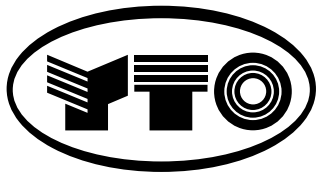


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第一拖拉机股份有限公司* **FIRST TRACTOR COMPANY LIMITED**

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

(Stock Code: 0038)

CONNECTED TRANSACTIONS IN RELATION TO ACQUISITION OF INTEREST IN

YTO KETEDIWA AGRICULTURAL MACHINERIES ASSEMBLY CO., LTD

On 29 December 2009, YTO and YTO Trading (as sellers) entered into the Agreements with CAMACO (as purchaser), a non-wholly owned subsidiary of the Company, pursuant to which YTO and YTO Trading have agreed to sell their respective 50.28% and 43.3% equity interest of the Target Company to CAMACO at a consideration of RMB2,687,773.68 (equivalent to approximately HK\$3,054,290) and RMB2,314,649.96 (equivalent to approximately HK\$2,630,284) respectively.

YTO is the controlling shareholder of the Company. YTO Trading is a company wholly-owned by YTO and is therefore an associate of YTO. Accordingly, YTO and YTO Trading are regarded as connected persons of the Company. The Acquisitions shall constitute connected transactions of the Company and shall be required to be aggregated under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios in respect of the Acquisitions is less than 2.5%, the Acquisitions 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.

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

AGREEMENT I

Date

29 December 2009

Parties

- (a) YTO (as seller). YTO is the controlling shareholder of the Company and is therefore a connected person of the Company.
- (b) CAMACO (as purchaser). CAMACO is a non-wholly owned subsidiary of the Company and is owned as to 55% by the Company and 45% by CADF.

AGREEMENT II

Date

29 December 2009

Parties

- (a) YTO Trading. YTO Trading is a company wholly-owned by YTO and is therefore an associate of YTO. Accordingly, YTO Trading is a connected person of the Company.
- (b) CAMACO (as purchaser).

Assets to be purchased

The Target Company is owned as to 50.28% and 43.3% by YTO and YTO Trading respectively and an aggregate 93.58% equity interest of the Target Company will be sold to CAMACO by YTO and YTO Trading pursuant to the Agreements.

Consideration

The total consideration in respect of the Acquisitions shall be RMB5,002,423.64 (equivalent to approximately HK\$5,684,572). RMB2,687,773.68 (equivalent to approximately HK\$3,054,290) shall be paid to YTO and RMB2,314,649.96 (equivalent to approximately HK\$2,630,284) shall be paid to YTO Trading on completion. The consideration shall be paid within 60 days from the date of the Agreements by internal resources of the Group.

The consideration was determined with reference to a valuation report issued by the Valuer. The valuation method adopted by the Valuer in the valuation report is income approach and the valuation is taken into account the extent of utilization of assets of the Target Company and the future profitability of the Target Company. Based on the valuation report, the valuation of the entire equity interest of the Target Company as at 31 July 2009 was RMB5,345,611.93 (equivalent to approximately HK\$6,074,560). 93.58% equity interest of the Target Company is equivalent to RMB5,002,423.64 (equivalent to approximately HK\$5,684,572) which is the aggregate consideration of the Acquisitions. The Board (including independent non-executive Directors) considers that the total consideration and the terms of the Agreements are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Financial Information of the Target Company

The net profits (after taxation and extraordinary items) for the two financial year ended 31 December 2008 and 31 December 2007 based on PRC GAAP were RMB28,930 (equivalent to approximately HK\$32,875) and RMB1,223,088 (equivalent to approximately HK\$1,389,873) respectively.

The original investment cost injected by YTO and YTO Trading was approximately RMB2,036,355 (equivalent to approximately HK\$2,314,039) and RMB1,753,560 (equivalent to approximately HK\$1,992,682) respectively.

Completion

Completion shall take place within 60 days from the date of the Agreements. The Acquisitions pursuant to the Agreements will take place simultaneously.

Upon completion of the Acquisition, the Target Company will become a non-wholly owned subsidiary of the Company and its financial results will be consolidated into the financial results of the Group.

INFORMATION OF THE TARGET COMPANY

The Target Company is a limited liability company incorporated according to the laws of République de Côte d'Ivoire in February 1997. The paid up share capital of the Target Company is XOF270,660,000 (equivalent to approximately HK\$4,600,000). Prior to the date of the Agreements, 43.3% equity interest of the Target Company is held by YTO Trading and 50.28% equity interest of the Target Company is held by YTO. The remaining 6.42% equity interest is owned by several individuals and working partners of the Target Company who are Independent Third Parties. The principal business activity of the Target Company is to manufacture, assemble and import and export of agricultural machineries and other parts.

REASONS FOR THE ACQUISITION

Pursuant to a cooperative framework agreement entered into between YTO and CADF in May 2008, YTO and YTO Trading shall sell their respective shares in the Target Company to CAMACO. The Acquisition is to implement the co-operation agreed in the cooperative framework agreement. Further, the Acquisitions can expand the market share of CAMACO and expand its market in Africa.

INFORMATION OF THE GROUP, CAMACO, YTO AND YTO TRADING

The principal activities of the Group comprise the production and sale of agricultural machineries, engine machineries and construction machineries.

The principal business activity of CAMACO includes conducting investment activities in businesses including agricultural machineries, construction machineries in Africa, trading of agricultural machineries, construction machineries and mechanical parts and any other types of products (subject to the approval of relevant regulatory authorities).

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

YTO Trading is wholly-owned by YTO and is principally engaged in import and export business of different kinds of products and technology (except products and technology which is restricted or forbidden by the PRC government).

LISTING RULES' IMPLICATION

YTO beneficially owns approximately 52.48% of the issued share capital of the Company and is the controlling shareholder of the Company. YTO Trading is a company wholly-owned by YTO and is therefore an associate of YTO. Accordingly, YTO and YTO Trading are regarded as connected persons of the Company under the Listing Rules. The Acquisitions shall constitute connected transactions of the Company and shall be required to be aggregated under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios in respect of the Acquisitions is less than 2.5%, the Acquisitions 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:

“Acquisitions”	the acquisitions of an aggregate 93.58% equity interest of the Target Company at a total consideration of RMB5,002,423.64 by CAMACO from YTO and YTO Trading pursuant to the terms of the Agreements
“Agreement I”	the sale and purchase agreements dated 29 December 2009 entered into between YTO and CAMACO pursuant to which YTO agreed to sell its 50.28% equity interest of the Target Company to CAMACO at a consideration of RMB2,687,773.68
“Agreement II”	the sale and purchase agreements dated 29 December 2009 entered into between YTO Trading and CAMACO pursuant to which YTO Trading agreed to sell its 43.3% equity interest of the Target Company to CAMACO at a consideration of RMB2,314,649.96
“Agreements”	Agreement I and Agreement II
“associate(s)”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of directors of the Company

“CADF”	China-Africa Development Fund Company Limited* (中非發展基金有限公司), a limited liability company incorporated in the PRC and is an Independent Third Party
“CAMACO”	China-Africa Machinery Corporation* (中非重工投資有限公司), a limited liability company incorporated in the PRC, which is owned as to 55% by the Company and 45% by CADF
“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 (stock code: 0038) are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to this term under the Listing Rules
“controlling shareholder”	has the meaning ascribed to this term under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, are third parties independent of and not connected with the Company and its subsidiaries and its connected persons (as defined in the Listing Rules)

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“PRC GAAP”	PRC Generally Accepted Accounting Principles
“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
“Target Company”	一拖科特迪瓦農機裝配有限公司 (YTO Ketediwa Agricultural Machineries Assembly Co., Ltd.*), a limited liability company incorporated in République de Côte d’Ivoire and is owned as to 50.28% by YTO, 43.3% by YTO Trading and 6.42% by several individuals and working partners of the Target Company who are Independent Third Parties
“Valuer”	龍源智博資產評估有限責任公司 (Longyuan Zhibo Assets Valuation Company Limited*), a limited liability company incorporated in the PRC, which was responsible to conduct a valuation of the Target Company
“XOF”	the West African Communauté financière d’Afrique franc, the lawful currency of République de Côte d’Ivoire

“YTO”	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
“YTO Trading”	一拖國際經濟貿易有限公司 (YTO International Economic and Trading Co., Ltd.*), a limited liability company incorporated in the PRC and is wholly-owned by YTO

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

Luoyang, the PRC
30 December 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*

In this announcement, HK\$1.00=RMB0.88.