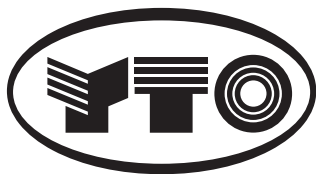


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第一拖拉机股份有限公司 **FIRST TRACTOR COMPANY LIMITED***

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

(Stock Code: 0038)

CONNECTED TRANSACTIONS

On 19 November 2009 and 20 November 2009, the Company and Machinery Design Institution entered into the Construction Management Agreement for Standard Equipments, Project Management Agreement, Construction Agreement for Non-standard Equipments and Purchase Agreement at a total consideration of RMB47,709,900.00 (approximately HK\$53,912,187.00) for the purpose of the Large Wheeled Tractors Project.

Machinery Design Institution is an indirect wholly-owned subsidiary of China Machinery, which is the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. The transactions contemplated under the Agreements constitute connected transactions of the Company and should be aggregated under Chapter 14A of the Listing Rules.

Since the total consideration of the Agreements represents less than 2.5% of the applicable percentage ratios of the Company, the Agreements are subject to the reporting and announcement requirements only but are exempt from independent shareholders' approval requirements pursuant to Rule 14A.32 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 19 November 2009 and 20 November 2009, the Company and Machinery Design Institution entered into the Construction Management Agreement for Standard Equipments, Project Management Agreement, Construction Agreement for Non-standard Equipments and Purchase Agreement at a total consideration of RMB47,709,900.00 (approximately HK\$53,912,187.00) for the purpose of the Large Wheeled Tractors Project.

Set out below is the brief summary of some of the principal terms of the Agreements:

- Date of the Agreements:
- (i) Construction Management Agreement for Standard Equipments: 20 November 2009
 - (ii) Project Management Agreement: 20 November 2009
 - (iii) Construction Agreement for Non-standard Equipments: 19 November 2009
 - (iv) Purchase Agreement: 20 November 2009
- Parties to the Agreements:
- (i) the Company; and
 - (ii) Machinery Design Institution

CONSTRUCTION MANAGEMENT AGREEMENT FOR STANDARD EQUIPMENTS

Pursuant to the Construction Management Agreement for Standard Equipments, Machinery Design Institution has contracted for the management works in relation to the standard equipments of the assembly factories of the Large Wheeled Tractors Project, including but not limited to preparation and organization of tenders, technical assessments, preparation and execution of technology agreements, quality and process control of equipments, process, quality and safety management of construction site, examination of equipments, and coordination of staff training, equipment information and completion of construction.

Term

The term of the Construction Management Agreement for Standard Equipments shall commence upon its signing until completion of adjustment and testing of all equipments.

Consideration and payment terms

The consideration of the Construction Management Agreement for Standard Equipments is RMB3,000,000.00 (approximately HK\$3,390,000.00), which shall be settled by the Company from its internal resources in the following manner:

- (i) 20% of the consideration (i.e. RMB600,000.00) to be paid within 1 month upon signing of the Construction Management Agreement for Standard Equipments as prepayment;
- (ii) 40% of the consideration (i.e. RMB1,200,000.00) to be paid within 1 month upon installation of the equipments into the construction site;
- (iii) 30% of the consideration (i.e. RMB900,000.00) to be paid within 1 month upon completion of installation, adjustment and testing of all equipments; and
- (iv) the remaining 10% of the consideration (i.e. RMB300,000.00) to be paid within 1 month upon final examination and acceptance of the equipments of the production line.

PROJECT MANAGEMENT AGREEMENT

Pursuant to the Project Management Agreement, Machinery Design Institution has contracted for the management works in relation to the construction and installation of the joint factory and its car park, two office buildings, composite laboratory, testing shed, petrol station and construction plan for the Large Wheeled Tractors Project, including but not limited to management of preparation work of the construction and installation project, supervision of the design of the construction plan and supervision of the progress of the construction and installation project.

Term

The term of the Project Management Agreement shall commence upon commencement of the construction and installation project in 2009 until its completion.

Consideration and payment terms

The consideration of the Project Management Agreement is RMB3,939,900.00 (approximately HK\$4,452,087.00), which shall be settled by the Company from its internal resources in the following manner:

- (i) 20% of the consideration to be paid within 1 month upon signing of the Project Management Agreement as prepayment;
- (ii) to be paid up to 50% of the consideration upon completion of the main part of the joint factory;
- (iii) to be paid up to 60% of the consideration upon completion of the surrounding safety walls of the joint factory;
- (iv) to be paid up to 70% of the consideration upon completion of the groundwork of the joint factory;
- (v) to be paid up to 80% of the consideration upon completion of the public main pipe(s) of the joint factory;
- (vi) to be paid up to 95% of the consideration upon completion of the whole construction and installation project; and
- (vii) the remaining 5% of the consideration to be paid after 1 year upon examination and acceptance of the completed construction and installation project.

CONSTRUCTION AGREEMENT FOR NON-STANDARD EQUIPMENTS

Pursuant to the Construction Agreement for Non-standard Equipments, Machinery Design Institution has contracted for the construction of non-standard equipments of assembly factories of the Large Wheeled Tractors Project, including but not limited to design, manufacturing, installation, adjustment and testing, examination and acceptance, trial run, use and delivery of the production lines for large wheeled tractors to ensure mass productivity of the production lines. Machinery Design Institution will also be responsible for the function, workability and completeness of the construction.

Term

The term of the Construction Agreement for Non-standard Equipments shall commence upon its signing until 31 March 2010, subject to satisfaction of the production condition. The term of the Construction Agreement for Non-standard Equipments can be delayed upon confirmation of the following factors by the engineer of the Large Wheeled Tractors Project:

- (i) the Company has not satisfied the construction commencement conditions;
- (ii) the Company has not paid the prepayment or other payments in accordance with the terms of the Construction Agreement for Non-standard Equipments, as a result of which the construction work cannot be proceeded;
- (iii) the Company has not provided the necessary instructions or obtained the necessary approval(s) in accordance with the Construction Agreement for Non-standard Equipments, as a result of which the construction work cannot be proceeded;
- (iv) increment of construction work;
- (v) construction work has been stopped for more than 8 hours in aggregate within 1 week due to no water, electricity or gas provision without default on the part of Machinery Design Institution;
- (vi) force majeure; or
- (vii) any postponement as agreed under the Construction Agreement for Non-standard Equipments or by the Company.

Consideration and payment terms

The consideration of the Construction Agreement for Non-standard Equipments is RMB35,220,000.00 (approximately HK\$39,798,600.00) (including RMB28,220,000.00 for production line equipments, RMB4,200,000.00 for installation, adjustment and testing, and RMB2,800,000.00 for technology services), subject to adjustment due to any change of the construction as agreed by the Company. The consideration shall be settled by the Company from its internal resources in the following manner:

- (i) 30% of the consideration to be paid within 20 days upon signing of the Construction Agreement for Non-standard Equipments as prepayment;
- (ii) 30% of the consideration to be paid within 1 month upon installation of the non-standard equipments into the construction site;
- (iii) 25% of the consideration to be paid within 1 month of the preliminary examination and acceptance of the construction work;
- (iv) 10% of the consideration to be paid within 1 month after examination and acceptance of the completed construction work; and
- (v) the remaining 5% of the consideration to be paid within 1 month after expiry of 12 months from the examination and acceptance of the completed construction work.

PURCHASE AGREEMENT

Pursuant to the Purchase Agreement, Machinery Design Institution has agreed to provide to the Company certain goods including but not limited to air conditioners, transformers, high and low voltage switch devices, cupric aluminum wire grooves, electric cables and switchboards. The goods will be delivered in November 2009 and their installation will complete in December 2009.

Consideration and payment terms

The consideration of the Purchase Agreement is RMB5,550,000.00 (approximately HK\$6,271,500.00) (including the packaging, transportation and after-sale service fees). The consideration shall be settled by the Company from its internal resources in the following manner:

- (i) 30% of the consideration (i.e. RMB1,665,000.00) to be paid within 30 days upon signing of the Purchase Agreement;
- (ii) 30% of the consideration (i.e. RMB1,665,000.00) to be paid within 30 days upon delivery of the goods;
- (iii) 30% of the consideration (i.e. RMB1,665,000.00) to be paid within 30 days upon completion of the installation of the goods;
- (iv) 5% of the consideration (i.e. RMB277,500.00) to be paid within 30 days upon adjustment, testing and acceptance of the goods;
- (v) 5% of the consideration (i.e. RMB277,500.00) to be paid within 30 days after expiry of the 1-year quality assurance period, which will be counted from the date of completion of installation, examination and acceptance of the goods.

REASONS FOR ENTERING INTO THE AGREEMENTS

The entering into of the Agreements was for the purposes of construction of the assembly factories of the Company with annual production capacity of 33,000 large wheeled tractors. In recent years, the subsidies from the PRC government for purchase of agricultural machineries have increased. Further, protective farming and establishment of rural village cooperation group were promoted in the PRC. There was a steady increase in demand for middle and large wheeled tractors in the agricultural machinery industry. There was also a great demand for large wheeled tractors with 140 horse power.

The present production capacity of the Company for large wheeled tractors is 15,000 per year. The production lines for large wheeled tractors were overloaded and the present production was not able to satisfy the demand for large wheeled tractors with 140 horse power or above. In order to satisfy the market demand and consolidate the leading position of the Company in products and technologies in the PRC tractor industry as well as to enhance the core competitiveness and continued development of the Company, the Company was prepared to construct new assembly factories for large wheeled tractors to increase the whole production capacity of the Company for large wheeled tractors to 33,000 per year.

The terms and consideration of each of the Agreements were determined after arm's length negotiations between the parties and with reference to the market prices of comparable goods and services.

In light of the above, the Directors (including the independent non-executive Directors) consider that the consideration and the terms of each of the Agreements are on normal commercial terms, fair and reasonable and in the interest of the Group and its Shareholders as a whole.

INFORMATION OF THE GROUP AND MACHINERY DESIGN INSTITUTION

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

Machinery Design Institution is principally engaged in Grade-A design of machineries and civil buildings; construction survey and measurement, geotechnical and hydrology engineering, consultancy, contracting and supervision of construction; manufacturing and installation of non-standard equipments and electrical automation equipments; consultancy and design of foreign-related construction; general contracting of construction, import and export of equipments and raw materials and designation of labor.

LISTING RULES IMPLICATION

Machinery Design Institution is an indirect wholly-owned subsidiary of China Machinery, which is the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. The transactions contemplated under the Agreements constitute connected transactions of the Company and should be aggregated under Chapter 14A of the Listing Rules.

There is no other similar transaction which should be aggregated with the Agreements pursuant to Rule 14A.27 of the Listing Rules.

Since the total consideration of the Agreements represents less than 2.5% of the applicable percentage ratios of the Company, the Agreements are subject to the reporting and announcement requirements only but are exempt from independent shareholders' approval requirements pursuant to Rule 14A.32 of the Listing Rules.

DEFINITIONS

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

“Agreements”	includes Construction Management Agreement for Standard Equipments, Project Management Agreement, Construction Agreement for Non-standard Equipments and Purchase Agreement;
“Board”	the board of Directors;
“China Machinery”	China National Machinery Industry Corporation* (中國機械工業集團有限公司), a wholly State-owned company incorporated in the PRC managed by the State-owned Assets Supervision and Administrative Commission of State Council of the PRC, the ultimate controlling shareholder of the Company and the controlling shareholder of YTO Group Corporation* (中國一拖集團有限公司), the controlling shareholder of the Company;
“Company”	First Tractor Company Limited* (第一拖拉機股份有限公司), a joint stock company with limited liability incorporated in the PRC, the H shares of which are listed on the Stock Exchange;
“Construction Agreement for Non-standard Equipments”	the construction agreement for non-standard equipments entered into between the Company and Machinery Design Institution on 19 November 2009;
“Construction Management Agreement for Standard Equipments”	the construction management agreement for standard equipments entered into between the Company and Machinery Design Institution on 20 November 2009;
“Directors”	the directors of the Company, including the independent non-executive directors;
“Group”	the Company and its subsidiaries;

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Large Wheeled Tractors Project”	a project of the Company for annual production of 33,000 large wheeled tractors (第一拖拉機股份有限公司年產33,000台大功率輪式拖拉機項目), located at Luoyang City, Henan Province, the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Machinery Design Institution”	Machinery Industry Fourth Design Institution* (機械工業第四設計研究院), a company incorporated in the PRC and an indirect wholly-owned subsidiary of China Machinery;
“percentage ratio(s)”	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;
“Project Management Agreement”	the construction and installation project management agreement entered into between the Company and Machinery Design Institution on 20 November 2009;
“Purchase Agreement”	the equipments purchase agreement entered into between the Company and Machinery Design Institution on 20 November 2009;

“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	registered holder(s) of the shares of the Company; and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

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

Luoyang, the PRC
20 November 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*