taken into consideration by them in arriving at their advice, we are of the opinion that the Assets Transfer Agreements and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole, and the terms and conditions of the Assets Transfer Agreements are fair and reasonable so far as the Company and the Shareholders as a whole are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the AGM for approving the Assets Transfer Agreements and the transactions contemplated thereunder.

Yours faithfully,  
Independent Board Committee

**Mr. Chan Sau Shan,**

**Gary**  
*Independent non-  
executive Director*

**Mr. Luo Xiwen**  
*Independent non-  
executive Director*

**Mr. Hong Xianguo**  
*Independent non-  
executive Director*

**Mr. Zhang Qiusheng**  
*Independent non-  
executive Director*

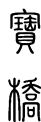
\* *For identification purposes only*

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## LETTER FROM BRIDGE PARTNERS

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*The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from the Independent Financial Adviser relating to the terms of the Assets Transfer Agreements and the transactions contemplated thereunder, prepared for the purpose of incorporation in this circular:*



BRIDGE PARTNERS

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## BRIDGE PARTNERS CAPITAL LIMITED

Unit 605, 6/F, Grand Millennium Plaza  
181 Queen's Road Central  
Central, Hong Kong

26 May 2011

*To the Independent Board Committee and the Independent Shareholders of  
First Tractor Company Limited*

Dear Sirs,

### **CONNECTED AND DISCLOSEABLE TRANSACTIONS ACQUISITIONS OF THE LANDS AND BUILDINGS**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of Assets Transfer Agreements and the transactions contemplated thereunder, details of which are set out in the "Letter from the Board" contained in the circular of the Company dated 26 May 2011 (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

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## LETTER FROM BRIDGE PARTNERS

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On 18 May 2011, the Board announced that the Company and/or YTO Diesel (as the case maybe) entered into, among others, the Assets Transfer Agreement I, the Assets Transfer Agreement II and the Capital Increase Agreement for the acquisition of the Lands and Buildings from YTO. By virtue of the fact that YTO is the controlling shareholder of the Company, YTO is regarded as a connected person of the Company under the Listing Rules. As all the Lands and Buildings are located on the same piece of land which is situated at No.154, Jianshe Road, Luoyang, Henan Province, the PRC, the Assets Transfer Agreement I, the Assets Transfer Agreement II and the Capital Increase Agreement shall be aggregated pursuant to Rule 14A.25 of the Listing Rules. Since the applicable percentage ratios (after aggregation) under the Assets Transfer Agreements are more than 5% but less than 25%, the Assets Transfer Agreements are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The transactions contemplated under the Assets Transfer Agreements also constitute discloseable transactions of the Company and are therefore subject to the reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules. Further, pursuant to Rule 14.29 of the Listing Rules, the transaction contemplated under the Capital Increase Agreement constitutes a deemed disposal of part of the equity interest in YTO Injection Pump by the Company to YTO. In view of the interests of YTO in the Assets Transfer Agreements, YTO, holding 52.48% equity interest in the Company, and its associates will abstain from voting in respect of the resolutions relating to the Assets Transfer Agreements to be proposed at the AGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely, Mr. Chan Sau Shan, Gary, Mr. Luo Xiwen, Mr. Hong Xianguo and Mr. Zhang Qiusheng, has been established to make recommendations to the Independent Shareholders as to whether the terms and conditions of the Assets Transfer Agreements and the transactions contemplated thereunder are fair and reasonable so far as the Company and the Shareholders as a whole are concerned. We have been appointed as the independent financial adviser by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in this regard.



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## LETTER FROM BRIDGE PARTNERS

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### **BASIS OF OUR OPINION**

In arriving at our opinion and recommendation, we have relied on the information supplied, the opinion and representations expressed by the Directors and the management of the Company. We have assumed that the information and representations contained or referred to in the Circular and the information and representations that have been provided by the Company and/or the Directors and/or the management of the Company, for which they are solely and wholly responsible, are true, accurate and complete at the time they were made and continue to be true up to and including the date of the Circular. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiries and careful considerations. We consider that we have received sufficient information and have taken reasonable steps as required under Rule 13.80 of the Listing Rules including the notes thereto to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular to provide a reasonable basis for our opinions and recommendations. We have no reason to suspect that any material fact or information has been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us.

The Directors have collectively and individually accepted full responsibility, includes particulars given in compliance with the Listing Rules, for the purpose of giving information with regard to the Company. The Directors have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading.

We consider that we have been provided sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification on the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Company, or its subsidiaries or associated companies, nor have we considered the taxation implication on the Group or the Shareholders as a result of the transactions contemplated thereunder the Assets Transfer Agreements.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Assets Transfer Agreements and the transactions contemplated thereunder and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

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## LETTER FROM BRIDGE PARTNERS

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Assets Transfer Agreements, we have taken the following principal factors and reasons into consideration:

#### I. Background and financial information of the Group

The Group is principally engaged in the production and sale of agricultural machineries, power machineries and construction machineries. Most of the Group's revenue was generated from the agricultural machinery business and power machinery business. Set out below is a summary of the audited consolidated financial information of the Group for the two years ended 31 December 2010 as extracted from the annual report of the Company for the year ended 31 December 2010 (the "2010 Annual Report").

	Year ended 31 December	
	2010	2009
	(Audited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Restated)</i>
Revenue	10,132,335	9,004,986
Profit before taxation	645,465	367,196
Profit for the year	561,871	281,912
Profit for the year attributable to		
– Equity holders of the Company	542,361	248,551
– Non-controlling interests	19,510	33,361

	As at 31 December	
	2010	2009
	(Audited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Restated)</i>
Net assets	3,478,323	3,038,903
Cash and cash equivalents	1,162,162	929,060

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## LETTER FROM BRIDGE PARTNERS

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As stated in the 2010 Annual Report, the Group's revenue was generated from four business segments, namely (i) agricultural machinery business; (ii) construction machinery business; (iii) diesel engines and fuel jets business; and (iv) financial operations business. In 2010, the revenue generated from the agricultural machinery business grew approximately 17%, amounted to approximately RMB8,010 million and accounted for approximately 79% of the Group's total revenue. Revenue from the diesel engines and fuel jets business, which accounted for 12% of the Group's total turnover, increased by approximately 1.77% to approximately RMB1,225 million. As the Company disposed equity interests in some of its subsidiaries conducting construction machinery business during 2010, revenue from the construction machinery business, which accounted for approximately 8% of the Group's total turnover in 2010, dropped by approximately 7.74% to approximately RMB851 million.

As advised by the Directors, the improvement in the agricultural machinery business in 2010 was mainly attributable to that the Group had improved its product quality, upgraded its product technology, perfected its sales mechanism and developed agricultural machinery that meets the current international technological standards. In 2010, the Group sold 71,823 units of hi-powered and mid-powered tractors.

The cash and cash equivalents of the Group increased from approximately RMB929 million as at 31 December 2009 to approximately RMB1,162 million as at 31 December 2010. The short term borrowings of the Group increased from approximately RMB143 million for the year ended 31 December 2009 to approximately RMB405 million for the year ended 31 December 2010. According to the Company, the increase of the short term borrowings was mainly due to the increase in the trade receivables and the inventory during the year. Accordingly, the Company needed to increase the short term loans for working capital so as to relieve the capital pressure on procurement arising from the rapid growth in sales. Furthermore, the Group increased the long-term borrowings of approximately RMB600 million in order to meet the capital expenses.

## **II. Background of the Acquisitions**

As advised by the Company, the Company and its subsidiaries have leased the Lands and Buildings for the production of agricultural machineries, and the diesel engines business. The Lands and Buildings are located on the same piece of land which is situated at No. 154, Jianshe Road, Luoyang, Henan Province, the PRC. On 18 May 2011, the Company and/or YTO Diesel (as the case may be) entered into the Assets Transfer Agreement I, the Assets Transfer Agreement II and the Capital Increase Agreement for the acquisitions of the Lands and Buildings from YTO.

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## LETTER FROM BRIDGE PARTNERS

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As at the Latest Practicable Date, the Company, YTO Diesel and YTO Injection Pump have been using the Lands and Buildings for its daily operation and collectively own 156 blocks of buildings (the “Group’s Buildings”) which are erected on the lands to be acquired. As advised by the Directors, all the land use rights related to the lands under the Assets Transfer Agreements are held by YTO, most of the Group’s Buildings erected on such lands are owned by the Company, YTO Diesel and YTO Injection Pump. As advised by the Directors, the titles of the Group’s Buildings and the underlying land use rights belong to different parties and are of potential risks.

### III. Principal terms of the Assets Transfer Agreements

On 18 May 2011, the Board announced that the Company and/or YTO Diesel (as the case may be) entered into the Assets Transfer Agreement I, the Assets Transfer Agreement II and the Capital Increase Agreement for the acquisition of the Lands and Buildings from YTO.

#### A. *Assets Transfer Agreement I and Assets Transfer Agreement II*

The principal terms of the Assets Transfer Agreement I and the Assets Transfer Agreement II are substantially the same. Pursuant to the Assets Transfer Agreement I, the Company agreed to purchase from YTO the Land and Building I at a consideration of approximately RMB404.80 million (equivalent to approximately HK\$481.71 million). As at the Latest Practicable Date, YTO has mortgaged the land with a gross land area of approximately 64,320.80 sq. m. under the Land and Building I to a bank to secure its loans of RMB80.0 million. According to the Company, YTO shall cause the said mortgage to be released within 20 working days upon the effective date of the Assets Transfer Agreement I. Pursuant to the Assets Transfer Agreement II, the YTO Diesel (a non wholly-owned subsidiary of the Company) agreed to purchase from YTO the Land and Building II at a consideration of approximately RMB44.07 million (equivalent to approximately HK\$52.44 million).

As stated in the Letter from the Board, the Land and Building I and the Land and Building II are located on the same piece of the land which is situated at No.154, Jianshe Road, Luoyang, Henan Province, the PRC. The Land and Building I are the land use rights related to three land parcels with a total gross land area of approximately 515,127.30 sq. m., together with 19 blocks of buildings erected thereon with a total gross floor area of approximately 48,210.12 sq. m. The Land and Building II are the land use rights related to the land parcel with a total gross land area of approximately 59,811.40 sq. m., together with a building erected thereon with a total gross floor area of approximately 208.82 sq. m.

Upon completion of the acquisition of the Land and Building I and the Land and Building II, the relevant lease agreements entered into between the Company, YTO Diesel and YTO shall automatically lapse.

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## LETTER FROM BRIDGE PARTNERS

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### *B. The considerations and the basis of determination*

As stated in the Letter from the Board, the considerations for the transactions contemplated under the Assets Transfer Agreement I and Assets Transfer Agreement II were determined by the respective parties with reference to the appraised values of the Land and Building I and the Land and Building II which are subject to registration with Sinomach, the ultimate controller of the Company and the controlling shareholder of YTO, in accordance with the relevant requirements under the PRC regulations.

As discussed with the Company, the considerations under the Assets Transfer Agreement I and the Assets Transfer Agreement II were determined after arm's length negotiations between the respective parties with reference to the total appraised values of the Land and Building I and the Land and Building II, being RMB404.80 million and RMB44.07 million respectively, as at 31 March 2011. The appraisals were conducted by using a combination of the market comparison approach and the cost approach for the valuation of land while the replacement cost approach was used for the valuation of buildings and were prepared by 北京仁達房地產評估有限公司 (Renda Real Estate Appraisal Co., Ltd.^), a PRC independent professional valuer (the "PRC valuer"). Furthermore, the Land and Building I and the Land and Building II have also been valued by Grant Sherman Appraisal Limited, an independent qualified valuer in Hong Kong (the "HK valuer"). According to the Company, the considerations under the Assets Transfer Agreement I and the Assets Transfer Agreement II shall be satisfied by cash settlement.

We have reviewed the property valuation report prepared by the PRC valuer ("PRC Valuation Report"), which is set out in Appendix II to the Circular. We understand that the PRC valuer has adopted a combination of the market comparison approach and the cost approach for valuing the land and the replacement cost approach for valuing the buildings. We also noted that the PRC valuer has made various assumptions, including but not limited to, (i) the local property market is open, fair, active and well developed; (ii) the information supplied by YTO are truthfulness and legitimacy; (iii) the buildings are not jointly owned and there were no legal disputes over the property rights; (iv) the Lands and Buildings are not on sale or in any forms and; (v) the proprietor of the Lands and Buildings is free from any outstanding taxes such as business taxes and surtax, value added tax, property tax and any tax incidental to the Lands and Buildings. We have reviewed and discussed with the PRC valuer on the methodology adopted and the assumptions used in arriving at the valuation. As confirmed by the PRC valuer, it is a commonly adopted approach in the market that a combination of market comparison approach and the cost approach were used for valuing the land while the replacement cost approach was used for valuing the buildings. During the course of our discussion with the PRC valuer, we have not identified any major factors which cause us to doubt the

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## LETTER FROM BRIDGE PARTNERS

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fairness and reasonableness of the major assumptions used in arriving at the appraised value of the Lands and Buildings and we consider that it is appropriate to apply the above-mentioned approaches for the valuation of Lands and Buildings. According to the PRC valuer, the appraised value of the Land and Building I and the Lands and Building II were approximately RMB404.80 million and RMB44.07 million respectively.

We have also made reference to the valuation report of the Lands and Buildings as at 31 March 2011 prepared by the HK valuer (“HK Valuation Report”), which is set out in Appendix I to the Circular. According to the HK Valuation Report, the Land and Building I and the Land and Building II were valued at approximately RMB405.12 million and RMB44.24 million respectively. We understand from the HK valuer that due to the nature of the buildings and structures construed for specific purposes of the properties, the HK valuer considers that the depreciated replacement cost to be an appropriate valuation approach. Under this approach, the appraised value of the Lands and Buildings is based on an estimated market value for the existing use of a land, plus the current gross replacement costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolesces and optimization (e.g. age, condition and environmental factors). We have reviewed and discussed with the HK valuer on the methodology adopted and the assumptions used in arriving at the valuation. As confirmed by the HK valuer, it is a commonly adopted approach in the market that depreciated replacement cost approach was used for valuing the Lands and Buildings. The HK valuer took into account all the factors, including physical deterioration, market conditions and history of the Lands and Buildings, and giving consideration to the prevailing replacement cost, depreciation and continuation of use of the Lands and Buildings in arriving at the valuation of the fair market value of the Lands and Buildings. Having considered the above, we consider that it is appropriate to apply the depreciated replacement cost approach for valuation of the Lands and Buildings.

The appraised value of the Lands and Buildings by the PRC valuer, which is the basis of determination of the consideration in relation to the Land and Building I and the Land and Building II, is lower than the appraised value of the Lands and Buildings by the HK valuer by approximately RMB0.49 million. In view of the slight difference between the appraised values of the Land and Building I and the Land and Building II computed by the PRC valuer and the HK valuer being approximately 0.12%, we consider that the difference between the two appraised values of the Land and Building I and the Land and Building II is immaterial. Based on the above, we consider that the considerations under the Assets Transfer Agreement I and Assets Transfer Agreement II are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM BRIDGE PARTNERS

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### **B. Capital Increase Agreement**

Pursuant to the Capital Increase Agreement, YTO shall make capital contribution to YTO Injection Pump by injecting the Land and Building III with the appraised value of approximately RMB26.00 million (equivalent to approximately HK\$30.94 million) as at 31 March 2011 in return for approximately 18.184% equity interest in YTO Injection Pump (as enlarged by the capital injection by YTO).

#### *(1) Background Information on YTO Injection Pump*

YTO Injection Pump has been incorporated in the PRC in January 2003 with limited liability and is a non wholly-owned subsidiary of the Company. It is principally engaged in manufacture and sale of fuel injection pumps and fuel jets. As at the Latest Practicable Date, YTO Injection Pump was owned as to 52.00%, 44.62% and 3.38% by the Company, YTO Diesel and seven Natural Person Investors respectively.

As at the Latest Practicable Date, YTO Injection Pump had a registered and fully-paid capital of RMB77 million. Set out below is a summary of the audited financial information of YTO Injection Pump for the two years ended 31 December 2010 prepared in accordance with the PRC Accounting Rules and Regulations:

	<b>For the year ended 31 December</b>	
	<b>2010</b>	<b>2009</b>
	(Audited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	216,367	197,263
Profit before taxation and extraordinary items	7,793	7,876
Profit after taxation and extraordinary items	7,756	5,604
	<b>As at 31 December</b>	
	<b>2010</b>	<b>2009</b>
	(Audited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	176,298	157,015
Total liabilities	(82,047)	(70,521)
Net assets	94,251	86,494

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## LETTER FROM BRIDGE PARTNERS

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For the year ended 31 December 2010, YTO Injection Pump recorded an audited turnover of approximately RMB216.37 million, representing an increment of approximately 9.7% as compared with that of the corresponding period of the preceding financial year. The audited net profit before and after taxation and extraordinary items of YTO Injection Pump for the year ended 31 December 2010 were approximately RMB7.79 million and RMB7.76 million respectively. The audited net assets of YTO Injection Pump was approximately RMB94.25 million as at 31 December 2010.

(2) *Terms of the Capital Increase Agreement*

Pursuant to the Capital Increase Agreement, YTO shall make capital contribution to YTO Injection Pump by injecting the Land and Building III with the appraised value of approximately RMB26.00 million (equivalent to approximately HK\$30.94 million) as at 31 March 2011 in return for 18.184% equity interest in YTO Injection Pump (as enlarged by the capital injection by YTO).

As at the Latest Practicable Date, YTO Injection Pump was owned by the Company, YTO Diesel and seven Natural Person Investors. Each of the Company, YTO Diesel and seven Natural Person Investors have agreed to waive its pre-emptive rights over the capital injection under the Capital Increase Agreement.

With respect to the consideration under the Capital Increase Agreement, it is agreed that approximately RMB17.11 million shall be used to increase the registered capital of YTO Injection Pump from RMB77.0 million to approximately RMB94.11 million whereas the remaining approximately RMB8.89 million will be treated as capital surplus reserve of YTO Injection Pump. Upon completion of the Capital Increase Agreement, YTO Injection Pump will be owned as to (as enlarged by the capital injection by YTO) 18.184%, 42.544%, 36.509% and 2.763% by YTO, the Company, YTO Diesel and seven Natural Person Investors respectively. YTO Injection Pump will remain as a non wholly-owned subsidiary of the Company after completion of the Capital Increase Agreement.



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## LETTER FROM BRIDGE PARTNERS

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As stated in the Letter from the Board, the Land and Building III being injected is related to the same piece of the land as the Land and Building I and the Land and Building II but with different geographical coordinates. The Land and Building III are the land use rights related to the land parcel with a total gross land area of approximately 33,056.20 sq. m., together with a building erected thereon with a total gross floor area of approximately 1,909.88 sq. m.

(3) *The consideration and the basis of determination*

As stated in the Letter from the Board, the consideration under the Capital Increase Agreement were determined by the parties with reference to the appraised value of the Land and Building III and the appraised net asset value of YTO Injection Pump, all of which were provided by PRC independent professional valuers.

We understand from the Company that the capital contribution by YTO has been determined based on arm's length negotiations between all parties in the Capital Increase Agreement by taking into account the appraised values of the Land and Building III of RMB26.00 million. As at 31 March 2011, the audited net book value and the appraised net asset value of YTO Injection Pump were approximately RMB96.62 million and RMB116.98 million respectively. The equity interests of YTO Injection Pump being subscribed by YTO under the Capital Increase Agreement had taken with reference to the appraised value of YTO Injection Pump prepared by 北京中企華資產評估有限公司(Beijing China Enterprise Appraisals Co., Ltd.^), a PRC independent valuer, based on asset-based valuation approach, which is one of the commonly used approaches to evaluate the market value of a business enterprise. Under the asset-based approach, the value of a business enterprise was determined by assuming the value of such business enterprise is equal to the current cost of reproduction or replacement of such business enterprise less deductions for physical deterioration and all relevant forms of obsolescence and optimization in appraisal, that is, calculate the enterprise value by summing up the estimated values of essential assets of the enterprise and deducting the estimated values of liabilities. We have reviewed and discussed with the independent qualified PRC valuer the major assumptions used in the valuation, and we have not identified any major factors which cause us to doubt the fairness and reasonableness of the major assumptions used in arriving at the appraised value of YTO Injection Pump.

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## LETTER FROM BRIDGE PARTNERS

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We have also made reference to the valuation report of the Lands and Buildings as at 31 March 2011 prepared by the HK valuer. According to the HK Valuation Report, the Land and Building III was valued at approximately RMB26.10 million as compared to the appraised value of the Land and Building III of approximately RMB26.00 million valued by the PRC valuer, which is the basis of determination of the consideration in relation to the Land and Building III. The appraised value by the PRC valuer is lower than the appraised value by the HK valuer by approximately RMB0.10 million. In view of the slight difference between the appraised values of the Land and Building III computed by the PRC valuer and the HK valuer being approximately 0.12%, we consider that the difference between the two appraised values of the Land and Building III is immaterial.

Following the completion of the capital injection, the Group's effective equity interests in YTO Injection Pump (taking into account its direct interests and its indirect interest in YTO Injection Pump held by YTO Diesel) will be diluted from 78.24% to approximately 64.01% where the net book value of the YTO Injection Pump will increase from approximately RMB96.62 million to RMB 122.62 million. As such, the effective net book value of YTO Injection Pump attributed to the Company would be increased from approximately RMB75.20 million to approximately RMB78.48 million. Having considered that (i) the Group will continue to be the largest shareholder of YTO Injection Pump and (ii) the appraised value of the Land and Building III reflects the prevailing market value of the land and properties, we are of the view that the capital injection would not materially affect the interest of the Group in YTO Injection Pump and the Company can save the annual rental fees of the Land and Building III and thus is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM BRIDGE PARTNERS

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### **IV. Reasons for and benefits of the Acquisitions**

As stated in the Letter from the Board, the Company, YTO Diesel and YTO Injection Pump have been using the Lands and Buildings where the principal place of business and production lines of the Group are situated. As advised by the Directors, all the land use rights related to the lands under the Assets Transfer Agreements are held by YTO, while the Group's Buildings erected on such lands are owned by the Company, YTO Diesel, YTO Injection Pump. As advised by the Directors, the titles of the Group's Buildings and the underlying land use rights belong to different parties and are of potential risks. Having considered that the acquisition of the Lands and Buildings through the Company and/or YTO Diesel (as the case may be) and by way of capital injection could (i) solve the Group's land and properties issue regarding the titles of the Group's Buildings and the underlying land use rights belong to different parties; (ii) save fund for the acquisition of Land and Building III from YTO by way of capital injection; (iii) enhance the operation independence of the Company and (iv) enable the Group to adjust the arrangement and usage over the Lands and Buildings with flexibility in accordance with its business plans and save the rental fees of the Lands and Buildings paid by the Group, we concur with the Directors that the Assets Transfer Agreements are in the interests of the Company and the Independent Shareholders as a whole.

### **V. Possible financial effects of the Acquisitions on the Group**

#### *Effects on earnings*

Following the completion of the Acquisitions, the Group's effective equity interests in YTO Injection Pump will decrease by 78.24% to 64.01%. As such, YTO Injection Pump will remain to be a non wholly-owned subsidiary of the Company and continue to be consolidated in the Company's consolidated financial statements. In addition, there will be no gain or loss recorded under the Capital Increase Agreement.

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## LETTER FROM BRIDGE PARTNERS

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### *Effects on net assets*

As disclosed in the 2010 Annual Report, the audited net assets of the Group as at 31 December 2010 was approximately HK\$3,478.32 million. As advised by the Company, there will be no material change to the net assets of the Group upon completion of the Acquisitions.

### *Effects on working capital*

As stated in the Letter from the Board, the total considerations for Assets Transfer Agreement I and Assets Transfer Agreement II of approximately RMB449 million (equivalent to approximately HK\$534.31 million) will be paid in cash in three installments. It is the intention that the Company would satisfy the above considerations in cash from its internal resources and bank loans. According to the 2010 Annual Report, the audited cash and bank balances of the Group amounted to approximately HK\$1,162.16 million as at 31 December 2010. In addition, it is expected that there would not be any effect on working capital upon the completion of Capital Increase Agreement as no cash consideration is involved. Based on the above, we are of the view that the payment of the above considerations will not have a significant impact on the Group's working capital position.

## RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that (i) the terms of the Assets Transfer Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and (ii) the Acquisitions are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution(s) to be proposed at the AGM to approve the Assets Transfer Agreements and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,  
For and on behalf of  
**Bridge Partners Capital Limited**  
**Monica Lin**  
*Managing Director*

<sup>^</sup> for English translation only

**GRANT SHERMAN APPRAISAL LIMITED**

Room 1701 on 17/F  
Jubilee Centre  
18 Fenwick Street  
Wanchai  
Hong Kong

26 May 2011

The Board of Directors  
First Tractor Company Limited  
154 Jianshe Road  
Luoyang  
Henan Province  
The People's Republic of China

Dear Sirs,

In accordance with the instructions from First Tractor Company Limited (referred as the “Company”), we have valued the property interests held by YTO Group Corporation (referred as “YTO”) and entered into the Assets Transfer Agreement I, Assets Transfer Agreement II and Capital Increase Agreement with the Company or its subsidiaries (referred as the “Group”) for acquisition purpose. We confirm that we have made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 31 March 2011.

Market value is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

Due to the nature of buildings and structures construed for specific purpose of these properties, we have adopted the Depreciated Replacement Cost approach in valuing the property interests (referred as “DRC”). DRC is based on an estimate of the market value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimization.

The valuations have been made on the assumption that the owner sells the property interest on the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect their value.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any of the property valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that all the interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards on Properties (1st Edition 2005) published by The Hong Kong Institute of Surveyors.

In valuing the properties, we have assumed that the owner has free and uninterrupted rights to use the properties for the whole of the unexpired term as granted and is entitled to transfer the properties with the residual term without payment of any further premium to the government authorities or any third parties.

We have assumed that all consents, approvals and licenses from relevant government authorities for the properties have been granted without any onerous conditions or undue time delay which might affect their values. It is assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the appraisal report.

We have inspected the exterior and, where possible, the interior of the properties in respect of which we have been provided with such information as we have required for the purpose of our valuation. However, no structural survey has been carried out and it was not possible to inspect the wood work and other parts of the structure which were covered, unexposed or inaccessible. We are therefore, unable to report that the properties are free of rot, infestation or any structural defect. No tests have been carried out on any of the building services.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed unless otherwise stated, defined, and considered in the report. It is also assumed that all required licenses, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organization either have been or can be obtained or renewed for any use which the report covers.

We have been provided with copies of extracts of title documents relating to the properties. However, we have not inspected the original documents to verify ownership or to verify any amendments which may not appear on the copies handed to us. Due to the nature of the land registration system in the PRC, we are unable to search the original documents to verify the existing title of the properties or any material encumbrances that might be attached to the properties. In the preparation of our valuation report, we have relied to a considerable extent on the legal opinion provided by the Company's PRC legal adviser, Commerce & Finance Law Offices on the PRC laws regarding the titles of the properties in the PRC.

In the course of our valuation, we have relied on a considerable extent on the information provided by the Company on such matters as property title, statutory notices, easements, tenure, occupation, site and floor areas, identification of the properties and all other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us by the Company. We were also advised by the Company that no material facts have been omitted from the information supplied.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

We enclose herewith a summary of valuation and valuation certificates.

Respectfully submitted,

For and on behalf of

**GRANT SHERMAN APPRAISAL LIMITED**

**Peggy Y.Y. Lai**

*MRICS MHKIS RPS(GP)*

*Director*

*Real Estate Group*

*Note:* Ms. Peggy Y.Y. Lai is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors and Registered Professional Surveyors in the General Practice Section, who has over 5 years experience in the valuation of properties in Hong Kong, the PRC and the Asian Region.

## SUMMARY OF VALUATION

<b>Property</b>	<b>Market Value as at 31 March 2011 RMB</b>
<b>Property interests to be acquired by the Group for owner occupation</b>	
1 Three land parcels together with some of the buildings erected thereon located at 154 Jianshe Road, Luoyang, Henan Province, the PRC	405,115,890
2. A parcel of land together with a building erected thereon located at 154 Jianshe Road, Luoyang, Henan Province, the PRC	44,241,290
3. A parcel of land together with a building erected thereon located at 154 Jianshe Road, Luoyang, Henan Province, the PRC	26,099,610
<b>Total</b>	<hr/> <u><u>475,456,790</u></u>



## VALUATION CERTIFICATE

## Property interests to be acquired by the Group for owner occupation

Property	Description and Tenure	Particulars of Occupancy	Market Value as at 31 March 2011 (RMB)
1. Three land parcels together with some of the buildings erected thereon erected thereon located at 154 Jianshe Road, Luoyang, Henan Province, the PRC	The property comprise 3 portions of the lands and 19 buildings and structure with a total site area of approximately 515,127.30 sq. m.  The total gross floor area of the buildings is approximately 42,610.12 sq.m. (supported by 20 building ownership certificates as stated in note (iii)). The gross floor area of the structure is 5,600 sq.m. They were completed in between 1973 and 2002.	The property is occupied by the Group for production purpose.  Portion of the property is leased to the Group in between 1 January 2011 and 31 December 2011 at a monthly rental of about RMB991,300 exclusive of maintenance fee and other outgoings.	405,115,890 see note (iv)

## Notes:

- (i) According to a State-owned Land Use Right Certificate, the title of the land has been granted to YTO for industrial use. The details and land area portion of subject property are summarised as below:

Stated-owned Land Use Right Certificate	Granted Area (sq.m.)	Term	Land Area Portion of subject property (sq.m.)
1 Luo Shi Guo Yong (2003) Di. 03-40047 Hao (洛市國用(2003)第03-40047號)	1,493,735	up to 22 March 2052	247,880.7
<b>Total</b>			<b>247,880.7</b>

- (ii) According to six State-owned Land Use Right Certificates, the title of these lands have been granted to 中國第一拖拉機工程機械公司 for industrial use. Their details and land area portion of subject property are summarised as below:

Stated-owned Land Use Right Certificate	Granted Area (sq.m.)	Term	Land Area Portion of subject property (sq.m.)
1 Luo Shi Guo Yong (1997) Zi Di. 97050 Hao (洛市國用(1997)字第97050號)	94,773.37	up to 11 May 2047	93,926.8
2 Luo Shi Guo Yong (1997) Zi Di. 037 Hao (洛市國用(1997)字第037號)	18,574.231	up to 11 May 2047	18,574.231
3 Luo Shi Guo Yong (1997) Zi Di. 038 Hao (洛市國用(1997)字第038號)	50,466.5	up to 11 May 2047	50,466.5
4 Luo Shi Guo Yong (1997) Zi Di. 042 Hao (洛市國用(1997)字第042號)	37,813.64	up to 11 May 2047	37,813.64
5 Luo Shi Guo Yong (1997) Zi Di. 049 Hao (洛市國用(1997)字第049號)	39,736.96	up to 11 May 2047	36,755.6
6 Luo Shi Guo Yong (1997) Zi Di. 040 Hao (洛市國用(1997)字第040號)	29,709.86	up to 11 May 2047	29,709.86
<b>Total</b>			<b>267,246.631</b>

- (iii) According to the following Building Ownership Certificates, a total gross floor area of approximately 43,800.67 sq.m. have been granted to YTO Group Corporation Their respective certificate no., usage and gross floor area are summarized below:

Certificate No.	Existing Usage	Completion year (about)	Gross Floor Area (sq.m.) (approximate)
1. Luo Fang Quan Zhen Shi Zi Di 00008338 Hao (洛房權証市字第00008338號)	Factory	1994	622.46
2. Luo Fang Quan Zhen Shi Zi Di 00008345 Hao (洛房權証市字第00008345號)	Factory	1998	751.75
3. Luo Shi Fang Quan Zhen (2002) Zi Di X187955 Hao (洛市房權証(2002)字第X187955號)	Storage	1983	994
#4. Luo Shi Fang Quan Zhen (2002) Zi Di X187973 Hao (洛市房權証(2002)字第X187973號)	Storage	1983	416.44
#5. Luo Shi Fang Quan Zhen (2002) Zi Di X187974 Hao (洛市房權証(2002)字第X187974號)	Storage	1983	1,891.82
6. Luo Shi Fang Quan Zhen (2002) Zi Di X187968 Hao (洛市房權証(2002)字第X187968號)	Storage	1990	673.75
7. Luo Shi Fang Quan Zhen (2002) Zi Di X187975 Hao (洛市房權証(2002)字第X187975號)	Storage	1990	249.67
8. Luo Shi Fang Quan Zhen (2002) Zi Di X187954 Hao (洛市房權証(2002)字第X187954號)	Storage	1990	2,949.54
9. Luo Fang Quan Zhen Shi Zi Di 00008359 Hao (洛房權証市字第00008359號)	Storage	1997	2,475.7
10. Luo Fang Quan Zhen Shi Zi Di 00008346 Hao (洛房權証市字第00008346號)	Storage	1983	2,910
11. Luo Shi Fang Quan Zhen (2002) Zi Di X186155 Hao (洛市房權証(2002)字第X186155號)	Office	1988	5,020.8*
12. Luo Shi Fang Quan Zhen (2002) Zi Di X186123 Hao (洛市房權証(2002)字第X186123號)	Factory	1986	2,618.52
13. Luo Shi Fang Quan Zhen (2002) Zi Di X186124 Hao (洛市房權証(2002)字第X186124號)	Factory	1986	1,103.32
14. Luo Shi Fang Quan Zhen (2002) Zi Di X186127 Hao (洛市房權証(2002)字第X186127號)	Factory	1986	1,487.86
15. Luo Shi Fang Quan Zhen (2002) Zi Di X186129 Hao (洛市房權証(2002)字第X186129號)	Factory	1986	1,507.73
16. Luo Fang Quan Zhen Shi Zi Di 00008337 Hao (洛房權証市字第00008337號)	Office and Storage	2002	1,515.34
17. Luo Fang Quan Zhen Shi Zi Di 00008330 Hao (洛房權証市字第00008330號)	Office and carpark	1994	1,657.71
18. Luo Shi Fang Quan Zhen (2002) Zi Di X191279 Hao (洛市房權証(2002)字第X191279號)	Factory	1979	1,230.46
19. Luo Shi Fang Quan Zhen (2002) Zi Di X188013 Hao (洛市房權証(2002)字第X188013號)	Storage	1973	2,125.65*
20. Luo Shi Fang Quan Zhen (2002) Zi Di X177977 Hao (洛市房權証(2002)字第X177977號)	Factory and Office	1980	11,598.15
	<b>Total</b>		<b>43,800.67</b>

\* As informed by the Company, portions of the buildings have been demolished, therefore, we only assess gross floor area of about 4,410 sq.m. for item 11 and 1,545.9 sq.m. for 19.

# Warehouse 100 (100倉庫) consists of building ownership certificates of items 4 and 5 as stated above.

- (iv) As instructed, we would assess the value of the land portion area of the subject property mentioned in notes (i) and (ii) together with the buildings with a total gross floor area of 42,610.12 sq.m. and structure erected thereon.
- (v) We have been provided with a PRC legal opinion on the title to the property issued by the Group's legal advisor (Commerce & Finance Law Offices), which contains, inter alia, the following information :
- a) YTO is formally known as 中國第一拖拉機工程機械公司 (Zhong Guo Di Yi Tuo La Ji Gong Cheng Ji Xie Gong Si) and YTO has obtained the land use right mentioned in Note (ii).
  - b) YTO has obtained the land use rights under the aforesaid State-owned Land Use Right Certificate mentioned in Notes (i) and (ii) and building ownerships under the aforesaid Building Ownership Certificates mentioned in Note (iii).
  - c) YTO is entitled to transfer, let or mortgage the land use rights and building ownership of the property.
  - d) About 64,320.2 sq.m out of 261,127.63 sq.m of the total site area is subject to a mortgage agreement (2010)進出銀(京信抵)字第20004 dated 25 January 2010. The loan mortgage amount is RMB80,000,000. The aforesaid mortgage must be released before transfer.
  - e) The demolition of buildings 11 and 19 will not affect the transfer of the relevant title certificates.

## VALUATION CERTIFICATE

## Property interests to be acquired by the Group for owner occupation

Property	Description and Tenure	Particulars of Occupancy	Market Value as at 31 March 2011 (RMB)
2. A parcel of land together with a building erected thereon located at 154 Jianshe Road, Luoyang, Henan Province, the PRC	<p>The property comprise a parcel of land and a building erected thereon with a land area of approximately 59,811.4 sq. m.</p> <p>The gross floor area of the building is approximately 208.82 sq.m. and was completed in about 1996.</p>	<p>The property is occupied by the Group for production purpose</p> <p>Portion of the property is leased to the Group in between 1 January 2011 and 31 December 2011 at a monthly rental of about RMB121,900 exclusive of maintenance fee and other outgoings.</p>	44,241,290

## Notes:

- (i) According to a State-owned Land Use Right Certificate, the title of the land has been granted to YTO Group Corporation for industrial use. The details and land area portion of subject property are summarised as below:

Stated-owned Land Use Right Certificate	Granted Area (sq.m.)	Term	Land Area Portion of subject property (sq.m.)
1 Luo Shi Guo Yong (2003) Di. 03-40047 Hao (洛市國用(2003)第03-40047號)	1,493,735	up to 22 March 2052	56,830
<b>Total</b>			<b>56,830</b>

- (ii) According to a State-owned Land Use Right Certificate, the title of the land has been granted to 中國第一拖拉機工程機械公司 for industrial use. Its details and land area portion of subject property are summarised as below:

Stated-owned Land Use Right Certificate	Granted Area (sq.m.)	Term	Land Area Portion of subject property (sq.m.)
1 Luo Shi Guo Yong (1997) Zi Di. 049 Hao (洛市國用(1997)字第049號)	39,736.96	up to 11 May 2047	2,981.4
<b>Total</b>			<b>2,981.4</b>

- (iii) According to Building Ownership Certificate Luo Shi Fang Quan Zhen (2002) Zi Di X180416 Hao (洛市房權証(2002)字第X180416號 dated 24 May 2002, a gross floor area of approximately 208.8 sq.m. has been granted to YTO Group Corporation. The existing use of the subject building is factory.
- (iv) As instructed, we would assess the values of the land portion area of the subject property mentioned in Notes (i) and (ii) together with the building erected thereon.
- (v) We have been provided with a PRC legal opinion on the title to the property issued by the Group's legal advisors (Commerce & Finance Law Offices), which contains, inter alia, the following information :
  - (a) YTO is formally known as 中國第一拖拉機工程機械公司 (Zhong Guo Di Yi Tuo La Ji Gong Cheng Ji Xie Gong Si) and YTO has obtained the land use right mentioned in Note (ii).
  - (b) YTO has obtained the land use rights under the aforesaid State-owned Land Use Right Certificate mentioned in Notes (i) and (ii) and building ownerships under the aforesaid Building Ownership Certificates mentioned in Note (iii).
  - (c) YTO is entitled to transfer, let or mortgage the land use rights and building ownership of the property.
  - (d) The property is not subject to material charge, mortgage or any other similar encumbrances.

## VALUATION CERTIFICATE

## Property interests to be acquired by the Group for owner occupation

Property	Description and Tenure	Particulars of Occupancy	Market Value as at 31 March 2011 (RMB)
3. A parcel of the land together with a building erected thereon located at 154 Jianshe Road, Luoyang, Henan Province, the PRC	<p>The property comprise a parcel of land and a building erected thereon with a total land area of approximately 33,056.2 sq. m.</p> <p>The total floor area of the building is approximately 1,909.88 sq.m., and was completed in about 1995.</p>	<p>The property is occupied by the Group for production use.</p> <p>Portion of the property is leased to the Group in the period between 1 January 2011 and 31 December 2011 at a monthly rental of about RMB57,400 exclusive of maintenance fee and other outgoings.</p>	26,099,610

## Notes:

- (i) According to a State-owned Land Use Right Certificate, the title of this land has been granted to YTO Group Corporation for industrial use. The detail and land area portion of subject property are summarised as below:

Stated-owned Land Use Right Certificate	Granted Area (sq.m.)	Term	Land Area Portion of subject property (sq.m.)
1 Luo Shi Guo Yong (2003) Di. 03-40047 Hao (洛市國用(2003)第03-40047號1578126)	1,493,735	up to 22 March 2052	33,056.2
		<b>Total</b>	<b>33,056.2</b>

- (ii) As instructed, we would assess the values of the land area portion of the subject property mentioned in note (i) together with the building erected thereon.
- (iii) According to Building Ownership Certificate Luo Shi Fang Quan Zhen (2003) Zi Di X212941 Hao (洛市房權証(2003)字第X212941號 dated 22 May 2003, a gross floor area of approximately 1,909.88 sq.m. has been granted to YTO Group Corporation. The existing use of the subject building is factory.

- (iv) We have been provided with a PRC legal opinion on the title to the property issued by the Group's legal advisors, which contains, inter alia, the following information :
- (a) YTO has obtained the land use rights under the aforesaid State-owned Land Use Right Certificate mentioned in Note (i) and building ownership under the aforesaid Building Ownership Certificates mentioned in Note (iii).
  - (b) YTO is entitled to transfer, let or mortgage the land use rights and building ownership of the property.
  - (c) The property is not subject to material charge, mortgage or any other similar encumbrances.

**EXTRACT OF PRC VALUATION REPORTS  
ON THE LANDS AND BUILDINGS**

The following contents are extracted from the full texts of the six PRC valuation reports dated 16 May 2011 in respect of the Lands and Buildings prepared by Renda Real Estate Appraisal Co. Ltd\* (北京仁達房地產評估有限公司).

**I.      ITEMS OF THIS VALUATION PROJECT**

Valuation of the land use rights (the “**Land Use Rights**”) related to the lands situated at No.154 Jianshe Road, Jian Xi District, Luoyang, Henan Province, the PRC, with a total land use rights area of 607,994.9 sq. m., and the new replacement values (重置成新價) of part of the buildings (the “**Buildings**”) erected thereon, with a total gross floor area of 50,328.82 sq. m..

**II.     ENTRUSTING PARTY**

YTO Group Corporation\* (中國一拖集團有限公司)

**III.    PURPOSE OF THE VALUATION**

The values of the Land Use Rights and the new replacement values of the Buildings are determined on the valuation reference date so as to provide the entrusting party with a fair and reasonable reference basis on the values of the Land Use Rights and the new replacement values of the Buildings.

**IV.    VALUATION REFERENCE DATE**

31 March 2011



**V.      DEFINITIONS OF VALUE****(I)      New replacement values of the Buildings**

1.      Value Contents: the new replacement values of the valuation targets as at the valuation reference date only include the new replacement values of the Buildings;
2.      The Buildings consists of a total of 21 blocks of buildings, with a total gross floor area of 50,328.82 sq. m. The construction structures of the Buildings include bricks and concretes, steels and concretes as well as frame-bents, etc. Most of the Buildings were constructed during 1980s to 1990s.

**(II)      Values of the Land Use Rights**

The valuation target is the Land Use Rights related to five land parcels, with a total land use rights area of 607,994.9 sq. m., of which the areas of the land parcels with residual lives (counting from the valuation reference date) of 36.1 years and 40.9 years amounted to 270,227.9 sq. m. and 337,767.0 sq. m. respectively. According to the information provided by the entrusting party and on-site surveys, the development of the land parcels to be valued is practically up to the stage of “7 availabilities” at the outside bounding lines (紅綫外「七通」), with road, electricity supply, telecommunication, water supply, drainage system, heating system and industrial gases available and “7 availabilities and 1 leveling” at the inside bounding lines (紅綫內「七通一平」), with road, electricity supply, telecommunication, water supply, drainage system, heating system and industrial gases available. The purpose of the land parcels is for industrial use.

**VI.      VALUATION APPROACH**

Two valuation approaches including the market comparison approach (市場比較法) and the cost approach (成本法) were adopted in this valuation, whereby the values of the Land Use Rights were arrived at using the market comparison approach (市場比較法) and cost approach (成本逼近法) whereas the values of the Buildings were arrived at using the replacement cost approach (重置成本法).

In the process of appraising the values of the Land Use Rights, since the outcomes generated from the two valuation approaches differed insignificantly, simple arithmetic average was adopted to finalize the valuation result of the valuation target.

The new replacement values of the Buildings were arrived at primarily through the replacement cost approach (重置成本法).

**VII. ASSUMPTIONS AND CONDITIONS OF THE VALUATION**

1. The information provided by the entrusting party serves as an important basis for this valuation, whilst this valuation is conditional on the truthfulness and legitimacy of such information;
2. The local real estate market at the valuation reference date is assumed to be at market equilibrium which is open, fair and voluntary;
3. The land parcels to be valued have been developed and utilized in a timely and most effective manner with reference to their designated use, and will generate corresponding land income;
4. The valuation outcomes of this report serve as the prices of the state-owned land use rights provided that all assumptions and restrictive conditions in relation to the land pricing are satisfied;
5. Any relevant operating modes and procedures of the land parcels to be valued are in compliance with the relevant state and regional laws and regulations;
6. It is assumed that the valuation targets have met the requirements of planning and design, and shall continue to be used under the current condition and usage;
7. There was no joint ownership and disputes over the property rights in respect of the Buildings;
8. It is assumed that there was no sales in any forms of the valuation targets at the time of valuation;
9. It is assumed that the proprietor of the valuation targets has no unsettled taxes such as business taxes and surtax, value-added tax, property tax and land use tax.

**VIII. VALUATION OUTCOMES AND TERM OF VALIDITY**

We have implemented all the procedures required for the valuation in accordance with the relevant State's requirements in relation to real estate valuation and, under the prescribed conditions of the definitions of the value, obtained the valuation outcomes of the valuation targets as at the valuation reference date on 31 March 2011 as follows:-

Total area of the Land Use Rights: 607,994.9 sq. m.

Total gross floor area of the Buildings: 50,328.82 sq. m.

Total value of the Lands and Buildings: RMB474,870,000 (Renminbi four hundred seventy-four million eight hundred and seventy thousand yuan)

Including:    Total value of the Land Use Rights: RMB442,750,000  
                   Total value of the properties in respect of the Buildings: RMB32,120,000

Details of the valuation outcomes are set out in the table below:-

**Summary Table of Valuation Outcomes of the Valuation Targets**

**Valuation Reference Date: 31 March 2011**

No. of Land Parcel	Location of the Land Parcels	Gross Floor Area of the Buildings (sq. m.)	Land Use Rights Area (sq. m.)	Total Value of Properties in respect of the Buildings (RMB0'000)	Total Value of the Land Use Rights (RMB0'000)	Total Value of the Buildings and Land Use Rights (RMB0'000)
1		36,611.97	298,981.90			
2	No.154 Jianshe Road, Jian Xi District, Luoyang, Henan Province, PRC	—	154,503.5	3,027 <sup>(Note)</sup>	37,453 <sup>(Note)</sup>	40,480 <sup>(Note)</sup>
3		11,598.15	61,641.9			
4		208.82	59,811.4	15	4,392	4,407
5		1,909.88	33,056.2	170	2,430	2,600
	Total	50,328.82	607,994.9	3,212	44,275	47,487

*Note:* The total value includes the values of the land parcels nos. 1 to 3.

This valuation report takes effect within one year from the date of the valuation reference date on 31 March 2011 in accordance with the relevant requirements.

The contents above are extracted from the full texts of the six valuation reports dated 16 May 2011 in respect of the Land Use Rights and the Buildings. For details and a better understanding of the valuation outcomes arrived at in this valuation project, please refer to the full texts of the said six valuation reports.

**PROFESSIONAL QUALIFICATIONS OF RENDA REAL ESTATE APPRAISAL CO. LTD\* (北京仁達房地產評估有限公司)**

Renda Real Estate Appraisal Co. Ltd\* (北京仁達房地產評估有限公司) was incorporated on 12 December 2000, and is a standing unit member of China Institute of Real Estate Appraisers (中國房地產估價師學會), a unit member of the Council of China Real Estate Valuers Association (中國土地估價師協會), the unit vice president of Beijing Real Estate Valuer and Land Valuer Association (北京房地產估價師和土地估價師協會) and a practicing institutional member of Royal Institution of Chartered Surveyors (RICS). The registration number of its Business License for Enterprise as Legal Persons is 110000001865543.

Renda Real Estate Appraisal Co. Ltd\* (北京仁達房地產評估有限公司) has the Grade “A” Real Estate Appraisal Qualification issued by the Ministry of Construction of the PRC and registered national real estate valuation qualification (全國範圍執業註冊土地估價資質) issued by China Real Estate Valuers Association (中國土地估價師協會) under the Ministry of Land and Resources of the PRC, real estate and land appraisal qualifications accredited by the Supreme People’s Court of the People’s Republic of China and the accredited organization qualification (機構資格) issued by the Higher People’s Court of Beijing Municipality, among which:

Number of Grade A Land Appraisal Credit Certificate: 2011A-18

Number of Practicing Certificate for Land Appraisal within the Nation: A201011005

Number of Grade “A” Real Estate Appraisal Qualification: Jian Fang Gu Zheng Zi [2010] No.065

The valuers conducting this valuation are certified land valuers as approved and registered with the Ministry of Land and Resources of the People’s Republic of China:

Name	Certificate No.	Certificate	
		Issuance Date	Date of Registration
Jiao Hongyu (焦宏育)	2002610030	1 January 2008	2003
Yu Jingbo (於京博)	2004110031	1 January 2009	2005

**Renda Real Estate Appraisal Co. Ltd\***  
**(北京仁達房地產評估有限公司)**

17 May 2011

\* For identification purposes only

**PROPOSED CAPITAL INCREASE IN  
YTO (LUOYANG) FUEL INJECTION PUMP CO., LTD\*  
BY YTO GROUP CORPORATION\*  
EXTRACT OF ASSETS VALUATION REPORT  
Zhongqihua Ping Bao Zi (2011) No. 3078**

The following contents are extracted from the full text of the assets valuation report (Zhongqihua Ping Bao Zi (2011) No. 3078) prepared by Beijing China Enterprise Appraisals Company, Inc.\* (北京中企華資產評估有限責任公司) dated 15 May 2011 in respect of the proposed capital increase in YTO (Luoyang) Fuel Injection Pump Co., Ltd\* (一拖(洛陽)燃油噴射有限公司) by YTO Group Corporation\* (中國一拖集團有限公司).

YTO Group Corporation\* (中國一拖集團有限公司) (“**YTO**”) intends to increase the capital in YTO (Luoyang) Fuel Injection Pump Co., Ltd\* (“**YTO Injection Pump**” or the “**appraised entity**”). As such, a valuation on YTO Injection Pump has to be conducted to determine the entire shareholders’ equity value of YTO Injection Pump on the valuation reference date and to provide a reference basis on the value in respect of this economic activity.

Beijing China Enterprise Appraisals Company, Inc.\* (北京中企華資產評估有限責任公司) was commissioned by YTO to carry out a valuation in relation to the entire assets and relevant liabilities declared by YTO Injection Pump in accordance with the requirements as stipulated under the relevant laws, regulations and requirements of assets valuation standards in the PRC as well as the necessary valuation procedures on the principles of independence, objectivity and impartiality. Market value was selected in this valuation and the valuation results based on the asset-based approach were taken as the valuation conclusions.

In this valuation, the valuation staff conducted the valuation based on the following assumptions:

- (1) There are no material changes in the existing relevant PRC laws and regulations and basic policies of the industry where the appraised entity belongs to which may affect the operation of the appraised entity, nor are there any material changes in the macro-economic landscape (except for those known to the public) and the political, economic and social environment in the region where the appraised entity is located (except for those known to the public); or any other unforeseeable and force majeure factors that may have a material adverse effect.
- (2) In light of the actual circumstances of the assets of the appraised entity on the valuation reference date, it is assumed that the appraised entity will operate as a going concern. The appraised target will continue to be used with reference to the current usage and the proposed way, scale, frequency and circumstance of use, etc.

- (3) It is assumed that the information is true, i.e. the information provided by YTO (the entrusting party of this valuation) and the appraised entity, namely YTO Injection Pump, is true and legal.
- (4) It is assumed that the proprietor of the appraised entity is responsible and its management is capable of discharging their duties.
- (5) Unless otherwise stated, it is assumed that the appraised entity has fully complied with all relevant laws and regulations and there are no material breach that may affect the future development and revenue of the appraised entity.
- (6) It is assumed that the accounting policies to be adopted by the appraised entity in the future will be basically consistent with the accounting policies adopted for preparation of this report in all material respects.
- (7) It is assumed that the business scope and mode will be in line with the current trend based on the current management approach and standard.
- (8) There are no material changes in the interest rates, exchange rates, taxation benchmark and rates, as well as other policy-related fees, etc.

According to the requirements of assets valuation, these assumed conditions were considered being fulfilled as at the valuation reference date. In case of any relatively material change in the future economic environment, we shall not be responsible for any different valuation conclusions led by the changes in the assumed conditions as mentioned above.

The valuation reference date is 31 March 2011.

In accordance with the requirements of the relevant PRC laws and regulations and assets valuation standards, the valuation staff of our company adhered to the principles of independence, objectivity and impartiality and followed the necessary valuation procedures when conducting on-site surveys, market research and consultation on the appraised entity. The valuation results are as follows:

The book value of the total assets was RMB190,890,500; the appraised value was RMB211,247,900; the appreciation in the appraised value was RMB20,357,400, representing an appreciation rate of 10.66%.

The book value of the liabilities was RMB94,269,200; the appraised value was RMB94,269,200.

The book value of the net assets was RMB96,621,400; the appraised value was RMB116,978,800; the appreciation in the appraised value was RMB20,357,400, representing an appreciation rate of 21.07%. For details, please refer to the following table:

### SUMMARY TABLE OF ASSETS VALUATION RESULTS OF THE APPRAISED ENTITY

The valuation reference date: 31 March 2011

Unit: RMB0'000

Items		Book Value A	Appraised	Appreciation/	Appreciation
			Value B	Depreciation C=B-A	Rate (%) D=C/A*100%
I. Current assets	1	10,662.75	11,328.50	665.75	6.24
II. Non-current assets	2	8,426.30	9,796.30	1,369.99	16.26
Including: Long-term equity					
investments	3	—	—	—	—
Investment properties	4	—	—	—	—
Fixed assets	5	7,822.96	9,192.96	1,369.99	17.51
Construction in progress	6	335.14	335.14	—	—
Intangible Assets	7	—	—	—	—
Deferred income tax assets	8	268.20	268.20	—	—
<b>Total assets</b>	9	19,089.05	21,124.79	2,035.74	10.66
III. Current liabilities	10	7,926.92	7,926.92	—	—
IV. Non-current liabilities	11	1,500.00	1,500.00	—	—
<b>Total liabilities</b>	12	9,426.92	9,426.92	—	—
<b>Net assets</b>	13	9,662.14	11,697.88	2,035.74	21.07

The valuation conclusions shown in this report are valid only when used in connection with the valuation purpose as specified by YTO in this report. The valuation results shall have a validity of one year commencing from 31 March 2011. Upon expiration of the one-year period, assets re-valuation shall be conducted against the appraised entity.

Report users are reminded to pay special attention to the special events and subsequent significant events set out in this report when applying the conclusions of this valuation.

**PROFESSIONAL QUALIFICATIONS OF BEIJING CHINA ENTERPRISE APPRAISALS COMPANY, INC.\* (北京中企華資產評估有限責任公司)**

Beijing China Enterprise Appraisals Company, Inc.\* (北京中企華資產評估有限責任公司) was incorporated in December 1996. The registration number of its Business License for Enterprise as Legal Persons is 110000005092155.

Our Company possesses the Assets Valuation Qualification Certificate issued by the Bureau of Finance of Beijing, as well as the permit to engage in valuation on securities and futures related business as approved by the Ministry of Finance of the PRC and China Securities Regulatory Commission, among which:

Approval number of the Assets Valuation Qualification Certificate: Jing Cai Qi [2006] No. 2553

Number of the Assets Valuation Qualification Certificate: 11020110

Approval number of the Valuation Qualification Certificate for Securities and Futures Related Business: Cai Qi [2008] No. 350

Number of the Valuation Qualification Certificate for Securities and Futures Related Business: 0100011004

The valuers participated in this valuation, who are certified assets valuers as approved by and registered with the Ministry of Finance of the PRC, are as follows:

Name	Certificate No.	Certificate	
		Issuance Date	Date of Registration
Cai Heng (蔡珩)	11001130	31 December 2000	23 February 2000
Yu Chundong (余春東)	41080028	21 January 2010	25 February 2008

**Beijing China Enterprise Appraisals Company, Inc.\*  
(北京中企華資產評估有限責任公司)**

15 May 2011

\* For identification purposes only



**1. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**2. DISCLOSURE OF INTERESTS****(a) Interests of Directors, supervisors and chief executives of the Company**

As at the Latest Practicable Date, none of the Directors, supervisors or chief executives of the Company has an interest or short position in any shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which is required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors, supervisors or chief executives of the Company was taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

As at the Latest Practicable Date, none of the Directors or the controlling shareholders of the Company and their respective associates has any interest in a business, apart from the business of the Company, which competes or may compete with the business of the Company or has any other conflict of interest with the Company which would be required to be disclosed under Rule 8.10 of the Listing Rules.

As at the Latest Practicable Date, none of the Directors, supervisors or chief executives of the Company or their spouses or children under 18 years of age were granted or had exercised any right to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

None of the Directors and supervisors of the Company has any interest, direct or indirect, in any assets which have been acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group since 31 December 2010, the date to which the latest published audited financial statement of the Group was made up.

None of the Directors and supervisors of the Company is materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group taken as a whole.

**(b) Substantial shareholders' and other Shareholders' interests**

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Directors or chief executives of the Company, no other person has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to section 324 of the SFO, or, who is, directly or indirectly, interested in 10 per cent (10%) or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

**Domestic Shares**

<b>Name of Shareholder</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Approximate percentage of the total issued share capital of the Company</b>
YTO <i>(Note)</i>	Beneficial owner	443,910,000 (L)	52.48%

*Note:* Sinomach is the controlling shareholder of YTO. Sinomach is deemed to have the same interests in the Company as those owned by YTO by virtue of the SFO, holding 443,910,000 Domestic Shares of the Company.

Mr. Zhao Yanshui, the executive Director, and Mr. Yan Linjiao, the non-executive Director, are also the directors of YTO. Further, Mr. Zhao Yanshui is the vice-chairman and general manager of YTO whilst Mr. Yan Linjiao is the director and executive deputy general manager of YTO.

**H Shares**

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of the total issued H Shares of the Company	Approximate percentage of the total issued share capital of the Company
JPMorgan Chase & Co.	Beneficial owner	536,000 (L)	0.13% (L)	0.06%
	Custodian corporation / approved lending agent	31,903,514 (P)	7.94% (P)	3.77%
	Total	<u>32,439,514 (L)</u>	<u>8.07% (L)</u>	<u>3.83%</u>
GE Asset Management Incorporated	Investment manager	24,208,846 (L)	6.02% (L)	2.86%
The Capital Group Companies, Inc.	Investment manager	20,326,000 (L)	5.06% (L)	2.40%

*Note:* The letter “L” represents the entities’ long positions in the Shares of the Company.  
The letter “P” represents lending pool.

**3. EXPERTS AND CONSENTS**

The following is the qualifications of the experts who have been named in this circular or have given opinion or advice contained in this circular:

Name	Qualification
Bridge Partners	a corporation licensed by the Securities and Futures Commission to carry out on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Renda Real Estate Appraisal Co. Ltd* (北京仁達房地產評估有限公司) (“ <b>Renda Appraisal</b> ”)	Grade “A” Real Estate Appraisal Qualification issued by the Ministry of Construction of the PRC and registered national real estate valuation qualification (全國範圍執業註冊土地估價資質) issued by China Real Estate Valuers Association (中國土地估價師協會) under the Ministry of Land and Resources of the PRC
Beijing China Enterprise Appraisals Company, Inc.* (北京中企華資產評估有限責任公司) (“ <b>CEA</b> ”)	a qualified PRC valuer licensed to undertake assets appraisal business by the Ministry of Finance of the PRC
Grant Sherman Appraisal Limited (“ <b>Grant Sherman</b> ”)	an independent qualified valuer

Bridge Partners, Renda Appraisal, CEA and Grant Sherman are collectively referred to as the “**Experts**” hereinafter.

As at the Latest Practicable Date, none of the Experts was beneficially interested in the share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of the Experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report and references to its names in the form and context in which they appear.

The letter and recommendation given by Bridge Partners are given as at the date of this circular for incorporation herein. The valuation report dated 26 May 2011 has been prepared by Grant Sherman for incorporation herein. The extract of the valuation report on the Lands and Buildings dated 16 May 2011 has been prepared by Renda Appraisal for incorporation herein. The extract of the valuation report on YTO Injection Pump dated 15 May 2011 has been prepared by CEA for incorporation herein.

None of the Experts has, or has had, direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2010, the date to which the latest published audited financial statement of the Group was made up.

**4. SERVICE CONTRACTS**

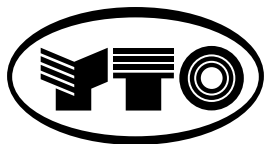
As at the Latest Practicable Date, none of the Directors and supervisors of the Company entered or proposed to enter into any service contract with the Group which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

**5. MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2010, the date to which the latest published audited accounts of the Company were made up.

**6. DOCUMENTS FOR INSPECTION**

A copy of each of the Assets Transfer Agreements will be available for inspection at the office of Messrs. Li & Partners at 22nd Floor, World-Wide House, Central, Hong Kong during normal business hours on any weekday (except public holidays) for a period of 14 days from the date hereof.



**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)

**SUPPLEMENTAL NOTICE OF ANNUAL GENERAL MEETING**

This notice is supplemental to the notice dated 27 April 2011 (the “**Notice**”) of the 2010 annual general meeting (the “**AGM**”) of First Tractor Company Limited (the “**Company**”) to be held at 9:00 a.m. on 17 June 2011 (Friday) at No.154 Jianshe Road, Luoyang, Henan Province, the People’s Republic of China (the “**PRC**”).

Unless otherwise indicated, capitalized terms used herein shall have the same meanings as those defined in the announcement of the Company dated 18 May 2011 in relation to acquisitions of the Lands and Buildings.

According to Article 65 of the articles of association of the Company, Shareholder(s) individually or jointly holding 3% or more of the total number of the Company’s voting Shares shall have the right to propose an ex tempore motion 10 days prior to the general meeting by furnishing the same to the Board in writing. The Board shall issue a supplemental notice of general meeting within 2 days after receiving the proposed motion to other Shareholders and pass the ex tempore motion to the general meeting for consideration.

On 16 May 2011, the Company received a letter from its controlling shareholder, YTO, requesting for the inclusion of new ordinary resolutions to consider and approve the Assets Transfer Agreements by the Independent Shareholders at the AGM. On 18 May 2011, the Board resolved to put forward the said new ordinary resolutions at the AGM for the Independent Shareholders’ consideration and approval.

The following ordinary resolutions are proposed to the AGM as ordinary resolutions numbers 9 to 12:

\* *For identification purposes only*

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## SUPPLEMENTAL NOTICE OF AGM

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**(I) AS ORDINARY RESOLUTIONS:**

9. The Assets Transfer Agreement I (a copy of which has been produced to the AGM marked “1” and signed by the chairman of the AGM for the purpose of identification), and the terms and conditions thereof and the transactions contemplated thereunder and the implementation thereof be and are hereby approved and confirmed.
10. The Assets Transfer Agreement II (a copy of which has been produced to the AGM marked “2” and signed by the chairman of the AGM for the purpose of identification), and the terms and conditions thereof and the transactions contemplated thereunder and the implementation thereof be and are hereby approved and confirmed.
11. The Capital Increase Agreement (a copy of which has been produced to the AGM marked “3” and signed by the chairman of the AGM for the purpose of identification), and the terms and conditions thereof and the transactions contemplated thereunder and the implementation thereof be and are hereby approved and confirmed.
12. Any one of the Directors be authorized for and on behalf of the Company, among other matters, to sign, execute, perfect, deliver or to authorize signing, executing, perfecting and delivering all such documents and deeds, to do or authorize doing all such acts, matters and things as they may in their discretion consider necessary, expedient or desirable to give effect to and implement the Assets Transfer Agreement I, Assets Transfer Agreement II and Capital increase Agreement, and to waive compliance from or make and agree such variations of a non-material nature to any of the terms of the Assets Transfer Agreement I, Assets Transfer Agreement II and Capital increase Agreement they may in their discretion consider to be desirable and in the interests of the Company and all the Directors’ acts as aforesaid be hereby approved, ratified and confirmed.

By Order of the Board  
**FIRST TRACTOR COMPANY LIMITED**  
**YU Lina / LIU Pui Yee**  
*Joint Company Secretaries*

Luoyang, the PRC  
18 May 2011

*As at the date of this notice, the Board comprises three executive Directors, namely Mr. Zhao Yanshui, Ms. Dong Jianhong and Mr. Qu Dawei, and two non-executive Directors, namely Mr. Yan Linjiao and Mr. Liu Yongle, and four independent non-executive Directors, namely Mr. Chan Sau Shan, Gary, Mr. Luo Xiwen, Mr. Hong Xianguo and Mr. Zhang Qiusheng.*

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## SUPPLEMENTAL NOTICE OF AGM

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*Notes:*

1. Please refer to the Notice for details in respect of other resolutions to be proposed at the AGM.
2. Shareholders entitled to attend the AGM according to the Notice and whose names appear on the register of members of the Company on 18 May 2011 will be entitled to attend the AGM. As stated in the Notice, Shareholders are reminded that the register of members of the Company will be temporarily closed from 18 May 2011 to 16 June 2011 (both days inclusive) during which no transfer of Shares will be effected in order to determine the list of Shareholders for attending the AGM. The last lodgment for the transfer of the H Shares of the Company should be made on 17 May 2011 at Hong Kong Registrars Limited by or before 4:00 p.m. The Shareholders or their proxies being registered before the close of business on 17 May 2011 are entitled to attend the AGM by presenting their identity documents. The address of the Company's H Shares registrar, Hong Kong Registrars Limited, is Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
3. Each Shareholder having the rights to attend and vote at the AGM is entitled to appoint one or more proxies (whether a Shareholder or not) to attend and vote on his behalf. Should more than one proxy be appointed by one Shareholder, such proxy shall only exercise his voting rights on a poll.
4. Shareholders can appoint a proxy by an instrument in writing (i.e. by using the supplemental proxy form enclosed). The supplemental proxy form shall be signed by the person appointing the proxy or an attorney authorized by such person in writing. If the supplemental proxy form is signed by an attorney, the power of attorney or other documents of authorization shall be notarially certified. To be valid, the supplemental proxy form and the notarially certified power of attorney or other documents of authorization must be delivered to the Company's registered address at No.154 Jianshe Road, Luoyang, Henan Province, the PRC, or the Company's H Shares registrar, Hong Kong Registrars Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in not less than 24 hours before the time scheduled for the holding of the AGM or any adjournment thereof.
5. As stated in the Notice, Shareholders are reminded that Shareholders intend to attend the AGM are requested to deliver the duly completed and signed reply slip (which was dispatched to the Shareholders together with the Notice on 27 April 2011) for attendance to the Company's registered and principal office in person, by post or by facsimile by or before 4:00 p.m., 27 May 2011.
6. Shareholders or their proxies shall present proofs of their identities upon attending the AGM. Should a proxy be appointed, the proxy shall also present the supplemental proxy form.
7. The AGM is expected to last for less than one day. The Shareholders and proxies attending the AGM shall be responsible for their own travelling and accommodation expenses.
8. The Company's registered address:  
No. 154 Jianshe Road, Luoyang, Henan Province, the PRC  
Postal code: 471004  
Telephone: (86379) 6496 7038  
Facsimile: (86379) 6496 7438  
Email: msc0038@ytogroup.com