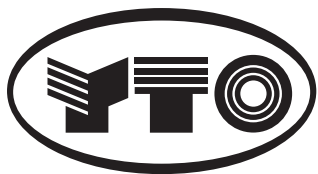


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第一拖拉机股份有限公司
FIRST TRACTOR COMPANY LIMITED*

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

(Stock Code: 0038)

CONNECTED TRANSACTION

PURCHASE OF SHORT-TERM FINANCING BILLS

On 31 August 2009, FT Finance Company, a non wholly-owned subsidiary of the Company, and China Citic Bank, an independent third party to the Company, entered into the Distribution Agreement pursuant to which FT Finance Company has agreed to purchase the Financing Bills in the principal amount of RMB30,000,000.00 issued by YTO Group, the controlling shareholder and connected person of the Company.

The Purchase of the Financing Bills in the principal amount of RMB30,000,000.00 constitutes a financial assistance provided by the Company to YTO Group under Chapter 14A of the Listing Rules. As the relevant percentage ratios of the Purchase are less than 2.5%, the Purchase is subject to the reporting and announcement requirements only but is exempt from independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 31 August 2009, FT Finance Company, a non wholly-owned subsidiary of the Company, and China Citic Bank, an independent third party to the Company, entered into the Distribution Agreement pursuant to which FT Finance Company has agreed to purchase the Financing Bills in the principal amount of RMB30,000,000.00 issued by YTO Group, the controlling shareholder and connected person of the Company.

THE DISTRIBUTION AGREEMENT

The following is the brief summary of some of the principal terms of the Distribution Agreement:

(1) Date

31 August 2009

(2) Parties

- (a) FT Finance Company, a non wholly-owned subsidiary of the Company; and
- (b) China Citic Bank. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, China Citic Bank and its ultimate beneficial owner are third parties independent of the Company and the connected persons of the Company (as defined in the Listing Rules).

(3) Details of the Purchase

FT Finance Company and China Citic Bank entered into the Distribution Agreement on 31 August 2009 pursuant to which FT Finance Company has agreed to purchase the Financing Bills in the principal amount of RMB30,000,000.00 issued by YTO Group.

(4) Consideration

The consideration of the Distribution Agreement is RMB30,000,000.00 (approximately HK\$34,200,000.00), which shall be settled by FT Finance Company from its internal resources on 31 August 2009.

The consideration is the principal amount of the Financing Bills in the sum of RMB30,000,000.00 purchased by the Company. The Board (including independent non-executive Directors) considers that the consideration and the terms of the Distribution Agreement are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

(5) Other terms of the Distribution Agreement

If FT Finance Company does not settle the consideration on time or China Citic Bank does not transfer the Financing Bills in the principal sum of RMB30,000,000.00 to FT Finance Company on time according to the Distribution Agreement, an amount equivalent to 0.025% of RMB30,000,000.00 per day shall be paid to the non-defaulting party as a compensation.

INFORMATION OF THE FINANCING BILLS

The Financing Bills are the second tranche unsecured short-term financing bills issued by YTO Group with a total principal amount of RMB300,000,000.00 and a term of 365 days from 31 August 2009 to 31 August 2010. The first tranche short-term financing bills with a total principal amount of RMB600,000,000.00 were issued by YTO Group on 8 January 2009.

The nominal value of the Financing Bills is RMB100 per bill and the interest rate thereof, which is determined according to the book-building processes results, is 3.4%. Both the issuing date and distribution date of the Financing Bills are 28 August 2009. The interest accumulating date of the Financing Bills is from 31 August 2009. The repayment date of the Financing Bills is 31 August 2010 and the principal amount together with interests will be repaid on an one-off basis upon maturity.

According to Dagong Global Credit Rating Company Limited (“**Dagong Global**”), a qualified institute for credit rating, the credit rating of YTO Group is AA- and the credit rating of the Financing Bills is A-1. The proceeds raised from the issuance of the Financing Bills shall be used by YTO Group to supplement production and operation cash flows and to repay bank loans.

REASONS FOR THE PURCHASE

The interest rate of the Financing Bills is 3.4% which is higher than the market 1-year annual interest rate on deposits of 2.25% by 1.15 percentage point. According to the credit rating report issued by Dagong Global, the repayment capability of YTO Group for the Financing Bills is high. Further, the term of the Financing Bills is 365 days and the Financing Bills can be traded within the PRC Financial Market Institutional Investors (全國銀行間債券市場機構投資者). The liquidity of the Financing Bills is high. FT Finance Company has sufficient capital. The Purchase of the Financing Bills is conducive to the efficient use of the capital.

In light of the high return and low investment risk of the Purchase, the Directors, including the independent non-executive Directors, consider that the Purchase is on normal commercial terms, fair and reasonable and in the interest of the Group and its Shareholders as a whole.

INFORMATION OF FT FINANCE COMPANY, CHINA CITIC BANK AND YTO GROUP

FT Finance Company is a non wholly-owned subsidiary of the Company and is principally engaged in non-banking financial business.

China Citic Bank is a joint stock limited company incorporated in the PRC and is principally engaged in the banking business. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, China Citic Bank and its ultimate beneficial owner are third parties independent of the Company and the connected persons of the Company (as defined in the Listing Rules).

YTO Group is the controlling shareholder of the Company and is principally engaged in the production of transportation and agricultural machineries and vehicles products, etc.

LISTING RULES IMPLICATION

YTO Group is the controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. The Purchase of the Financing Bills in the principal amount of RMB30,000,000.00 constitutes a financial assistance provided by the Company to YTO Group under Chapter 14A of the Listing Rules.

As the relevant percentage ratios of the Purchase are less than 2.5%, the Purchase is subject to the reporting and announcement requirements only but is exempt from independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, the following terms have the following meanings:

“Board”	the board of Directors;
“China Citic Bank”	中信銀行股份有限公司 (China Citic Bank Corporation Limited), a joint stock limited company incorporated in the PRC, the shares of which are listed on the Stock Exchange;
“Company”	第一拖拉機股份有限公司 (First Tractor Company Limited*), a joint stock limited company incorporated in the PRC, the H shares of which are listed on the Stock Exchange;
“Directors”	the directors of the Company, including the independent non-executive directors;
“Distribution Agreement”	the distribution agreement for the Financing Bills entered into between FT Finance Company and China Citic Bank on 31 August 2009 in respect of the Purchase;
“Financing Bills”	the second tranche unsecured short-term financing bills issued by YTO Group with a total principal amount of RMB300,000,000.00 and a term of 365 days from 31 August 2009 to 31 August 2010;
“FT Finance Company”	中國一拖集團財務有限責任公司 (China First Tractor Group Finance Company Limited*), a limited liability company incorporated in the PRC and a non wholly-owned subsidiary of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“percentage ratio”	has the meaning 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 announcement, excludes Hong Kong, Macau and Taiwan;
“Purchase”	the purchase of the Financing Bills in the principal amount of RMB30,000,000.00 by FT Finance Company pursuant to the Distribution Agreement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	registered holder(s) of the shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“YTO Group”	中國一拖集團有限公司 (YTO Group Corporation*), a limited liability company incorporated in the PRC and the controlling shareholder of the Company.

By Order of the Board
FIRST TRACTOR COMPANY LIMITED
Liu Dagong
Chairman

Luoyang, the PRC
31 August 2009

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Liu Dagong, Ms. Dong Jianhong, Mr. Qu Dawei and Mr. Li Xibin, and four non-executive Directors, namely Mr. Zhao Yanshui, Mr. Yan Linjiao, Mr. Shao Haichen and Mr. Liu Yongle, and three independent non-executive Directors, namely Mr. Chan Sau Shan, Gary, Mr. Luo Xiwen and Mr. Hong Xianguo.

* *for identification purposes only*