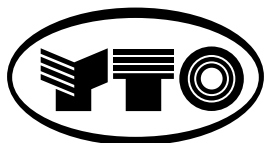

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 proxy form 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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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)

DISCLOSEABLE AND CONNECTED TRANSACTIONS
(1) ACQUISITION OF 100% EQUITY INTEREST IN
YTO (LUOYANG) FLAG AUTO-BODY COMPANY LIMITED;
(2) ACQUISITION OF 100% EQUITY INTEREST IN
YTO (LUOYANG) FOUNDRY COMPANY LIMITED; AND
(3) ACQUISITION OF 100% EQUITY INTEREST IN
YTO (LUOYANG) DRIVE AXLE COMPANY LIMITED

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders of First Tractor Company Limited**

寶
橋
BRIDGE PARTNERS

BRIDGE PARTNERS CAPITAL LIMITED

A letter from the Board is set out on pages 1 to 13 of this circular.

A letter from the Independent Board Committee is set out on pages 14 to 15 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 16 to 34 of this circular.

A supplemental notice of the extraordinary general meeting (the “EGM”) of First Tractor Company Limited (the “Company”) to be held at 9:00 a.m. on Thursday, 20 December 2012 at No. 154 Jianshe Road, Luoyang, Henan Province, the People's Republic of China (the “PRC”) is set out on pages 55 to 57 of this circular.

A supplemental proxy form for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete the supplemental proxy form in accordance with the instructions printed thereon. 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, or with 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 fixed for holding the EGM or any adjourned meeting (as the case may be). Completion and return of the supplemental proxy form shall not preclude you from attending and voting in person at the EGM or any adjourned meeting (as the case may be) should you so wish.

4 December 2012

* For identification purposes only

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DEFINITIONS

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

“Acquisition Agreements”	YTO Flag Agreement, YTO Foundry Agreement and YTO Axle Agreement
“Acquisitions”	the acquisitions of the Target Interest by the Company from YTO or YTO Kintra (as the case may be) pursuant to the Acquisition Agreements, and “Acquisition” means any one of them
“Appraisal Date”	in relation to Appraisal Report (YTO Flag), 30 September 2012 in relation to Appraisal Report (YTO Foundry), 31 August 2012 in relation to Appraisal Report (YTO Axle), 31 October 2012
“Appraisal Report (YTO Axle)”	the appraisal report in respect of YTO Axle issued by the relevant Independent Valuer with the Appraisal Date of 31 October 2012
“Appraisal Report (YTO Flag)”	the appraisal report in respect of YTO Flag issued by the relevant Independent Valuer with the Appraisal Date of 30 September 2012
“Appraisal Report (YTO Foundry)”	the appraisal report in respect of YTO Foundry issued by the relevant Independent Valuer with the Appraisal Date of 31 August 2012
“Appraised NAV”	the appraised net assets value of the Target Company as at the relevant Appraisal Date as disclosed in the relevant appraisal report
“A Share(s)”	the domestic share(s) of RMB1.00 each in the share capital of the Company, which are listed on the Shanghai Stock Exchange and subscribed for and traded in RMB
“associate(s)”	has the same meaning as ascribed to this term under the Listing Rules

DEFINITIONS

“Audited NAV”	the audited net assets value of the Target Company as at the relevant Appraisal Date
“Board”	the board of Directors
“Bridge Partners” or “Independent Financial Adviser”	Bridge Partners Capital Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreements and the transactions contemplated thereunder
“Company”	First Tractor Company Limited* (第一拖拉機股份有限公司), a joint stock company with limited liability incorporated in the PRC, the H Shares and A Shares of which are listed on the main boards of the Stock Exchange and the Shanghai Stock Exchange respectively
“Completion”	completion of the Acquisitions pursuant to the Acquisition Agreements
“Completion NAV”	the audited net assets value of the Target Company as at the last day of the nearest month either preceding to or subsequent to the date of Completion and should be determined and agreed within 30 days from Completion
“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
“Corporate Guarantees (YTO Flag)”	corporate guarantees provided by YTO Flag with an aggregate amount of RMB6,000,000 (equivalent to approximately HK\$7,440,000) to secure loans from finance institutions by a company in which YTO has equity interest as at the Latest Practicable Date

DEFINITIONS

“Corporate Guarantees (YTO Foundry)”	corporate guarantees provided by YTO Foundry with an aggregate amount of not exceeding RMB24,000,000 (equivalent to approximately HK\$29,760,000) to secure loans from finance institutions by three associates and subsidiaries of YTO as at the Latest Practicable Date
“Directors”	the directors of the Company, including the independent non-executive directors
“EGM”	an extraordinary general meeting of the Company to be convened on 20 December 2012 for the purposes of considering and approving, among other things, each of the Acquisition Agreements
“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
“Independent Board Committee”	an independent committee of the Board comprising the independent non-executive Directors
“Independent Shareholder(s)”	Shareholder(s) other than YTO and its associate(s)
“Independent Valuer”	in relation to Appraisal Report (YTO Flag) and Appraisal Report (YTO Axle), ZhongHe Appraisal Co., Ltd.* (中和資產評估有限公司), an independent PRC professional valuer; in relation to Appraisal Report (YTO Foundry), China United Assets Appraisal Group Co., Ltd.* (中聯資產評估集團有限公司), an independent PRC professional valuer
“Latest Practicable Date”	30 November 2012, 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

DEFINITIONS

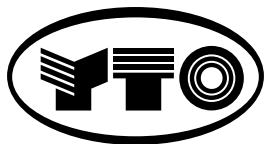
“percentage ratio(s)”	has the same meaning as ascribed to this term under the Listing Rules, as applicable to a transaction
“PRC”	The People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	registered holder(s) of the Shares
“Shares”	share(s) of RMB1.00 each of the Company
“Sinomach”	China National Machinery Industry Corporation* (中國機械工業集團有限公司), a limited liability company incorporated in the PRC and a controlling shareholder of YTO having 82.02% equity interest in YTO
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisors”	the supervisors of the Company
“Target Companies”	YTO Flag, YTO Foundry and YTO Axle, and “Target Company” means any one of them
“Target Interest”	YTO’s 100% equity interest in YTO Flag and YTO Foundry, and YTO Kintra’s 100% equity interest in YTO Axle, being the subjects under the YTO Flag Agreement, YTO Foundry Agreement and YTO Axle Agreement respectively
“YTO”	YTO Group Corporation* (中國一拖集團有限公司), a limited liability company incorporated in the PRC and the controlling shareholder of the Company, holding approximately 44.574% equity interest in the Company

DEFINITIONS

“YTO Axle”	YTO (Luoyang) Drive Axle Company Limited* (一拖(洛陽)車橋有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of YTO Kintra as at the Latest Practicable Date
“YTO Axle Agreement”	the equity transfer agreement dated 15 November 2012 entered into between the Company and YTO Kintra for the acquisition of 100% equity interest in YTO Axle by the Company from YTO Kintra
“YTO Flag”	YTO (Luoyang) Flag Auto-Body Company Limited* (一拖(洛陽)福萊格車身有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of YTO as at the Latest Practicable Date
“YTO Flag Agreement”	the equity transfer agreement dated 15 November 2012 entered into between the Company and YTO for the acquisition of 100% equity interest in YTO Flag by the Company from YTO
“YTO Foundry”	YTO (Luoyang) Foundry Company Limited* (一拖(洛陽)鑄造有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of YTO as at the Latest Practicable Date
“YTO Foundry Agreement”	the equity transfer agreement dated 15 November 2012 entered into between the Company and YTO for the acquisition of 100% equity interest in YTO Foundry by the Company from YTO
“YTO Kintra”	YTO (Luoyang) Kintra Equipment Science & Technology Company Limited * (一拖(洛陽)開創裝備科技有限公司), a limited liability company incorporated in the PRC and owned as to approximately 36.04% by YTO as at the Latest Practicable Date
“%”	per cent.

For the purpose of this circular, the exchange rate of RMB1.00 = HK\$1.24 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)

Executive Directors:

Mr. Zhao Yanshui (*Chairman*)
Ms. Dong Jianhong
Mr. Qu Dawei
Mr. Liu Jiguo

Registered and principal office:

No.154 Jianshe Road
Luoyang, Henan Province
The PRC

Non-executive Directors:

Mr. Su Weike
Mr. Yan Linjiao
Mr. Liu Yongle

Independent non-executive Directors:

Mr. Luo Xiwen
Mr. Chan Sau Shan, Gary
Mr. Hong Xianguo
Mr. Zhang Qiusheng

4 December 2012

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS
(1) ACQUISITION OF 100% EQUITY INTEREST IN
YTO (LUOYANG) FLAG AUTO-BODY COMPANY LIMITED;
(2) ACQUISITION OF 100% EQUITY INTEREST IN
YTO (LUOYANG) FOUNDRY COMPANY LIMITED; AND
(3) ACQUISITION OF 100% EQUITY INTEREST IN
YTO (LUOYANG) DRIVE AXLE COMPANY LIMITED

INTRODUCTION

The Board refers to the announcement of the Company dated 15 November 2012 in relation to the entering into of the Acquisition Agreements by the Company and the transactions contemplated thereunder.

* *For identification purposes only*

LETTER FROM THE BOARD

On 15 November 2012, the Company entered into the YTO Flag Agreement and YTO Foundry Agreement with YTO. Pursuant to the YTO Flag Agreement and YTO Foundry Agreement, the Company has conditionally agreed to purchase, and YTO has conditionally agreed to sell its 100% equity interest in YTO Flag and YTO Foundry at a total consideration of RMB165,610,500 and RMB104,477,600 respectively (equivalent to approximately HK\$205,357,020 and HK\$129,552,224 respectively) (subject to adjustments).

On the same date, the Company also entered into the YTO Axle Agreement with YTO Kintra, pursuant to which the Company has conditionally agreed to purchase and YTO Kintra has conditionally agreed to sell its 100% equity interest in YTO Axle at a total consideration of RMB225,278,800 (equivalent to approximately HK\$279,345,712) (subject to adjustments).

The purpose of this circular is to provide you with (i) the information relating to each of the Acquisition Agreements, (ii) the advice from the Independent Board Committee to the Independent Shareholders in respect of the Acquisition Agreements, (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreements, (iv) summaries of the Appraisal Report (YTO Flag), Appraisal Report (YTO Foundry) and Appraisal Report (YTO Axle), and (v) a supplemental notice of the EGM to be convened for the Independent Shareholders to approve, among other things, the transactions contemplated under the Acquisition Agreements.

Principal terms of the Acquisition Agreements are set out below:-

THE ACQUISITIONS

Save and except for the contractual parties, subjects of the transactions and consideration, the other principal terms of the Acquisition Agreements are substantially the same, summary of which is set out below:-

Date

15 November 2012

Parties

<i>Agreement</i>	<i>Purchaser</i>	<i>Vendor</i>
YTO Flag Agreement	The Company	YTO, the controlling shareholder of the Company
YTO Foundry Agreement	The Company	YTO, the controlling shareholder of the Company
YTO Axle Agreement	The Company	YTO Kintra, approximately 36.04% of its equity interest is held by YTO

LETTER FROM THE BOARD

Assets to be acquired

<i>Agreement</i>	<i>Subject</i>
YTO Flag Agreement	The Company has conditionally agreed to purchase YTO's 100% equity interest in YTO Flag.
YTO Foundry Agreement	The Company has conditionally agreed to purchase YTO's 100% equity interest in YTO Foundry.
YTO Axle Agreement	The Company has conditionally agreed to purchase YTO Kintra's 100% equity interest in YTO Axle.

Consideration for the Acquisitions

<i>Agreement</i>	<i>Initial Consideration</i> <i>(i.e. the Appraised NAV)</i>	<i>Appraisal Date</i>
YTO Flag Agreement	RMB165,610,500 (equivalent to approximately HK\$205,357,020)	30 September 2012
YTO Foundry Agreement	RMB104,477,600 (equivalent to approximately HK\$129,552,224)	31 August 2012
YTO Axle Agreement	RMB225,278,800 (equivalent to approximately HK\$279,345,712)	31 October 2012

The initial considerations of the Target Interest were determined after arm's length negotiations between the Company and YTO or YTO Kintra (as the case may be) with reference to the relevant Appraised NAV on the relevant Appraisal Date. The appraisals were conducted by the relevant Independent Valuer (namely ZhongHe Appraisal Co., Ltd.* (中和資產評估有限公司) for Appraisal Report (YTO Flag) and Appraisal Report (YTO Axle) and China United Assets Appraisal Group Co., Ltd.* (中聯資產評估集團有限公司) for Appraisal Report (YTO Foundry)), on the basis of the asset based valuation approach (資產基礎法) and are subject to the reporting to and confirmation by Sinomach, an entity authorized by the State-owned Assets Supervision and Administration Commission. The Company obtained the confirmation of the above appraisal reports on 29 November 2012 from Sinomach.

LETTER FROM THE BOARD

“Asset based valuation approach” is a valuation approach to determine the overall assets value of the subject of the appraisal by making reference to the required investment amount for rebuilding an enterprise which is the same as the subject of the appraisal on the appraisal reference date. In such valuation approach, the value of an enterprise will be calculated based on the appraised value of its total assets net of its appraised total liabilities.

The final consideration (the “**Final Consideration**”) for each Acquisition will be calculated and adjusted in accordance with the following formula:-

Final Consideration = Initial consideration + (Completion NAV - Audited NAV)

The Company expects the difference between the Final Consideration and initial consideration for the Acquisition of each of YTO Flag, YTO Foundry and YTO Axle will not exceed $\pm 5\%$. The Company will make further announcement in the event that the adjustments to the Final Consideration are confirmed.

Payment terms

The considerations of the Target Interest shall be paid by the Company to YTO or YTO Kintra (as the case may be) in accordance with the following manners:

Agreement

Payment Terms

YTO Flag Agreement

- (i) First payment: RMB49,683,150 to be paid within 5 working days upon the effective date of the YTO Flag Agreement;
- (ii) Second payment will be calculated in accordance with the following formula and be paid within six months upon determination of Completion NAV:

Second payment = Final Consideration - first payment - the then guarantee amount under the Corporate Guarantees (YTO Flag) on the second payment date;

and

- (iii) Third payment: Final Consideration minus the aggregate of first payment and second payment, which is to be paid when the Corporate Guarantees (YTO Flag) are completely discharged.

LETTER FROM THE BOARD

- YTO Foundry Agreement
- (i) First payment: RMB31,343,280 to be paid within 5 working days upon the effective date of the YTO Foundry Agreement;
 - (ii) Second payment will be calculated in accordance with the following formula and be paid within six months upon determination of Completion NAV:

Second payment = Final Consideration - first payment - the then guarantee amount under the Corporate Guarantees (YTO Foundry) on the second payment date;

and
 - (iii) Third payment: Final Consideration minus the aggregate of first payment and second payment, which is to be paid when the Corporate Guarantees (YTO Foundry) are completely discharged.
- YTO Axle Agreement
- (i) First payment: RMB157,695,160 to be paid within 5 working days upon the effective date of the YTO Axle Agreement; and
 - (ii) Second payment: Final Consideration minus the first payment, which is to be paid within 10 days upon determination of Completion NAV.

Under the YTO Flag Agreement and YTO Foundry Agreement, the Company will pay interest based on the total unpaid amount of the considerations from the date of first payment. Interest shall be calculated by reference to the comparable benchmark lending rate published by the People's Bank of China.

Assuming the 6-month lending rate published by the People's Bank of China (which is 5.60% as at the Latest Practicable Date) is used, the Company expects the maximum interest payable under the YTO Flag Agreement and YTO Foundry Agreement is approximately RMB5,700,000.

The Company intends to satisfy the above considerations in cash from its internal resources.

LETTER FROM THE BOARD

Conditions precedent

Each Acquisition Agreement shall take effect upon fulfillment of the following conditions precedent:

<i>Agreement</i>	<i>Conditions precedent</i>
YTO Flag Agreement	(i) YTO obtaining the approval from its shareholders at the shareholders' meeting; (ii) YTO obtaining the approval from Sinomach; and (iii) the Company obtaining the approval from the Board and Shareholders at the EGM.
YTO Foundry Agreement	(i) YTO obtaining the approval from its shareholders at the shareholders' meeting; (ii) YTO obtaining the approval from Sinomach; and (iii) the Company obtaining the approval from the Board and the Shareholders at the EGM.
YTO Axle Agreement	(i) YTO Kintra obtaining the approval from its shareholders at the shareholders' meeting; (ii) obtaining the approval from Sinomach; and (iii) the Company obtaining the approval from the Board and the Shareholders at the EGM.

Completion

Upon fulfillment of the conditions precedent set out above, the following shall be conducted and required to be satisfied before Completion under the Acquisition Agreements takes place:-

- (i) the Acquisition Agreements have been duly signed and becoming effective;
- (ii) the articles of association of the relevant Target Company was amended legally and appropriately to reflect the Acquisition; and
- (iii) the registration for changes procedures relating to the Acquisitions with the relevant Administration for Industry and Commerce of the PRC have been completed.

LETTER FROM THE BOARD

Upon Completion of the Acquisitions, YTO Flag, YTO Foundry and YTO Axle will become wholly-owned subsidiaries of the Company. The accounts of YTO Flag, YTO Foundry and YTO Axle will be consolidated into that of the Group.

Other major terms

As at the Latest Practicable Date, YTO Flag has provided Corporate Guarantees (YTO Flag) for an aggregate amount of RMB6,000,000 (equivalent to approximately HK\$7,440,000). Further, as at the Latest Practicable Date, YTO Foundry has provided Corporate Guarantees (YTO Foundry) for an aggregate amount of not more than RMB24,000,000 (equivalent to approximately HK\$29,760,000). Pursuant to the terms of the YTO Flag Agreement and YTO Foundry Agreement, YTO will assume all contingent liabilities arising from the above corporate guarantees.

Upon Completion of the Acquisitions, YTO Flag and YTO Foundry will become wholly-owned subsidiaries of the Company. As the above corporate guarantees were provided for the benefit of associates or subsidiaries of YTO, the provision of the Corporate Guarantees (YTO Flag) and Corporate Guarantees (YTO Foundry) may constitute connected transactions of the Company under Chapter 14A of the Listing Rules. The Company will make further disclosure in this respect as and when appropriate in accordance with the Listing Rules.

INFORMATION OF YTO FLAG, YTO FOUNDRY AND YTO AXLE

As at the Latest Practicable Date, the registered capital of YTO Flag is RMB50,000,000. YTO Flag is principally engaged in the production and sale of covering parts, driving cabins, auto parts and other components of automobiles, agricultural machineries and construction machineries, etc. It was established in February 2006 and is currently a wholly-owned subsidiary of YTO. It is being recognized as a hi-tech enterprise by the Science and Technology Department of Henan Province* (河南省科技廳). It leads the industry in three main areas of stamping, welding and painting, and ranks as an AAA industrial enterprise in terms of its quality and integrity in Henan Province.

As at the Latest Practicable Date, the registered capital of YTO Foundry is RMB98,830,000. YTO Foundry is principally engaged in the processing and sale of casting blank and semi-finished products. It was established in September 2003 and is one of the major casting bases in the PRC with a relatively strong processing and manufacturing capacity. YTO Foundry is currently a wholly-owned subsidiary of YTO.

As at the Latest Practicable Date, the registered capital of YTO Axle is RMB50,000,000. YTO Axle is principally engaged in the production and sale of offroad machinery drive axles. Its main products, tractor drive axles, are famous brand name products in Henan Province and it is well-recognized in the agricultural machineries industry in the PRC. It was established in September 2012 and is currently a wholly-owned subsidiary of YTO Kintra.

LETTER FROM THE BOARD

Set out below is the basic financial information of YTO Flag, YTO Foundry and YTO Axle, which was prepared in accordance with the PRC accounting standards:

	YTO Flag <i>(in RMB 0'000)</i>	YTO Foundry <i>(in RMB 0'000)</i>	YTO Axle <i>(in RMB 0'000)</i>
Net profit before taxation and extraordinary items for the year ended 31 December 2011 (audited)	6,308.79	3,359.74	N/A ^(Note 1)
Net profit after taxation and extraordinary items for the year ended 31 December 2011 (audited)	5,668.78	3,359.74	N/A ^(Note 1)
Net profit before taxation and extraordinary items for the year ended 31 December 2010 (audited)	7,719.54	1,669.05	N/A ^(Note 1)
Net profit after taxation and extraordinary items for the year ended 31 December 2010 (audited)	6,213.66	1,669.05	N/A ^(Note 1)

Note 1:

YTO Axle was established in September 2012 as a wholly-owned subsidiary of YTO Kintra through the restructuring of YTO Kintra's drive axle business. The drive axle business accounted for a majority of YTO Kintra's profits before such restructuring. For reference, the audited net profit before and after taxation of YTO Kintra for the year ended 31 December 2010 were RMB29,349,200 and RMB25,906,000 respectively. Its audited net profit before and after taxation for the year ended 31 December 2011 were RMB22,824,500 and RMB20,145,300 respectively.

Set out below are the book total assets value, appraised total assets value, book net assets value and appraised net assets value of YTO Flag, YTO Foundry and YTO Axle:

	YTO Flag (as at 30 September 2012)	YTO Foundry (as at 31 August 2012)	YTO Axle (as at 31 October 2012)
Book total assets value <i>(in RMB 0'000)</i>	40,537.43	42,953.12	29,193.63
Appraised total assets value <i>(in RMB 0'000)</i>	46,737.06	46,122.95	29,159.27
Book net assets value <i>(in RMB 0'000)</i>	10,361.43	7,277.93	22,562.24
Appraised net assets value <i>(in RMB 0'000)</i>	16,561.05	10,447.76	22,527.88

LETTER FROM THE BOARD

The costs of investment in YTO Flag and YTO Foundry by YTO were RMB156,900,700 and RMB147,931,502 respectively. The costs of investment in YTO Axle by YTO Kintra were RMB197,142,300.

REASONS AND BENEFITS FOR THE ACQUISITIONS

The Acquisitions can reduce the number of the Company's connected transactions with its controlling shareholder and its associates. The Acquisitions are the actual implementation of the commitments made by the controlling shareholder of the Company at the time of the initial public offering of the A Shares and represent the controlling shareholder's support of the Company. Moreover, the Acquisitions can boost the Company's core manufacturing capability and are conducive to further integration of internal resources and enhancement of the internal synergy. They can also enhance the Company's cost control capability and expand the Company's business scale.

(1) Boosting the Company's core manufacturing capability and enhancing business synergy

The covering parts, driving cabins, drive axles, diesel engines cylinder block, cylinder head and tractor chassis housing castings of tractors are key components of tractors. Between 2009 and 2011, the average annual procurement amount of the Company from YTO Flag, YTO Foundry and YTO Kintra accounted for approximately 88%, 64% and 80% of the Company's total procurement amount of similar components respectively. The aggregate procurement amount of the Company from these three companies represented approximately 10% of the Company's total operating costs per annum. The Completion of the Acquisitions can further optimise the Company's industrial chain, enhance its core components manufacturing and cost control capabilities, and strengthen its control over the key components, which is conducive to optimisation of resources allocation and further enhancement of core competitiveness by the Company.

(2) Expanding the Company's business scale, building up a premium supply chain of parts and components, and boosting its profitability

Apart from the covering parts and driving cabs of agricultural equipments provided to the Company, YTO Flag is also the supplier of automobile stamping parts to Shaanxi Automobile Group (陝汽集團), Dongfeng Nissan (東風日產) and other automobile enterprises. Drive axles produced by YTO Kintra have enjoyed constant leading position in terms of market share in the agricultural machineries industry in the PRC. YTO Foundry, being the supplier of enterprises in the PRC such as Weichai Power (濰柴動力) and Shanghai Diesel Engine (上海柴油機), is currently implementing its green technology upgrading and renovation project, which upon completion, will enable YTO Foundry to have an annual production capacity of 191,400 tonnes of high-quality castings.

LETTER FROM THE BOARD

In 2011, the supplies to companies other than the Company from YTO Flag, the drive axles business of YTO Kintra and YTO Foundry accounted for approximately 55%, 52% and 27% of their respective revenues, with the aggregate supplies amounting to approximately RMB890 million. As the Target Companies operate stably and have a relatively high earning power, the total sales and profitability of the Company are expected to be raised after the three Target Companies become the subsidiaries of the Company.

The Completion of the Acquisitions is also beneficial for the Company to focus on the research, development and production of drive axles, covering parts (driving cabs) and stamping parts, castings, forging parts and gears for vehicle bodies. It will further explore the business of transmission cases, and achieve the transformation of its products from roughcasts to finished products, from parts to components, and from the low-end manufacturing to the high-end manufacturing, thus building a specialized, socialized and domestically famous development and production base for parts and components.

(3) Financial effect

The considerations of the Acquisitions were determined with reference to the Appraised NAV of the three Target Companies. The aggregate Appraised NAV of the Target Companies is approximately RMB90 million higher than the aggregate Audited NAV. As the Company acquires the equity interest from its controlling shareholder and its associates, the Acquisitions constitute “business combination under the same control” (同一控制下企業購併). In accordance with the PRC accounting standards, the Company will consolidate the Audited NAV of the three Target Companies into its financial statements, and the excess of aggregate Appraised NAV over the aggregate Audited NAV will be deducted from the capital reserve of the Company, which will result in a decrease of approximately RMB90 million in the net assets of the Company. However, the Acquisitions will not have any impact on the profit and loss of the Company for the current period. Upon Completion of the Acquisitions, the Company will consolidate the results of the three Target Companies into its consolidated financial statements and adjust the comparable figures for the previous years retroactively.

As the considerations of the Target Interest were determined with reference to the Appraised NAV of the Target Companies, which are provided by the relevant Independent Valuers in the PRC, the Directors (including the independent non-executive Directors) consider that the considerations of the Target Interest are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Moreover, the terms of the Acquisition Agreements have been determined after arm's length negotiations between the Company and YTO or YTO Kintra (as the case may be). The Directors (including the independent non-executive Directors) are of the view that the Acquisition Agreements have been entered into on normal commercial terms and in the ordinary and usual course of business of the Company, and that the terms of each of the Acquisition Agreements are fair and reasonable and in the interests of the Company and its Shareholders as whole.

INFORMATION OF THE GROUP, YTO AND YTO KINTRA

The Group is principally engaged in production and sale of agricultural machineries and power machineries. The principal products include tractors of hi-powered, mid-powered and low-powered, diesel engines and other accessories of tractors, forklifts and mining trucks, etc.

YTO is the controlling shareholder of the Company, holding 44.574% equity interest in the Company, and is principally engaged in production of transporting machineries, casting parts, vehicles products and components.

YTO Kintra is owned as to approximately 36.04% by YTO and is principally engaged in design and production of drive axle of large and medium wheel tractors and construction machineries; research and development and production of car parts, etc.

LISTING RULES IMPLICATIONS

As mentioned above, YTO is the controlling shareholder of the Company. YTO Kintra is owned as to approximately 36.04% by YTO, and is therefore an associate of YTO. Accordingly, YTO and YTO Kintra are regarded as connected persons of the Company pursuant to the Listing Rules. The Acquisitions contemplated under the Acquisition Agreements constitute connected transactions of the Company.

Having considered that the vendor under each of the Acquisition Agreements is either YTO (in the YTO Flag Agreement and YTO Foundry Agreement) or its associate, YTO Kintra (in the YTO Axle Agreement), the transactions contemplated under the Acquisition Agreements should be aggregated under Rule 14A.25 of the Listing Rules.

As one or more of the applicable percentage ratios (after aggregation) are more than 5% but less than 25%, the Acquisitions under the Acquisition Agreements constitute discloseable and connected transactions of the Company and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

Mr. Zhao Yanshui, Mr. Su Weike, Mr. Yan Linjiao, Mr. Liu Yongle, Ms. Dong Jianhong, Mr. Qu Dawei and Mr. Liu Jiguo, being the Directors of the Company and having connected relationship with YTO, have abstained from voting on the relevant board resolutions approving the Acquisition Agreements and the transactions contemplated thereunder.

GENERAL INFORMATION

According to Article 78 of the articles of association of the Company, Shareholders individually or jointly holding more than 3% of the Company's Shares may raise a provisional proposal and submit to the Board in writing 10 days prior to the date of the general meeting. The Board shall issue a supplemental notice of general meeting announcing the contents of the provisional proposals within 2 days upon receipt of the proposals. On 3 December 2012, YTO sent a written request to the Company requesting for the inclusion of new ordinary resolutions to consider and approve the Acquisitions by the Independent Shareholders at the EGM, a notice of which has already been sent to the Shareholders on 29 October 2012. On 4 December 2012, the Board agreed to put forward the said new ordinary resolutions at the EGM for the Independent Shareholders' consideration and approval.

The EGM will be convened at 9:00 a.m. on Thursday, 20 December 2012 at No. 154 Jianshe Road, Luoyang, Henan Province, the PRC, at which, among other things, ordinary resolutions will be proposed to seek Independent Shareholders' approval for each of the Acquisition Agreements. Supplemental notice of the EGM is set out on pages 55 to 57 of this circular.

A supplemental proxy form for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete the supplemental proxy form in accordance with the instructions printed thereon. 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, or with 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 fixed for holding the EGM or any adjourned meeting (as the case may be). Completion and return of the supplemental proxy form shall not preclude you from attending and voting in person at the EGM or any adjourned meeting (as the case may be) should you so wish.

In view of the interests of YTO and its associates, YTO Kintra, in the transactions contemplated under each of the Acquisition Agreements, YTO (which holds 443,910,000 or 44.574% voting Shares of the Company) and its associates will abstain from voting on the resolutions in relation to each of the Acquisition Agreements at the EGM. Voting on such resolutions shall be taken by poll.

LETTER FROM THE BOARD

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 16 to 34 of this circular.

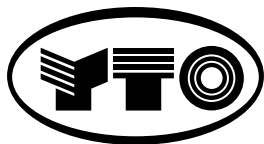
The Independent Board Committee comprising all the independent non-executive Directors (namely Mr. Luo Xiwen, Mr. Chan Sau Shan, Gary, Mr. Hong Xianguo and Mr. Zhang Qiusheng) has been established to provide recommendation to the Independent Shareholders in respect of the Acquisitions. The letter from the Independent Board Committee, which contains its recommendation to the Independent Shareholders in respect of the Acquisitions, is set out on pages 14 to 15 of this circular.

The Directors (including the independent non-executive Directors) considers that the Acquisitions are in the interests of the Company and the Shareholders as a whole, and the terms and conditions of the Acquisition 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 EGM as set out in the supplemental notice of the EGM.

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)

4 December 2012

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS
(1) ACQUISITION OF 100% EQUITY INTEREST IN
YTO (LUOYANG) FLAG AUTO-BODY COMPANY LIMITED;
(2) ACQUISITION OF 100% EQUITY INTEREST IN
YTO (LUOYANG) FOUNDRY COMPANY LIMITED; AND
(3) ACQUISITION OF 100% EQUITY INTEREST IN
YTO (LUOYANG) DRIVE AXLE COMPANY LIMITED

We have been appointed as members of the Independent Board Committee to give our advice on the Acquisition Agreements (namely YTO Flag Agreement, YTO Foundry Agreement and YTO Axle 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 4 December 2012 (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 Acquisition Agreements and the transactions contemplated thereunder. The letter from Bridge Partners is set out on pages 16 to 34 of the Circular.

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms and conditions of the Acquisition 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 Acquisition 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 Acquisition 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 ordinary resolutions to be proposed at the EGM for approving the Acquisition Agreements and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee

Mr. Luo Xiwen

Mr. Chan Sau Shan,

Mr. Hong Xianguo

Mr. Zhang Qiusheng

Gary

Independent

Independent

Independent

Independent

non-executive Director

non-executive Director

non-executive Director

non-executive Director

LETTER FROM BRIDGE PARTNERS

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Bridge Partners in relation to the entering into the Acquisition Agreements and the transactions contemplated thereunder, dated 4 December 2012 prepared for the purpose of incorporation in this circular:



BRIDGE PARTNERS

BRIDGE PARTNERS CAPITAL LIMITED

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

4 December 2012

*To the independent board committee
and the independent shareholders of First Tractor Company Limited*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTIONS
(1) ACQUISITION OF 100% EQUITY INTEREST IN
YTO (LUOYANG) FLAG AUTO-BODY COMPANY LIMITED;
(2) ACQUISITION OF 100% EQUITY INTEREST IN
YTO (LUOYANG) FOUNDRY COMPANY LIMITED; AND
(3) ACQUISITION OF 100% EQUITY INTEREST IN
YTO (LUOYANG) DRIVE AXLE COMPANY LIMITED

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the entering into of the Acquisition 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 4 December 2012 (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.

LETTER FROM BRIDGE PARTNERS

As at the Latest Practicable Date, YTO is the controlling shareholder of the Company. YTO Kintra is owned as to approximately 36.04% by YTO, and is therefore an associate of YTO. Accordingly, YTO and YTO Kintra are regarded as connected persons of the Company pursuant to the Listing Rules. The Acquisitions contemplated under the Acquisition Agreements constitute connected transactions of the Company. Since the vendor under each of the Acquisition Agreements is either YTO (in the YTO Flag Agreement and YTO Foundry Agreement) or its associate, YTO Kintra (in the YTO Axle Agreement), the transactions contemplated under the Acquisition Agreements should be aggregated under Rule 14A.25 of the Listing Rules. In addition, since one or more of the applicable percentage ratios (after aggregation) are more than 5% but less than 25%, the Acquisitions under the Acquisition Agreements constitute discloseable and connected transactions of the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising Mr. Chan Sau Shan, Gary, Mr. Luo Xiwen, Mr. Hong Xianguo and Mr. Zhang Qiusheng (all being independent non-executive Directors), has been established to advise the Independent Shareholders as to whether the Acquisitions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

We, Bridge Partners, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Acquisition Agreements are on normal commercial terms and the transactions contemplated therein are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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 reviewed, amongst others, (i) the annual report of the Company for the year ended 31 December 2011 (the "2011 Annual Report") and the interim report of the Company for the six months ended 30 June 2012 (the "2012 Interim Report"), (ii) the audited financial accounts of YTO Flag for the nine months ended 30 September 2012, (iii) the audited financial accounts of YTO Foundry for the eight months ended 31 August 2012, (iv) the audited financial accounts of YTO Axle since the date of its establishment on 24 September 2012 to 31 October 2012, (v) the audited financial accounts for each of the YTO Flag, YTO Foundry and YTO Kintra for the two years ended 31 December 2011 and (vi) the Appraisal Report (YTO Flag), the Appraisal Report (YTO Foundry) and the Appraisal Report (YTO Axle). We have also discussed with the management of the Group with respect to the terms of and reasons for the Acquisitions and the financial information of the Target Companies. We have obtained a list of valuation experience and a copy of valuation's qualification of Zhonghe Appraisal Co., Ltd.* (中和資產評估有限公司) ("Zhonghe Appraisal") and China United Assets Appraisal Group Co.,

LETTER FROM BRIDGE PARTNERS

Ltd.* (中聯資產評估集團有限公司) (“China United Assets Appraisal”), assessed their qualification and experience and are satisfied with their competency to appraise the Target Companies. We also discussed with Zhonghe Appraisal and China United Assets Appraisal regarding their valuation method, as well as the approach and assumptions used in valuation of the equity interests in the Target Companies. We consider that we have taken sufficient and necessary steps to form a reasonable basis and an informed view for our recommendation which are in compliance with Rule 13.80 of the Listing Rules.

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 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. Having made all reasonable enquiries, the Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and further confirmed that, to their best knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading.

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, YTO, YTO Kintra, their respective associates and subsidiaries of the Company, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Acquisitions.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Acquisition 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. We have no obligation to update this letter after the date of this letter. 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.

LETTER FROM BRIDGE PARTNERS

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 Acquisitions, we have taken the following principal factors and reasons into consideration:

1. Background of and reasons for the Acquisitions

Business of the Group

The Group is principally engaged in production and sale of agricultural machineries and power machineries. The principal products include tractors of hi-powered, mid-powered and low-powered, diesel engines and other accessories of tractors, forklifts and mining trucks, etc.. Set out below are the audited financial information of the Group for the two years ended 31 December 2011 as extracted from the 2011 Annual Report and the unaudited financial information of the Group for the six months ended 30 June 2011 and 30 June 2012.

	For the year ended 31 December 2011 <i>(RMB'million)</i> <i>(approximate)</i> <i>(Audited)</i>	For the year ended 31 December 2010 <i>(RMB'million)</i> <i>(approximate)</i> <i>(Audited)</i>	% change from 2010 to 2011	For the six months ended 30 June 2012 <i>(RMB'million)</i> <i>(approximate)</i> <i>(Unaudited)</i>	For the six months ended 30 June 2011 <i>(RMB'million)</i> <i>(approximate)</i> <i>(Unaudited)</i>	% change from 2011 to 2012
Operating revenue from business segments						
— Agricultural and machinery	9,879.26	8,795.84	12.32%	5,537.08	6,318.75	(12.37)%
— Power machinery	2,211.06	1,942.07	13.85%	1,162.28	1,339.62	13.24%
— Other machinery	494.47	984.35	(49.77)%	337.62	310.83	8.62%
— Financial operation	94.75	61.70	53.57%	59.07	36.24	63.00%
Unallocated and eliminations	(1,351.00)	(1,518.13)		(791.74)	(840.76)	
 Total	 11,328.54	 10,265.83	 10.35%	 6,304.31	 7,164.68	 (12.01)%
 Profit before income tax	 536.04	 646.14	 (17.04)%	 359.40	 357.23	 0.61%
Profit attributable to the owners of the Company	410.82	542.67	(24.30)%	286.42	271.24	5.60%

LETTER FROM BRIDGE PARTNERS

	As at 31 December 2011	As at 31 December 2010	% change from 2010 to 2011	As at 30 June 2012	As at 30 June 2011	% change from 2011 to 2012
	<i>(RMB' million)</i>	<i>(RMB' million)</i>		<i>(RMB' million)</i>	<i>(RMB' million)</i>	
	<i>(approximate)</i>	<i>(approximate)</i>		<i>(approximate)</i>	<i>(approximate)</i>	
	<i>(Audited)</i>	<i>(Audited)</i>		<i>(Unaudited)</i>	<i>(Unaudited)</i>	
		(Restated)				
Total assets	9,486.72	8,617.63	10.09%	10,257.97	9,232.01	11.11%
Net assets value	3,775.59	3,544.03	6.53%	4,083.40	3,624.10	12.67%

We noted that the Group recorded a revenue of approximately RMB11,328.54 million for the year ended 31 December 2011, representing an increase of approximately 10.35% as compared to the revenue for the year ended 31 December 2010 (restated). The Group recorded a profit attributable to the owners of the Company of approximately RMB410.82 million for the year ended 31 December 2011, representing a decrease of approximately 24.30% as compared to the net profit for the year ended 31 December 2010. With reference to the management discussion and analysis in the 2011 Annual Report, the drop in net profit was primarily due to (i) the significant drop in non-recurrent revenue by approximately RMB96.01 million, which decreased from approximately RMB134.37 million in 2010 to approximately RMB38.36 million in 2011 as a result of the disposal of the equity interests in four construction machinery companies and the merger of Shanghai Dragon (Group) Co., Ltd in year 2010, generated from the Company's investment returns; (ii) net loss of approximately RMB51.95 million recorded by YTO France (a newly acquired company in 2011); and (iii) net profit of approximately RMB26.75 million generated from four disposed construction machinery companies for 2010. Excluding the aforementioned factors, the Company recorded a year-on-year increase of approximately 11.2% for the net profit attributable to equity holders of the Company.

As for the assets position of the Group, the Group recorded audited total assets of approximately RMB9,486.72 million as at 31 December 2011 compared to approximately RMB8,617.63 million as at 31 December 2010. The increase in assets was mainly due to (i) increase in prepaid operating leases of the Group from approximately RMB208.39 million (restated) in 2010 to approximately RMB685.20 million in 2011 in respect of the acquisition of the land from YTO during 2010 and (ii) the acquisition of trademarks such as “*東方红*” (Dongfanghong*) “*✶*” etc. from YTO at the consideration of RMB59.51 million during 2011.

LETTER FROM BRIDGE PARTNERS

According to the 2012 Interim Report, the Group recorded a revenue of approximately RMB6,304.31 million for the six months ended 30 June 2012, representing a drop of approximately 12.01% as compared to the six months ended 30 June 2011, due to sales of products dropped during the six months ended 30 June 2012. Nevertheless, the Group's profit before tax increased by RMB2.17 million as compared to the six months ended 30 June 2011 to RMB359.40 million for the six months ended 30 June 2012, due to the Company's product structural adjustment and the drop of the market price of raw materials.

Moreover, the Group recorded unaudited total assets and net assets value of approximately RMB10,257.97 million and RMB4,083.40 million as at 30 June 2012 respectively. The Group's borrowings increased by approximately 11.4% as compared to the beginning of year 2012 mainly due to the funds raised for designated fixed assets investments such as the wheeled tractor project of the industrial park and the high powered diesel engine project.

Background and Reasons for the Acquisitions

On 15 November 2012, the Company announced that the Company entered into the YTO Flag Agreement and YTO Foundry Agreement with YTO. On the same date, the Company also entered into the YTO Axle Agreement with YTO Kintra. Details of the Acquisition Agreements are set out in the section headed "The Acquisitions" in the Letter from the Board.

YTO Flag is a wholly-owned subsidiary of YTO and is principally engaged in the production and sale of covering parts, driving cabin, auto parts and other components of automobiles, agricultural machineries and construction machineries, etc..

YTO Foundry is a wholly-owned subsidiary of YTO and is principally engaged in the processing and sale of casting blank and semi-finished products.

YTO Axle was established in September 2012 with a registered capital of RMB50 million. YTO Axle is a wholly-owned subsidiary of YTO Kintra, where YTO Kintra was owned as to approximately 36.04% by YTO as at the Latest Practicable Date. YTO Axle is principally engaged in the production and sale of offroad machinery driving axles. Tractors' drive axles are the main products for YTO Axle.

LETTER FROM BRIDGE PARTNERS

Set out below is the basic financial information of YTO Flag, YTO Foundry and YTO Kintra, which was prepared in accordance with the PRC accounting standards:

	YTO Flag <i>(in RMB 0'000)</i>	YTO Foundry <i>(in RMB 0'000)</i>	YTO Kintra <i>(Note)</i> <i>(in RMB 0'000)</i>
Net profit before taxation and extraordinary items for the year ended 31 December 2011 (audited)	6,308.79	3,359.74	2,282.45
Net profit after taxation and extraordinary items for the year ended 31 December 2011 (audited)	5,668.78	3,359.74	2,014.53
Net profit before taxation and extraordinary items for the year ended 31 December 2010 (audited)	7,719.54	1,669.05	2,934.92
Net profit after taxation and extraordinary items for the year ended 31 December 2010 (audited)	6,213.66	1,669.05	2,590.60

Note: According to the Letter from the Board and the Company, YTO Kintra injected its drive axle related business for establishing YTO Axle. The drive axle business accounted for a major portion of YTO Kintra's profits prior to the restructuring.

YTO Group signed an undertaking letter on 10 January 2012 to undertake, among other things, to inject YTO Flag, YTO Kintra and YTO Axle and their related assets into the Group before 31 December 2012 in order to reduce the number of the Company's connected transactions. We also understand that covering parts, driving cabins, drive axles, diesel engines cylinder block, cylinder head and tractor chassis housing castings are the important components for assembling the tractors. On this basis, we consider that the Acquisitions can help to reduce the Company's connected transactions with its controlling shareholder and its associates. Furthermore, the Acquisitions also could strengthen the Company's core manufacturing capabilities and optimize its internal resources, as a result synergy effects could be developed.

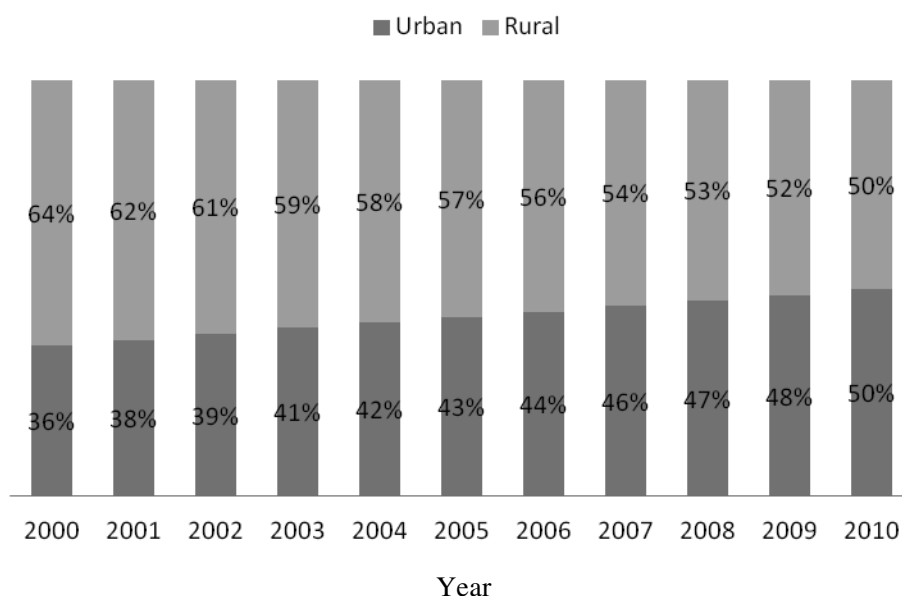
LETTER FROM BRIDGE PARTNERS

Having considered that, in particular, (i) the connected transactions between the Target Companies and the Group will be reduced; (ii) it is expected that the Group will be benefited from the larger manufacturing capacity, stronger core manufacturing capabilities and optimized internal resources; and (iii) the profitability of the Group will be enhanced after the Acquisitions, we are of the view that the Acquisitions could promote and protect the interests of the Company.

2. Agricultural industry in China

In order to understand the existing and future development of the agricultural industry in PRC, we have reviewed the China Statistical Yearbook 2011 (the “Yearbook”) as well as 《全國現代農業發展規劃》 issued by the State Council of PRC in 2012 (the “State Agricultural Plan”). According to the Yearbook, the annual net income per capita for farming increased from RMB3,255 in 2005 to RMB6,977 in 2011. Accordingly, more farmers are willing to modernize their farming process and make use of more agricultural machineries. Also they may be more willing to upgrade their existing tractors and agricultural machineries in order to enhance their farming productivity.

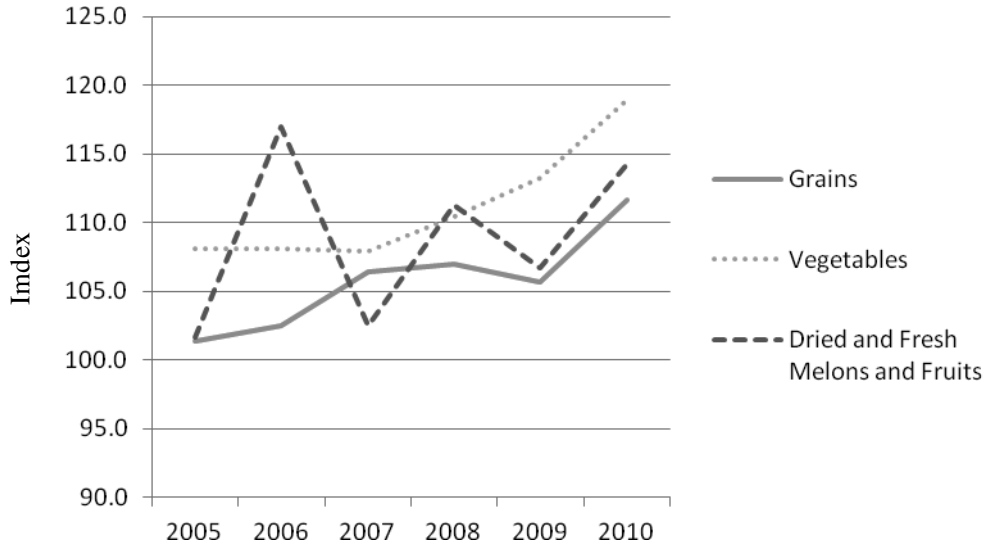
The demographic structure of urban and rural labour force also contributed to the modernization of farming processes. According to Yearbook, the ratio of urban to rural labour force had gone from 36.2% : 63.8% in 2000 to 50% : 50% in 2010, of which the percentage of urban population had increased every year. This is a result of urbanization in PRC that the younger labour force is moving out to cities to look for jobs. As a result of the decrease in percentage of rural labour force and a continuous demand for farming products, more reliance will be placed on agricultural machineries to enhance the farming productivity.



Source: Yearbook

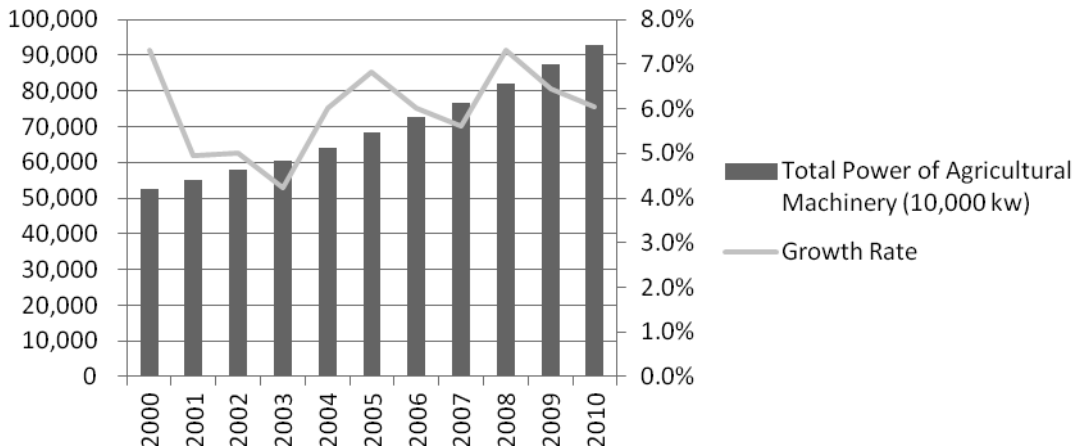
LETTER FROM BRIDGE PARTNERS

The trend for increase in prices of commodities also has contributed to the increase in use of agricultural machineries. According to the Retail Price Indices by Category of Commodities (商品零售價格分類指數) listed in the Yearbook, the indices for grain, vegetable, and fruits have all been above 100 (with each preceding year being 100) from 2005 to 2010, indicating an increase in retail prices of planted farm products each year, thus allowing the use of more agricultural machineries by farmers.



Source: Yearbook

The State Agricultural Plan lays out the development plans for the agricultural machinery industry in PRC for 2011 to 2015. In particular, total power of agricultural machinery (農用機械總動力) is expected to increase from 920 million Kilowatt in 2010 to 1,000 million Kilowatt by 2015, while the farming mechanization level (耕種收綜合機械化水平) is expected to increase from 52% in 2010 to 60% by 2015. On the other hand, the implementation of the subsidizing policies for purchase of agricultural machineries, as a result, agriculture machinery-related financing will be confirmed and improved accordingly.



Source: Yearbook

LETTER FROM BRIDGE PARTNERS

The PRC Government has, based on the 《中華人民共和國農業機械化促進法》”Law on the Promotion of Agricultural Mechanization”, promulgated a series of important policy documents such as the 《國務院關於促進農業機械化和農機工業又好又快發展的意見》”Opinion On Promoting Agricultural Mechanization As Well As Rapid And Healthy Development Of Agricultural Machinery Industry”. It is now capitalizing on the prevailing circumstances to promote the change from the increase in quantity to enhancement in quality in agricultural mechanization and the agricultural machinery industry will enter into a transition period of rapid upgrade in future. It is anticipated that tractors will be upgraded in order to enhance the efficiency and productivity.

As stated in the 2011 Annual Report, the Company has put more efforts in marketing activities, innovate sales models and enhance its presence in key markets. The Company will also continue to carry forward the trial production and promotion of new products and new techniques. In view of the expansion of the Group’s production capacity, we consider that the Acquisitions are in line with the development plan of the Group.

In view of the above, in particular, (i) increasing demand for agriculture machinery as a result, more reliance will be placed on agricultural machineries, (ii) the implementation of the PRC’s subsidizing policies for purchasing of agricultural machineries and agriculture machinery-related financing are expected to be confirmed and improved, (iii) tractors will be upgraded in order to enhance the efficiency and productivity and continuous demand for farming products and (iv) we are of the view that the future prospect of agricultural industry is promising. We also consider that the Acquisitions create an opportunity for the Group to further enhance its asset and revenue base, which is in line with the development plan of the Group. As such, we concur with the Directors’ view that it is beneficial for the Company to acquire the Target Companies, so that they can further contribute to the Group in terms of revenue and profits in the long run. Therefore, the Acquisitions are in the interests of the Company and the Shareholders as a whole.

LETTER FROM BRIDGE PARTNERS

3. Principal terms of the Acquisition Agreements

Save and except for the contractual parties, subjects of the transactions and consideration, the other principal terms of the Acquisition Agreements are substantially the same. Pursuant to the YTO Flag Agreement, the Company (as purchaser) has conditionally agreed to purchase and YTO (as vendor) has conditionally agreed to sell 100% equity interest in YTO Flag at the initial consideration of RMB165,610,500 (equivalent to approximately HK\$205,357,020) (subject to adjustments mentioned below). The initial consideration of the YTO Flag was determined after arm's length negotiations between the Company and YTO with reference to the appraised net asset value of YTO Flag as at 30 September 2012. Details of the payment terms under the YTO Flag Agreement are set out in the Letter from the Board.

Under the YTO Foundry Agreement, the Company (as purchaser) has conditionally agreed to purchase and YTO (as vendor) has conditionally agreed to sell 100% equity interest in YTO Foundry at the initial consideration of RMB104,477,600 (equivalent to approximately HK\$129,552,224) (subject to adjustments mentioned below). The initial consideration of the YTO Foundry was determined after arm's length negotiations between the Company and YTO with reference to the appraised net asset value of YTO Foundry as at 31 August 2012. Details of the payment terms under the YTO Foundry Agreement are set out in the Letter from the Board.

According to the YTO Axle Agreement, the Company (as purchaser) has conditionally agreed to purchase and YTO Kintra has conditionally agreed to sell 100% equity interest in YTO Axle at the initial consideration of RMB225,278,800 (equivalent to approximately HK\$279,345,712) (subject to adjustments mentioned below). The initial consideration of the YTO Axle was determined after arm's length negotiations between the Company and YTO with reference to the appraised net asset value as at 31 October 2012. Details of the payment terms under the YTO Axle Agreement are set out in the Letter from the Board.

The appraisals were conducted by the relevant Independent Valuer (namely Zhonghe Appraisal for Appraisal Report (YTO Flag) and Appraisal Report (YTO Axle) and China United Assets Appraisal for Appraisal Report (YTO Foundry)), on the basis of the asset based valuation approach (資產基礎法) and are subject to the registration with and confirmation by Sinomach, an entity authorized by the State-owned Assets Supervision and Administration Commission. The final consideration for the Acquisitions will be adjusted in accordance with the following formula:

Final consideration = Initial consideration + (Completion NAV - Audited NAV)

LETTER FROM BRIDGE PARTNERS

(i) *Appraisal of YTO Flag*

As stated in the Letter from the Board, the terms for each of the Acquisition Agreements was determined after arm's length negotiations between the parties after taking into account the assets valuation of the Target Companies. According to the Appraisal Report (YTO Flag), the assets appraisal of YTO Flag performed by Zhonghe Appraisal was approximately RMB165.61 million as at 30 September 2012 (the "YTO Flag Appraisal"). The initial consideration of the YTO Flag Agreement is equal to the YTO Flag Appraisal. As enquired with the Company, YTO Flag is principally engaged in the production and sale of covering parts, driving cabins, auto parts and other components of automobiles, agricultural machineries and construction machineries, etc.. According to the Company's A Share public offer prospectus, YTO Flag is a major tractor covering parts and driving cabins, auto parts supplier of the Company. During 2009 to 2011, the Company's average purchase of the tractors' covering parts and driving cabins from YTO Flag was approximately RMB275.92 million, representing approximately 88% of the total amount of similar components purchased by the Company during 2009 to 2011. Taking into account of the facts that the acquisition of YTO Flag can help the Group to enlarge the manufacturing capacity of key parts, strengthen the Company's core manufacturing capabilities, optimize its internal resources and reduce connected transactions of the Company, we concur with the Directors' view that the acquisition of YTO Flag is in the interests of the Company and the Shareholders as a whole.

According to the Appraisal Report (YTO Flag), the appraised value of the net assets of the YTO Flag was conducted by one or more of the three generally accepted valuation approaches, namely (1) asset based valuation approach; (2) market approach; and (3) income approach. We noted from Zhonghe Appraisal that market approach is a method of assessment where the assessment object is compared with comparable listed companies or comparable transaction. Zhonghe Appraisal considers that it is inapplicable to adopt the market approach due to the fact that the YTO Flag is not a public listed company and there are no similar acquisition transactions and companies.

Pursuant to the Appraisal Report (YTO Flag), Zhonghe Appraisal has considered both the asset based valuation approach and the income approach when appraising the value of the YTO Flag. As noted from the Appraisal Report (YTO Flag), there are various factors considered during the income approach appraisal process, such as the profitability and durability of YTO Flag, the overall economic conditions and the competitiveness of the YTO Flag in the industry, which could affect the valuation model. Since "income approach" is a valuation approach to determine the overall assets value of the subject of the appraisal based on forecasted future income and expenses as well as other uncertain factors, Zhonghe Appraisal considers that income approach was not applicable.

LETTER FROM BRIDGE PARTNERS

On the other hand, we understand that “asset based valuation approach” is a valuation approach to determine the overall assets value of the subject of the appraisal by making reference to the required investment amount for rebuilding an enterprise which is the same as the subject of the appraisal on the appraisal reference date. The value of an enterprise will be calculated based on the appraised value of its total assets net of its appraised total liabilities. Since YTO Flag is an asset-intensive company which mostly consist of fixed assets (for example, plant and machineries, equipments) and there are sufficient arm’s length information (for example, replacement cost and market value of certain fixed assets) available for Zhonghe Appraisal to arrive at the valuation, we concur with the view of the Directors and Zhonghe Appraisal that the asset based valuation approach shall reflect the equity value of YTO Flag more objectively and is the most appropriate valuation approach to appraise the value of YTO Flag.

According to the Appraisal Report (YTO Flag) as at 30 September 2012, the book value of the total assets of the YTO Flag amounted to RMB405,374,400 and the appraised value was RMB467,370,600; the book value and the appraised value of total liabilities amounted to RMB301,760,100; and the book value of net assets amounted to RMB103,614,300 and the appraised value was RMB165,610,500.

In assessing the fairness and reasonableness of the acquisition of YTO Flag, we noted that Zhonghe Appraisal has made various assumptions, including but not limited to, (i) there is no change in the PRC governmental policies and regulations; (ii) the continuity of the business enterprise; (iii) there is no change to the management team and no loss of key members in technical team and (iv) the consistency of the same accounting policies and regulations. As confirmed by Zhonghe Appraisal, these assumptions are commonly adopted for valuation of companies, thus we believe the appraisal of the YTO Flag was prepared on a reasonable basis. We are also of the view that the methodology and assumptions which had been adopted were arrived at after due and careful consideration.

LETTER FROM BRIDGE PARTNERS

(ii) *Appraisal of YTO Foundry*

According to the Appraisal Report (YTO Foundry), the assets appraisal of YTO Foundry performed by China United Assets Appraisal was approximately RMB104.48 million as at 31 August 2012 (the “YTO Foundry Appraisal”). The initial consideration of the YTO Foundry Agreement is equal to the YTO Foundry Appraisal. As enquired with the Company, YTO Foundry is principally engaged in the processing and sale of casting blank and semi-finished products. According to the Company’s A Share public offer prospectus, YTO Foundry is the major supplier to supply foundry related components to the Company. During 2009 to 2011, the Company’s average purchase of the foundry related components from YTO Foundry was approximately RMB470.08 million, representing approximately 64% of the total amount of similar components purchased by the Company during 2009 to 2011. Taking into account of the facts that the acquisition of YTO Foundry can enlarge the manufacturing capacity of components parts such as cylinder bodies and covers of diesel engines as well as the chassis shell castings of tractors, strengthen the Company’s core manufacturing capabilities, optimize its internal resources and reduce connected transactions of the Company, we concur with the Directors’ view that the acquisition of YTO Foundry is in the interests of the Company and the Shareholders as a whole.

According to the Appraisal Report (YTO Foundry), the appraised value of the net assets of the YTO Foundry was conducted by one or more of the three generally accepted valuation approaches, namely (1) asset based valuation approach; (2) market approach; and (3) income approach. We noted from China United Assets Appraisal that market approach is a method of assessment where the assessment object is compared with comparable listed companies or comparable transaction. China United Assets Appraisal considers that it is inapplicable to adopt the market approach due to the fact that the YTO Foundry is not a public listed company and there are no similar acquisition transactions and similar companies.

Pursuant to the Appraisal Report (YTO Foundry), we noted that China United Assets Appraisal has considered both the asset based valuation approach and the income approach when appraising the value of the YTO Foundry. As discussed with China United Assets Appraisal, given that there are uncertain factors such as the influence of the agricultural and tractors industry policy, price fluctuations of raw materials and uncertainties of the macro economics which could affect the valuation model using income approach (a valuation approach to determine the overall assets value of the subject of the appraisal based on forecasted future income and expense), China United Assets Appraisal considered that income approach was not applicable.

LETTER FROM BRIDGE PARTNERS

On the other hand, we understand that “asset based valuation approach” is a valuation approach to determine the overall assets value of the subject of the appraisal by making reference to the required investment amount for rebuilding an enterprise which is the same as the subject of the appraisal on the appraisal reference date. The value of an enterprise will be calculated based on the appraised value of its total assets net of its appraised total liabilities. Since YTO Foundry is an asset-intensive company which mostly consist of fixed assets (for example, plant and machineries, equipments) and there are sufficient arm’s length information (for example, replacement cost and market value of certain fixed assets) available for China United Assets Appraisal to arrive at the valuation, we concur with the view of the Directors and China United Assets Appraisal that the asset based valuation approach shall reflect the equity value of YTO Foundry more objectively and is the most appropriate valuation approach to appraise the value of YTO Foundry.

According to the Appraisal Report (YTO Foundry) as at 31 August 2012, the book value of the total assets of the YTO Foundry amounted to RMB429,531,200 and the appraised value was RMB461,229,500; the book value and the appraised value of total liabilities amounted to RMB356,751,900; and the book value of net assets amounted to RMB72,779,300 and the appraised value was RMB104,477,600.

In assessing the fairness and reasonableness of the acquisition of YTO Foundry, we noted that China United Assets Appraisal has made various assumptions, including but not limited to, (i) there is no change in the PRC governmental policies and regulations; (ii) there is an open market; (iii) the continuity of the business enterprise; (iv) there will be no change in the management team of YTO Foundry; (v) absence of inflation factors and (vi) the financial information of YTO Foundry is true, correct and complete. As confirmed by China United Assets Appraisal, these assumptions are commonly adopted for valuation of companies, thus we believe that the valuation of the YTO Foundry was prepared on a reasonable basis. We are also of the view that the methodology and assumptions which had been adopted were arrived at after due and careful consideration.

LETTER FROM BRIDGE PARTNERS

(iii) Appraisal of YTO Axle

According to the Appraisal Report (YTO Axle), the assets appraisal of YTO Foundry performed by Zhonghe Appraisal was approximately RMB225.28 million as at 31 October 2012 (the “YTO Axle Appraisal”). The initial consideration of the YTO Axle Agreement is equal to the YTO Axle Appraisal. As enquired with the Company, YTO Axle is one of the industry players for manufacturing and sale of offroad machinery drive axles. According to the Company’s A Share public offer prospectus, YTO Axle is the major supplier to supply machinery drive axles related products to the Company. During 2009 to 2011, the Company’s average purchase of the machinery drive axles related products from YTO Kintra was approximately RMB173.51 million, representing approximately 80% of the total amount of similar components purchased by the Company during 2009 to 2011. Taking into account of the facts that the acquisition of YTO Axle can help to enlarge the manufacturing capacity of key parts, strengthen the Company’s core manufacturing capabilities, optimize its internal resources and reduce the connected transactions between the Group and YTO Group, we concur with the Directors’ view that the acquisition of YTO Axle is in the interests of the Company and the Shareholders as a whole.

According to the Appraisal Report (YTO Axle), the appraised value of the net assets of the YTO Axle was conducted by one or more of the three generally accepted valuation approaches, namely (1) asset based valuation approach; (2) market approach; and (3) income approach. We noted from Zhonghe Appraisal that market approach is a method of assessment where the assessment object is compared with comparable listed companies or comparable transaction. Zhonghe Appraisal considers that it is inapplicable to adopt the market approach due to the fact that the YTO Axle is not a public listed company and there are no similar acquisition transactions and similar companies.

Pursuant to the Appraisal Report (YTO Axle), Zhonghe Appraisal has considered both the asset based valuation approach and the income approach when appraising the value of the YTO Axle. As noted from the Appraisal Report (YTO Axle), there are various factors considered during the income approach appraisal process, such as the profitability and durability of YTO Axle, the overall economic conditions and the competitiveness of the YTO Axle in the industry, which could affect the valuation model. Since “income approach” is a valuation approach to determine the overall assets value of the subject of the appraisal based on forecasted future income and expenses as well as other uncertain factors, Zhonghe Appraisal considers that income approach was not applicable.

LETTER FROM BRIDGE PARTNERS

On the other hand, we understand that “asset based valuation approach” is a valuation approach to determine the overall assets value of the subject of the appraisal by making reference to the required investment amount for rebuilding an enterprise which is the same as the subject of the appraisal on the appraisal reference date. The value of an enterprise will be calculated based on the appraised value of its total assets net of its appraised total liabilities. Since YTO Axle is an asset-intensive company which mostly consist of fixed assets (for example, plant and machineries, equipments) and there are sufficient arm’s length information (for example, replacement cost and market value of certain fixed assets) available for Zhonghe Appraisal to arrive at the valuation, we concur with the view of the Directors and Zhonghe Appraisal that the asset based valuation approach shall reflect the equity value of YTO Axle more objectively and is the most appropriate valuation approach to appraise the value of YTO Axle.

As noted from the Company, during the period from 24 September 2012 (the establishment date of YTO Axle) to 31 October 2012 (the valuation date of YTO Axle), YTO Axle had recorded no business activities. YTO Kintra handed over its related assets and liabilities to YTO Axle and YTO Axle established its internal management system during that period of time. YTO Axle has started their normal business operations since November 2012.

According to the Appraisal Report (YTO Axle) as at 31 October 2012, the book value of the total assets of the YTO Axle amounted to RMB291,936,300 and the appraised value was RMB291,592,700; the book value and the appraised value of total liabilities amounted to RMB66,313,900; and the book value of net assets amounted to RMB225,622,400 and the appraised value was RMB225,278,800.

In assessing the fairness and reasonableness of the acquisition of YTO Axle, we noted that Zhonghe Appraisal has made various assumptions, including but not limited to, (i) there is no change in the PRC governmental policies and regulations; (ii) the continuity of the business enterprise; (iii) there is no change to the management team and no loss of key members in technical team and (iv) the consistency of the same accounting policies and regulations. As confirmed by Zhonghe Appraisal, these assumptions are commonly adopted for valuation of companies, thus we believe the appraisal of the YTO Axle was prepared on a reasonable basis. We are also of the view that the methodology and assumptions which had been adopted were arrived at after due and careful consideration.

LETTER FROM BRIDGE PARTNERS

Given the valuation approach for each of the Target Companies is commonly adopted methodology in valuing the net assets value for each of the Target Companies, and the major assumptions made in connection with the valuation approach are reasonable, we are of the view that the bases and assumptions, the valuation approach and methodology are appropriate and reasonable. As such, we consider that the terms for each of the Acquisition Agreements (including the consideration and their bases for determining the consideration) and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group, fair and reasonable and the Acquisitions are in the interests of the Company and the Shareholders as a whole.

4. Possible financial effects of the Acquisitions on the Group

(i) Effect on the earnings of the Company

Upon completion of the Acquisitions, YTO Flag, YTO Foundry and YTO Axle will be consolidated into the financial statements of the Group. According to the 2012 Interim Report, the unaudited profits attributable to the owners of the Company as at 30 June 2012 were approximately RMB286.42 million. As the Target Companies are the suppliers of tractor's components, the continuous increase in the sales of tractors may lead to increase in the profitability of the Target Companies, which also contributes to the Company's profits in the future. On the other hand, certain portion of the Target Companies' profits were contributed by supplying components to third party customers, thus the Company believes the financial results of the Target Companies may contribute to the Company's revenue and profit in the future.

(ii) Effect on working capital of the Company

The total consideration for the Acquisitions amounted to approximately RMB495.37 million shall be satisfied by the internal resources of the Company. As mentioned before, the Group's cash and cash equivalents were approximately RMB1,234.06 million as at 30 June 2012. It is expected that the Acquisitions would result in a reduction in the Group's cash and cash equivalents by the same amount of the consideration of the Acquisition Agreements. We noted that the Group has sufficient cash to settle the considerations for the Acquisitions. Moreover, as confirmed by the Company, with the continuous receipt of account receivables as year-end approaches, the cash balance of the Company will continue to increase, thus we consider that the entering into of the Acquisition Agreements will have no material adverse impact on the Group's working capital position.

LETTER FROM BRIDGE PARTNERS

(iii) *Effect on balance sheet of the Company*

The considerations for the Acquisitions were determined in accordance with the appraised value of the Target Companies, which represents a premium of RMB90 million when comparing to the audited net asset values of the Target Companies. Since the Acquisitions involve acquisition of equity interests from the Company's controlling shareholder and its associated company, the Company confirmed to us that the Acquisitions shall constitute "business combination of entities under common control" under the PRC GAAP.

The excess of the considerations for the Acquisitions over the audited net asset value of the Target Companies will be set off against capital reserve, resulting in a decrease in net asset value of the Company by approximately RMB90 million. Upon completion of the Acquisitions, the financial results of the Target Companies will be consolidated into the Company's financial statements. It is expected that the prior year financial statements of the Group will be restated after the completion of the Acquisitions.

Shareholders should note that the aforementioned analysis is for illustrative purposes only and does not purport to represent how the financial position of the Company will be upon the completion of the Acquisition Agreements.

RECOMMENDATION

Having taken into account the above factors and reasons, we are of the view that (i) the terms for each of the Acquisition 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 ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve for each of the Acquisition Agreements and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favor of the resolution(s) in this regard.

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

* *For identification purposes only*

**SUMMARY OF THE ASSETS APPRAISAL REPORT
RELATING TO THE PROPOSED TRANSFER OF EQUITY INTEREST IN
YTO (LUOYANG) FLAG AUTO-BODY COMPANY LIMITED
HELD BY YTO GROUP CORPORATION**

The following contents are extracted from the full text of the assets appraisal report (ZhongHe Ping Bao Zi (2012) No. BJV4035) issued by ZhongHe Appraisal Co., Ltd. (中和資產評估有限公司) dated 29 October 2012 in respect of YTO (Luoyang) Flag Auto-Body Company Limited (一拖(洛陽)福萊格車身有限公司).

According to the letter of undertaking issued by YTO Group Corporation (中國一拖集團有限公司) (“**YTO**”) on 10 January 2012 to the China Securities Regulatory Commission, in order to further strengthen the independence of First Tractor Company Limited (第一拖拉機股份有限公司) (“**First Tractor**”) and further reduce connected transactions, YTO needs to transfer the equity interest held by it in YTO (Luoyang) Flag Auto-Body Company Limited (一拖(洛陽)福萊格車身有限公司) (“**YTO Flag**” or the “**Appraised Entity**”) to First Tractor so as to fulfill its commitments made in respect of its future assets integration plan. As such, an assets appraisal on all the assets and liabilities of YTO Flag which form part of the above-mentioned transaction was conducted to determine the investment value of YTO Flag as at the appraisal reference date, i.e. 30 September 2012 and to provide the specific investors with clear investment purposes with an advisory opinion on value in respect of the above equity interest transfer.

ZhongHe Appraisal Co., Ltd.* (中和資產評估有限公司) was commissioned by YTO to carry out an appraisal in relation to all the assets and liabilities declared by YTO Flag using asset based valuation approach and income approach in accordance with the requirements as stipulated under the relevant laws, regulations and requirements of assets appraisal standards in the PRC as well as the necessary appraisal procedures on the principles of independence, objectivity and impartiality. The type of the value being appraised is the investment value and the appraisal value based on the asset based valuation approach was adopted.

In this appraisal, the evaluators conducted the valuation based on the following assumptions:

1. GENERAL ASSUMPTIONS

- (i) there are no material changes in the state and local laws, regulations, systems and social political and economic policies currently prevailing and applicable to YTO Flag;
- (ii) YTO Flag will continue to operate and operate in the current manner;

- (iii) there are no material changes in PRC's existing tax basis and rates, tax concession policies, bank lending rates and other policy-based charges;
- (iv) the impact of inflation on operating expenses and costs is not taken into account;
- (v) the financial information provided by the relevant parties is true;
- (vi) there is no other material adverse impact caused by force majeure or unforeseeable circumstances.

2. SPECIFIC ASSUMPTIONS

- (i) the technical personnel and senior management of YTO Flag would remain stable and there would be no significant outflow of core professional personnel in the following years;
- (ii) the present and future management of each operating entities of YTO Flag are responsible and its management would be able to proceed with the development plan of the company to maintain a good operating position;
- (iii) the future management of YTO Flag would comply with relevant PRC laws and regulations, and there would be no major non-compliance that might affect the development and earnings of the company;
- (iv) the accounting policies used in preparing the financial statements of previous years provided by YTO Flag are consistent with the accounting policies and accounting methods applied in the forecast of future earnings in all material aspects;
- (v) the twelfth five-year plan of YTO Flag would be implemented successfully as scheduled.

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

The appraisal reference date is 30 September 2012.

In accordance with the requirements of the relevant PRC laws and regulations and assets appraisal standards, the evaluators of our company adhered to the principles of independence, objectivity and impartiality and followed the necessary appraisal procedures during the on-site survey, market research and consultation on the appraised assets. The appraisal results are as follows:

As at the appraisal reference date, i.e. 30 September 2012, on the going concern basis and by using the asset based valuation approach, the book value of YTO Flag's total assets was RMB405,374,400; the appraised value was RMB467,370,600; the appreciation was RMB61,996,200, representing an appreciation rate of 15.29%; the book value of total liabilities was RMB301,760,100; the appraised value was RMB301,760,100; the appreciation was RMB0.00, representing an appreciation rate of 0%; the book value of net assets was RMB103,614,300; the appraised value was RMB165,610,500; the appreciation was RMB61,996,200, representing an appreciation rate of 59.83%. For details, please refer to the following table:

SUMMARY TABLE OF ASSETS APPRAISAL RESULTS

Appraisal reference date: 30 September 2012

Appraisal reference date: 30 September 2012

Unit: RMB0'000

Items	Book Value	Appraised Value	Appreciation/ Depreciation	Appreciation rate%	
	A	B	C=B-A	D=C/A×100	
1	Current assets	20,835.57	24,390.32	3,554.75	17.06
2	Non-current assets	19,701.87	22,346.74	2,644.87	13.42
3	Including: Available-for-sale financial assets	—	—	—	
4	Held-to-maturity investments	—	—	—	
5	Long-term receivables	—	—	—	
6	Long-term equity investments	704.14	710.20	6.06	0.86
7	Property held for investment	—	—	—	
8	Fixed assets	10,359.94	12,374.08	2,014.14	19.44
9	Construction in progress	3,076.84	3,204.78	127.94	4.16
10	Construction supplies	—	—	—	
11	Disposal of fixed assets	—	—	—	
12	Productive biological assets	—	—	—	
13	Oil and gas assets	—	—	—	
14	Intangible assets	5,112.62	5,875.67	763.05	14.92
15	Development expenses	—	—	—	
16	Goodwill	—	—	—	
17	Long-term deferred expenses	448.32	182.01	-266.31	-59.40
18	Deferred income tax assets	—	—	—	
19	Non-current assets	—	—	—	
20	Total assets	40,537.44	46,737.06	6,199.62	15.29
21	Current liabilities	30,176.01	30,176.01	—	0.00
22	Non-current liabilities	—	—	—	
23	Total liabilities	30,176.01	30,176.01	—	0.00
24	Net assets	10,361.43	16,561.05	6,199.62	59.83

The appraisal conclusions shown in this report are only valid for the appraisal objectives stated by YTO in this report. The appraisal results shall have a validity of one year commencing from 30 September 2012. Reappraisal of the assets shall be conducted after one year.

The valuation conclusion stated in this report reflects the investment value of the subject of the appraisal in the context of the appraisal objectives. Investment value is the appraised value of the subject of the appraisal for a specific investor with a clear investment objective or for a certain kind of investor. It is also known as specific investor value.

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

PROFESSIONAL QUALIFICATIONS OF ZHONGHE APPRAISAL CO., LTD.

Established in 1995, ZhongHe Appraisal Co., Ltd. is one of the first institutions with securities assets appraisal qualifications granted by the State-owned Assets Administration Bureau of the PRC and China Securities Regulatory Commission. The registration number of its Business License for Enterprise as Legal Persons is 110000003805563.

Our company possesses all the superior expertise in the assets appraisal industry and the Assets Valuation Qualification Certificate issued by the Ministry of Finance of the PRC, as well as the permit to engage in securities business assets appraisal and the national certified qualification for land valuation, etc., among which:

Approval number of Assets Valuation Qualification Certificate: Jing Cai Qi [2010] No. 0013

Approval number of the Valuation Qualification Certificate for Securities and Futures Related Business: Cai Qi [2009] No. 2

The evaluators participated in this appraisal project, who are certified assets evaluators 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
Wang Xianwei (王獻偉)	41060060	9 May 2012	3 July 2006
Zhao Yong (趙勇)	11001342	9 May 2012	14 August 2001

29 October 2012

The above is the English translation of the extract of the appraisal report. In case of any discrepancy between the English translation and the original Chinese version, the Chinese version shall prevail.

**SUMMARY OF THE ASSETS APPRAISAL REPORT
RELATING TO THE PROPOSED TRANSFER OF THE ENTIRE EQUITY INTEREST IN
YTO (LUOYANG) FOUNDRY COMPANY LIMITED
HELD BY YTO GROUP CORPORATION
ZHONG LIAN PING BAO ZI [2012] NO. 838**

The following contents are extracted from the full text of the assets appraisal report issued by China United Assets Appraisal Group Co., Ltd. (中聯資產評估集團有限公司) on 12 November 2012, which is in relation to the project regarding the proposed transfer of the entire equity interest in YTO (Luoyang) Foundry Company Limited (一拖(洛陽)鑄造有限公司) held by YTO Group Corporation (“YTO”) (Zhong Lian Ping Bao Zi [2012] No. 838)

YTO intends to transfer its entire equity interest in YTO (Luoyang) Foundry Company Limited (一拖(洛陽)鑄造有限公司) (“YTO Foundry” or the “Appraised Entity”) to First Tractor Company Limited (第一拖拉機股份有限公司). As such, an assets appraisal on all the assets and liabilities of YTO Foundry which form part of the above-mentioned transaction was conducted to determine the entire equity value of the shareholders of YTO Foundry and to provide an advisory opinion on value in respect of the above equity transfer transaction.

China United Assets Appraisal Group Co., Ltd. (中聯資產評估集團有限公司) was commissioned by YTO to carry out an appraisal in relation to all the assets and liabilities declared by YTO Foundry using cost approach and income approach in accordance with the requirements as stipulated under the relevant laws, regulations and requirements of assets appraisal standards in the PRC as well as the necessary appraisal procedures on the principles of independence, objectivity and impartiality. The type of the value being appraised is the market value and the appraisal value based on the cost approach (also known as “asset based valuation approach”) was adopted.

(I) GENERAL ASSUMPTION

In this appraisal, the evaluators conducted the appraisal based on the following assumptions:

1. Transaction assumption

Transaction assumption refers to the assumption that all the assets subject to appraisal are in the process of transaction. The evaluators shall conduct the appraisal based on the conditions of the transaction in respect of the assets to be valued on a simulated market. Transaction assumption is the prerequisite assumption for asset appraisal.

2. Public market assumption

Public market assumption refers to the assumption that both parties who trade or will trade assets in the market have equal status, and both of them have opportunities and time to obtain sufficient market information in order to make reasonable judgment of the functions, usage, and prices of assets. Public market assumption is based on the foundation that assets can be openly traded in the market.

3. Assumption on continuing operation of the assets

Assumption on continuing operation of the assets means that the appraisal approach, parameters and references shall be determined based on whether the assets to be valued will continue to be used in accordance with the current purpose, method, scale, frequency, circumstance of use or will be used with some changes thereto.

(II) SPECIAL ASSUMPTION

1. The appraisal assumes that the external economic environment and the current national macro-economic situation on the appraisal reference date will not have material changes.
2. There are no material changes in the social economic environment, tax policy and tax rates.
3. The future enterprise management personnel fulfill their duties diligently and maintain the existing management mode.
4. The appraisal is based on the existing operation capacity on the appraisal reference date, without considering the possible capacity expansion due to the management, operation policy changes or further investment, as well as any subsequent changes possibly occurring in the production and operations.
5. The appraisal of the relevant assets is based on the actual storage on the appraisal reference date, and the current market price of the relevant assets is based on the domestic available price on the appraisal reference date.
6. The appraisal assumes that the fundamental and financial information provided by the commissioning party and the appraised entity are real, accurate, and complete.

7. The scope of appraisal is based on the declaration lists provided by the commissioning party and the appraised entity, without considering possible existence of contingent assets or contingent liabilities that are not listed on the declaration lists provided by the commissioning party and the appraised entity.
8. Various parameters in this appraisal do not take into account inflationary factors.
9. During the operating period in future, the offices and production plants of the enterprise will continue to be leased for use.

The appraisal becomes invalid if any of the above conditions change.

Appraisal reference date: 31 August 2012.

According to the requirements of the relevant PRC laws, regulations, provisions and assets appraisal standards, we adhered to the principles of independence, impartiality, scientific and objectivity and followed the statutory and necessary appraisal procedures and recognized appraisal standard during the on-site survey, market research, consultation and appraisal calculation of the assets of YTO Foundry which are within the appraisal scope. The appraisal results are as follows: the book value of the assets was RMB429,531,200; the appraised value was RMB461,229,500; the appreciation in the appraised value was RMB31,698,300, representing an appreciation rate of 7.38%; the book value of the liabilities was RMB356,751,900; the appraised value was RMB356,751,900; there is no appreciation or depreciation in the appraised value; the book value of the net assets was RMB72,779,300; the appraised value was RMB104,477,600; the appreciation in the appraised value was RMB31,698,300, representing an appreciation rate of 43.55%. For details, please refer to the following table:

SUMMARY TABLE OF ASSETS APPRAISAL RESULTS

Appraised Entity: YTO (Luoyang) Foundry Company Limited

Appraisal reference date: 31 August 2012

Unit:RMB0'000

Items	Book	Appraised	Appreciation/	Appreciation	
	Value	Value	Depreciation	rate%	
	A	B	C=B-A	D=C/A×100	
1	Current assets	27,636.07	27,980.66	344.59	1.25
2	Non-current assets	15,317.05	18,142.29	2,825.24	18.45
3	Including: Long-term equity investments	—	—	—	
4	Property held for investment	—	—	—	
5	Fixed assets	10,989.42	13,747.96	2,758.54	25.10
6	Construction in progress	3,624.90	3,700.84	75.94	2.09
7	Intangible assets	—	—	—	
8	Including: Land used rights	—	—	—	
9	Other non-current assets	—	—	—	
10	Total assets	42,953.12	46,122.95	3,169.83	7.38
11	Current liabilities	35,675.19	35,675.19	—	—
12	Non-current liabilities	—	—	—	
13	Total liabilities	35,675.19	35,675.19	—	—
14	Net assets (Owners' Equity)	7,277.93	10,447.76	3,169.83	43.55

Report users are reminded to pay special attention to the special events and significant events for subsequent periods set out in the report when applying the conclusion of this appraisal.

Pursuant to the relevant regulations governing the management of the state-owned assets appraisal, the appraisal report shall be used after filed (or verified), the filed (or verified) appraisal results shall be valid for a term of one year, from 31 August 2012 (the appraisal reference date) to 30 August 2013. Reappraisal of the assets shall be conducted after one year.

**THE PROFESSIONAL QUALIFICATION OF CHINA UNITED
ASSETS APPRAISAL GROUP CO., LTD.**

China United Assets Appraisal Group (“China United Appraisal”) is the first appraisal group that has been authorized and approved by the Ministry of Finance in the PRC, and approved by and registered with the State Administration for Industry & Commerce. China United Assets Appraisal Group Co., Ltd. (中聯資產評估集團有限公司) is the parent company of the group which was founded in 1994 with the Business License for Enterprise as Legal Persons number as 110000001312261.

China United Appraisal holds all the national approved practice qualifications related to appraisal. It has the Qualification for Securities Business Valuation (證券業務評估資質) issued by the Ministry of Finance and China Securities Regulatory Commission, the National Land Valuation Qualification (全國執業土地評估資質) issued by the Ministry of Land and Resources, Grade “A” Real Estate Valuation Qualification (房地產評估一級資質) issued by the Ministry of Construction, the Qualification for Valuation of Exploration and Mining Rights (探礦權採礦權評估資質) and the Specific Qualification for Valuation and Training in relation to Forest Resources (森林資源專項評估培訓資格) issued by the Ministry of Land and Resources. Among which:

Approval number of Assets Valuation Qualification Certificate: Jing Cai Qi Xu Ke (2011) No. 0009

Approval number of the Valuation Qualification Certificate for Securities and Futures Related Business: Cai Qi (2008) No. 360

The evaluators participated in this appraisal project, who are certified assets evaluators 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
Yu Shijun(余詩軍)	41030061	7 December 2006	10 February 2003
Mao Xiao (毛曉)	41110019	17 June 2011	16 June 2011

The above is the English translation of the extract of the appraisal report. In case of any discrepancy between the English translation and the original Chinese version, the Chinese version shall prevail.

**SUMMARY OF THE ASSETS APPRAISAL REPORT
RELATING TO THE PROPOSED TRANSFER OF EQUITY INTEREST IN YTO
(LUOYANG) DRIVE AXLE COMPANY LIMITED
HELD BY YTO (LUOYANG) KINTRA EQUIPMENT
SCIENCE & TECHNOLOGY COMPANY LIMITED**

The following contents are extracted from the full text of the assets appraisal report (ZhongHe Ping Bao Zi (2012) No. BJV4038) issued by ZhongHe Appraisal Co., Ltd. (中和資產評估有限公司) dated 5 November 2012 in respect of YTO (Luoyang) Drive Axle Company Limited* (一拖(洛陽)車橋有限公司).

According to the letter of undertaking issued by YTO Group Corporation (中國一拖集團有限公司) (“**YTO**”) on 10 January 2012 to the China Securities Regulatory Commission, in order to further strengthen the independence of First Tractor Company Limited (第一拖拉機股份有限公司) (“**First Tractor**”) and further reduce connected transactions, YTO needs to transfer the equity interest indirectly held by it in YTO (Luoyang) Drive Axle Company Limited (“**YTO Axle**” or the “**Appraised Entity**”) to First Tractor so as to fulfill its commitments made in respect of its future assets integration plan. As such, an assets appraisal on all the assets and liabilities of YTO Axle which form part of the above-mentioned transaction was conducted to determine the investment value of YTO Axle as at the appraisal reference date, i.e. 31 October 2012 and to provide the specific investors with clear investment purposes with an advisory opinion on value in respect of the above equity interest transfer.

ZhongHe Appraisal Co., Ltd.* (中和資產評估有限公司) was commissioned by YTO to carry out an appraisal in relation to all the assets and liabilities declared by YTO Axle using asset based valuation approach and income approach in accordance with the requirements as stipulated under the relevant laws, regulations and requirements of assets appraisal standards in the PRC as well as the necessary appraisal procedures on the principles of independence, objectivity and impartiality. The type of the value being appraised is the investment value and the appraisal value based on the asset based valuation approach was adopted.

In this appraisal, the evaluators conducted the valuation based on the following assumptions:

1. GENERAL ASSUMPTIONS

- (i) there are no material changes in the state and local laws, regulations, systems and social political and economic policies currently prevailing and applicable to YTO Axle;
- (ii) YTO Axle will continue to operate and operate in the current manner;

- (iii) there are no material changes in PRC's existing tax basis and rates, tax concession policies, bank lending rates and other policy-based charges;
- (iv) the impact of inflation on operating expenses and costs is not taken into account;
- (v) the financial information provided by the relevant parties is true;
- (vi) there is no other material adverse impact caused by force majeure or unforeseeable circumstances.

2. SPECIFIC ASSUMPTIONS

- (i) the technical personnel and senior management of YTO Axle would remain stable and there would be no significant outflow of core professional personnel in the following years;
- (ii) the present and future management of each operating entities of YTO Axle are responsible and its management would be able to proceed with the development plan of the company to maintain an good operating position;
- (iii) the future management of YTO Axle would comply with relevant PRC laws and regulations, and there would be no major non-compliance that might affect the development and earnings of the company;
- (iv) the accounting policies used in preparing the financial statements of previous years provided by YTO Axle are consistent (or have been aligned) with the accounting policies and accounting methods applied in the forecast of future earnings in all material aspects;
- (v) the three-year plan of YTO Axle would be implemented successfully as scheduled.

Any discrepancies between the future actual conditions and the above assumptions may affect the appraisal conclusion. Users of this report shall give full consideration to the effect of such assumptions on the appraisal conclusion when using this report.

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

The appraisal reference date is 31 October 2012.

In accordance with the requirements of the relevant PRC laws and regulations and assets appraisal standards, the evaluators of our company adhered to the principles of independence, objectivity and impartiality and followed the necessary appraisal procedures during the on-site survey, market research and consultation on the appraised assets. The appraisal results are as follows:

As at the appraisal reference date, i.e. 31 October 2012, on the going concern basis and by using the asset based valuation approach, the book value of YTO Axle's total assets was RMB291,936,300; the appraised value was RMB291,592,700; the appreciation was RMB-343,600, representing an appreciation rate of -0.12%; the book value of total liabilities was RMB66,313,900; the appraised value was RMB66,313,900; the appreciation was RMB0.00, representing an appreciation rate of 0%; the book value of net assets was RMB225,622,400; the appraised value was RMB225,278,800; the appreciation was RMB-343,600, representing an appreciation rate of -0.15%. For details of evaluation results, please refer to the following table:

SUMMARY TABLE OF ASSETS APPRAISAL RESULTS

Appraisal reference date: 31 October 2012

Appraisal reference date: 31 October 2012

Unit: RMB0'000

Items	Book Value A	Appraised Value B	Appreciation/ Depreciation C=B-A	Appreciation rate % D=C/A×100
1 Current assets	15,587.99	15,587.99	—	0.00
2 Non-current assets	13,605.65	13,571.29	-34.36	-0.25
3 Including: Available-for-sale financial assets	—	—	—	
4 Held-to-maturity investments	—	—	—	
5 Long-term receivables	—	—	—	
6 Long-term equity investments	—	—	—	
7 Property held for investment	—	—	—	
8 Fixed assets	9,138.22	9,161.45	23.23	0.25
9 Construction in progress	162.62	162.62	—	0.00
10 Construction supplies	—	—	—	
11 Disposal of fixed assets	—	—	—	
12 Productive biological assets	—	—	—	
13 Oil and gas assets	—	—	—	
14 Intangible assets	4,304.81	4,247.22	-57.59	-1.34
15 Development expenses	—	—	—	
16 Goodwill	—	—	—	
17 Long-term deferred expenses	—	—	—	
18 Deferred income tax assets	—	—	—	
19 Non-current assets	—	—	—	
20 Total assets	29,193.63	29,159.27	-34.36	-0.12
21 Current liabilities	6,631.39	6,631.39	—	0.00
22 Non-current liabilities	—	—	—	
23 Total liabilities	6,631.39	6,631.39	—	0.00
24 Net assets	22,562.24	22,527.88	-34.36	-0.15

The appraisal conclusions shown in this report are only valid for the appraisal objectives stated by YTO in this report. The appraisal results shall have a validity of one year commencing from 31 October 2012. Reappraisal of the assets shall be conducted after one year.

The valuation conclusions stated in this report reflects the investment value of the subject of the appraisal in the context of the appraisal objectives. Investment value is the appraised value of the subject of the appraisal for a specific investor with a clear investment objective or for a certain kind of investor. It is also known as specific investor value.

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

PROFESSIONAL QUALIFICATIONS OF ZHONGHE APPRAISAL CO., LTD.

Established in 1995, ZhongHe Appraisal Co., Ltd. is one of the first institutions with securities assets appraisal qualifications granted by the State-owned Assets Administration Bureau of the PRC and China Securities Regulatory Commission. The registration number of its Business License for Enterprise as Legal Persons is 110000003805563.

Our company possesses all the superior expertise in the assets appraisal industry and the Assets Valuation Qualification Certificate issued by the Ministry of Finance of the PRC, as well as the permit to engage in securities business assets appraisal and the national certified qualification for land valuation, etc., among which:

Approval number of Assets Valuation Qualification Certificate: Jing Cai Qi [2010] No. 0013

Approval number of the Valuation Qualification Certificate for Securities and Futures Related Business: Cai Qi [2009] No. 2

The evaluators participated in this appraisal project, who are certified assets evaluators 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
Wang Xianwei (王獻偉)	41060060	9 May 2012	3 July 2006
Zhao Yong (趙勇)	11001342	9 May 2012	14 August 2001
			5 November 2012

The above is the English translation of the extract of the appraisal report. In case of any discrepancy between the English translation and the original Chinese version, the Chinese version shall prevail.

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

(i) Interests of Directors, Supervisors and chief executive of the Company

As at the Latest Practicable Date, none of the Directors, Supervisors or chief executive of the Company had any interest or short position in any Shares, underlying Shares and debentures (as the case may be) of the Company or any associated corporations (within the meaning of Part XV of the SFO) which was 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 executive of the Company was taken or deemed to have under such provisions of the SFO); or (ii) entered into 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 Issuers as contained in Appendix 10 to the Listing Rules.

(ii) Interests of substantial Shareholders and other persons

Save as disclosed below, as at the Latest Practicable Date, the Directors were not aware of any person (other than the Directors, Supervisors or chief executive of the Company) who had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 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 member of the Group:

A Shares

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of the total issued share capital of the Company
YTO ^(Note)	Beneficial owner	443,910,000	44.574%

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

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 (%)
Neuberger Berman LLC ^(Note)	Investment manager	39,892,680(L)	9.92(L)	4.01(L)
The Capital Group Companies, Inc.	Investment manager	36,258,000(L)	9.02(L)	3.64(L)
JPMorgan Chase & Co.	Investment manager	28,089,425(L)	6.99(L)	2.82(L)
		107,040(S)	0.03(S)	0.01(S)
		27,862,385(P)	6.93(P)	2.80(P)
Lazard Asset Management LLC	Investment manager	27,230,000(L)	6.77(L)	2.73(L)

(L) Long position

(S) Short position

(P) Lending pool

Note: Neuberger Berman Group LLC holds the entire share capital of Neuberger Berman Holdings LLC, and Neuberger Berman Holdings LLC holds the entire share capital of Neuberger Berman LLC. Neuberger Berman Group LLC and Neuberger Berman Holdings LLC are both deemed to have the same interest (i.e. 39,892,680 H Shares) in the Company as those owned by Neuberger Berman LLC by virtue of the SFO.

Save as disclosed above, there are no other persons (other than the Directors, Supervisors or chief executive of the Company) who, as at Latest Practicable Date, had any interest or short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

(iii) Directors', Supervisors' or chief executive's rights to acquire interests or short positions in Shares and debentures

As at Latest Practicable Date, none of the Directors, Supervisors or chief executive of the Company or their respective spouse or minor children were granted any rights to acquire benefits by means of acquisition of the Shares in or debentures of the Company or any other body corporate; nor was the Company, its subsidiaries or holding company or any of its subsidiaries a party to any arrangement to enable the Directors, Supervisors or chief executive of the Company to acquire such rights in the Company or any other body corporate.

3. DISCLOSURE OF OTHER INTERESTS

(i) Interests in contract or arrangement

As at the Latest Practicable Date, none of the Directors or Supervisors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

(ii) Interests in assets

As at the Latest Practicable Date, none of the Directors or Supervisors had any direct or indirect interest in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2011, being the date to which the latest published audited accounts of the Group were made up.

(iii) Interests in competing business

As at the Latest Practicable Date, none of the Directors or Supervisors or any of their respective associates was interested in any business apart from the Company's business, which competed or was likely to compete, either directly or indirectly, with the Company's business.

4. DIRECTOR'S AND SUPERVISORS SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or Supervisors had entered, or proposed to enter, into a service contract with any member of the Group (excluding contracts expiring or determinable by relevant member of the Group within one year without payment of compensation, other than statutory compensation).

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2011, the date to which the latest published audited consolidated financial statements of the Group were made up.

6. EXPERTS AND CONSENTS

The following are the qualifications of the experts who had given opinion or advice which is contained in this circular:

Name	Qualification
Bridge Partners	a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
ZhongHe Appraisal Co., Ltd.* (中和資產評估有限公司)	a qualified PRC valuer
China United Assets Appraisal Group Co., Ltd.* (中聯資產評估集團有限公司)	a qualified PRC valuer

Bridge Partners, ZhongHe Appraisal Co., Ltd. and China United Assets Appraisal Group Co., Ltd. are collectively referred to as the “**Experts**” hereinafter.

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.

As at the Latest Practicable Date, none of the Experts has, or has had, direct or indirect interest in any assets which had since 31 December 2011 (being the date which the latest published audited financial statement of the Group was made up) been acquired or disposed of by, or leased to, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

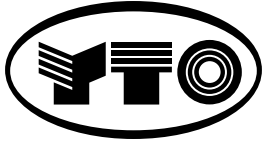
As at the Latest Practicable Date, none of the Experts was beneficially interested in the share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

The letter and recommendation given by Bridge Partners are given as at the date of this circular for incorporation herein. The extract of the (a) Appraisal Report (YTO Flag) dated 29 October 2012 and (b) Appraisal Report (YTO Axle) dated 5 November 2012 have been prepared by ZhongHe Appraisal Co., Ltd. for incorporation herein. The extract of the Appraisal Report (YTO Foundry) dated 12 November 2012 has been prepared by China United Assets Appraisal Group Co., Ltd. for incorporation herein.

7. DOCUMENTS FOR INSPECTION

Copies of the following documents 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:

- a) the Acquisition Agreements;
- b) the letter from the Independent Board Committee, the text of which is set out on pages 14 to 15 of this circular;
- c) the letter of advice from Bridge Partners, the text of which is set out on pages 16 to 34 of this circular;
- d) summaries of the Appraisal Report (YTO Flag), Appraisal Report (YTO Foundry) and Appraisal Report (YTO Axle), the text of which is set out on pages 35 to 49 of this circular;
- e) the written consents referred to in the paragraph headed “Expert and Consents” in this Appendix; and
- f) this circular.



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
EXTRAORDINARY GENERAL MEETING**

This notice is supplemental to the notice dated 29 October 2012 (the “**Notice**”) of the extraordinary general meeting (the “**EGM**”) of First Tractor Company Limited (the “**Company**”) to be held at 9:00 a.m. on 20 December 2012 (Thursday) 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 15 November 2012.

According to Article 78 of the articles of association of the Company, Shareholders individually or jointly holding more than 3% of the Company’s Shares may raise a provisional proposal and submit to the Board in writing 10 days prior to the date of the general meeting. The Board shall issue a supplemental notice of general meeting announcing the contents of the provisional proposals within 2 days upon receipt of the proposals.

On 3 December 2012, the Board received a letter from the controlling shareholder of the Company, YTO Group Corporation, requesting for the inclusion of ordinary resolutions to consider and approve the YTO Flag Agreement, YTO Foundry Agreement and YTO Axle Agreement at the EGM. According to Article 78 of the articles of association, the Board agreed to put forward the above new ordinary resolutions at the EGM for the Shareholders’ consideration and approval.

The following ordinary resolutions are proposed to the EGM as ordinary resolution numbers 32 to 35:

SUPPLEMENTAL NOTICE OF EGM

AS ORDINARY RESOLUTIONS:

32. To approve and confirm the YTO Flag Agreement (copy of which has been produced to the EGM marked “12” and signed by the chairman of the EGM for the purpose of identification), the terms and conditions thereof, the transaction contemplated thereunder and the implementation thereof;
33. To approve and confirm the YTO Foundry Agreement (copy of which has been produced to the EGM marked “13” and signed by the chairman of the EGM for the purpose of identification), the terms and conditions thereof, the transaction contemplated thereunder and the implementation thereof;
34. To approve and confirm the YTO Axle Agreement (copy of which has been produced to the EGM marked “14” and signed by the chairman of the EGM for the purpose of identification), the terms and conditions thereof, the transaction contemplated thereunder and the implementation thereof; and
35. To approve, ratify and confirm any one of the Directors 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 YTO Flag Agreement, YTO Foundry Agreement and YTO Axle Agreement.

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

Luoyang, the PRC
4 December 2012

As at the date of this notice, Mr. Zhao Yanshui is the Chairman and executive Director of the Company and Mr. Su Weike is the vice Chairman and non-executive Director of the Company. Other members of the Board are, three executive Directors, namely, Ms. Dong Jianhong, Mr. Qu Dawei and Mr. Liu Jiguo; two non-executive Directors, namely, Mr. Yan Linjiao and Mr. Liu Yongle; and four independent non-executive Directors, namely, Mr. Luo Xiwen, Mr. Chan Sau Shan, Gary, Mr. Hong Xianguo and Mr. Zhang Qiusheng.

SUPPLEMENTAL NOTICE OF EGM

Notes:

1. Please refer to the Notice for details in respect of other resolutions to be proposed at the EGM.
2. The register of members of the Company would be temporarily closed from 20 November 2012 to 19 December 2012 (both days inclusive) during which no transfer of shares of the Company (the “**Shares**”) would be registered in order to determine the list of shareholders of the Company (the “**Shareholders**”) for attending the EGM. The last lodgment for the transfer of the H Shares of the Company should be made on 19 November 2012 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 19 November 2012 were entitled to attend the EGM by presenting their identity documents. The address of Hong Kong Registrars Limited, the H Shares registrar of the Company, 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 EGM 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 EGM or any adjournment thereof.
5. Shareholders or their proxies shall present proofs of their identities upon attending the EGM. Should a proxy be appointed, the proxy shall also present the supplemental proxy form.
6. The EGM is expected to last for less than one day. The Shareholders and proxies attending the EGM shall be responsible for their own travelling and accommodation expenses.
7. 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@yogroup.com

* *For identification purposes only*