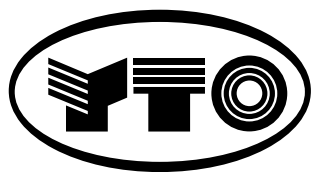


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# **第一拖拉机股份有限公司** **FIRST TRACTOR COMPANY LIMITED** \*

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

(Stock Code: 0038)

## **CONNECTED TRANSACTIONS**

Reference is made to the announcement and circular of the Company dated 28 June 2010 and 20 July 2010 respectively in relation to, among other things, the Disposal of 100% equity interest in both YTO B&C Machinery and YTO Machinery Sales by the Company to YTO.

The Disposal was completed on 9 October 2010 and since then, YTO Machinery Sales, together with its wholly-owned subsidiaries, YTO Building Machinery and YTO Construction Machinery, as well as YTO B&C Machinery became wholly-owned subsidiaries of YTO, the controlling shareholder of the Company.

During the period from December 2009 to August 2010, the Company has entered into the Agreements. At their respective signing dates and before 9 October 2010, the transactions contemplated under the Agreements did not constitute connected transactions of the Company as YTO Machinery Sales, YTO Building Machinery, YTO Construction Machinery and YTO B&C Machinery were subsidiaries of the Company before 9 October 2010. Since YTO Machinery Sales, YTO Building Machinery, YTO Construction Machinery and YTO B&C Machinery became wholly-owned subsidiaries of YTO on 9 October 2010 and hence connected persons of the Company, the transactions contemplated under the Agreements became connected transactions of the Company as well as financial assistance provided by the Group, and should be aggregated under the Listing Rules.

Since the relevant percentage ratios of the Agreements are less than 5%, the Agreements are exempted from the independent shareholders' approval requirements but subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

## INTRODUCTION

Reference is made to the announcement and circular of the Company dated 28 June 2010 and 20 July 2010 respectively in relation to, among other things, the Disposal of 100% equity interest in both YTO B&C Machinery and YTO Machinery Sales by the Company to YTO.

The Disposal was completed on 9 October 2010 and since then, YTO Machinery Sales, together with its wholly-owned subsidiaries, YTO Building Machinery and YTO Construction Machinery, as well as YTO B&C Machinery became wholly-owned subsidiaries of YTO, the controlling shareholder of the Company.

During the period from December 2009 to August 2010, the Company has entered into the Agreements, i.e., YTO B&C Machinery Designated Loan Agreements, YTO Building Machinery Loan Agreements, YTO Building Machinery Guarantee Agreements, YTO Building Machinery Pledge Agreement and YTO Construction Machinery Guarantee Agreements. At the respective signing dates of the Agreements and before 9 October 2010, the transactions contemplated under the Agreements did not constitute connected transactions of the Company as YTO Machinery Sales, YTO Building Machinery, YTO Construction Machinery and YTO B&C Machinery were subsidiaries of the Company before 9 October 2010. Since YTO Machinery Sales, YTO Building Machinery, YTO Construction Machinery and YTO B&C Machinery became wholly-owned subsidiaries of YTO on 9 October 2010 and hence connected persons of the Company, the transactions contemplated under the Agreements became connected transactions of the Company as well as financial assistance provided by the Group, and should be aggregated and announced under the Listing Rules.

A summary of the principal terms of the Agreements is as follows:

### **(A) YTO B&C Machinery Designated Loan Agreements**

The Company entered into three YTO B&C Machinery Designated Loan Agreements with YTO B&C Machinery and First Tractor Finance on 29 December 2009, 3 March 2010 and 26 May 2010 respectively. The terms in these three YTO B&C Machinery Designated Loan Agreements are similar to one another. Set out below are the principal terms:

<b>Dates:</b>	1st agreement - 29 December 2009
	2nd agreement - 3 March 2010
	3rd agreement - 26 May 2010

<b>Parties:</b>	<ul style="list-style-type: none"> <li>(a) The Company</li> <li>(b) YTO B&amp;C Machinery</li> <li>(c) First Tractor Finance</li> </ul>
<b>Details of the transaction:</b>	<p>Pursuant to the YTO B&amp;C Machinery Designated Loan Agreements, First Tractor Finance will (i) accept designated deposits placed by the Company, (ii) release loans in the respective sum of RMB5,000,000, RMB4,500,000 and RMB2,000,000 to YTO B&amp;C Machinery according to the Company's instructions, and (iii) assist the Company in collecting the above loans and their interests from YTO B&amp;C Machinery.</p>
<b>Designated loan amounts:</b>	<p>1st agreement - RMB5,000,000  2nd agreement - RMB4,500,000  3rd agreement - RMB2,000,000</p>
<b>Terms of the designated loans:</b>	<p>1st agreement - from 29 December 2009 to 29 December 2010  2nd agreement - from 3 March 2010 to 3 March 2011  3rd agreement - from 26 May 2010 to 26 May 2011</p>
<b>Monthly interest rate for the designated loan:</b>	<p>0.4425% (subject to adjustments on the interest rate and interest calculation method made by the PBOC) payable by YTO B&amp;C Machinery to the Company.</p> <p>The interest rate was determined after arm's length negotiations between the parties with reference to the interest rate set by the PBOC and the requirements set by relevant regulatory authorities.</p>

**Service fees:** Amount of the designated loans x 0.1% x period of the designated loans.

The service fees were determined after arm's length negotiations between the parties with reference to the service fees of commercial banks in the PRC for providing designated loan services. The service fees will be paid by YTO B&C Machinery to First Tractor Finance.

**Rights to early repayment:** Subject to consent by the Company and after notifying First Tractor Finance, YTO B&C Machinery may make early repayment of the loans under the respective YTO B&C Machinery Designated Loan Agreements.

**Guarantee:** YTO Construction Machinery and the Company entered into three guarantee agreements on 28 December 2009, 2 March 2010 and 25 May 2010, pursuant to which YTO Construction Machinery agreed to provide guarantee to the Company on YTO B&C Machinery's liabilities arising from the three YTO B&C Machinery Designated Loan Agreements for a period from the dates of the guarantee agreements to two years after the expiry of the abovementioned terms of the designated loans.

## **(B) YTO Building Machinery Loan Agreements and YTO Building Machinery Guarantee Agreements**

On 26 March 2010 and 21 May 2010, YTO Building Machinery and First Tractor Finance entered into two YTO Building Machinery Loan Agreements, pursuant to which First Tractor Finance agreed to provide loans to YTO Building Machinery in the maximum loan amounts of RMB10,000,000 and RMB7,000,000 respectively at a monthly interest rate of 0.464625% (subject to any adjustments made by the PBOC), which was determined after arm's length negotiations between the parties with reference to the interest rate set by the PBOC and the requirements set by relevant regulatory authorities. The terms of the loans under the above agreements dated 26 March 2010 and 21 May 2010 shall be 12 months from 26 March 2010 to 26 March 2011 and 21 May 2010 to 21 May 2011 respectively. Pursuant to the YTO Building Machinery Loan Agreements, YTO Building Machinery may request First Tractor Finance to provide loans in the abovementioned maximum loan amounts at any time during the terms thereof. The loans provided can only be used as working capital of YTO Building Machinery.

In order to secure YTO Building Machinery's liabilities arising from the YTO Building Machinery Loan Agreements, the Company and First Tractor Finance entered into two YTO Building Machinery Guarantee Agreements on 26 March 2010 and 23 May 2010, the principal terms of which are set out below:

<b>Dates:</b>	1st agreement - 26 March 2010 2nd agreement - 23 May 2010
<b>Parties:</b>	(a) The Company (b) First Tractor Finance
<b>Guarantee to be provided:</b>	The Company agreed to provide guarantee to First Tractor Finance on YTO Building Machinery's liabilities arising from the YTO Building Machinery Loan Agreements.
<b>Maximum guarantee amounts:</b>	1st agreement - RMB10,000,000 2nd agreement - RMB7,000,000
<b>Guarantee periods:</b>	1st agreement - from 26 March 2010 to 26 March 2013 2nd agreement - from 23 May 2010 to 21 May 2013

**Scope of guarantee:** Principal amount of loans, interests arising from the loans and loans overdue, and any related fees arising from collection of the loans under the YTO Building Machinery Loan Agreements

In order to avoid the loss of the Company in case of performing its obligations under the YTO Building Machinery Guarantee Agreements, the Company and YTO Construction Machinery entered into two counter-guarantee agreements on 25 March 2010 and 20 May 2010, pursuant to which YTO Construction Machinery agreed to provide counter-guarantee to the Company including the principal amount of loans, interests arising from the loans and loans overdue, and any related fees arising from collection of the loans under the YTO Building Machinery Loan Agreements as well as any other fees arising from repayment of the loans by the Company for and on behalf of YTO Building Machinery.

### **(C) YTO Building Machinery Pledge Agreement**

On 27 August 2010, YTO Building Machinery and ICBC entered into YTO Building Machinery Bills Acceptance Agreement, pursuant to which ICBC accepted 95 bills issued by YTO Building Machinery in the total amount of RMB10,080,000. In order to secure YTO Building Machinery's liabilities arising from YTO Building Machinery Bills Acceptance Agreement, ICBC and First Tractor Finance entered into the YTO Building Machinery Pledge Agreement on 27 August 2010, the principal terms of which are set out below:

**Date:** 27 August 2010

**Parties:** (a) ICBC  
(b) First Tractor Finance

**Effective Period:** From 27 August 2010 to the date on which all outstanding amounts under the YTO Building Machinery Bills Acceptance Agreement have been settled

**Details of the transaction:** First Tractor Finance should deliver the pledged assets (as described below) to ICBC or its nominees within 5 days after the date of YTO Building Machinery Pledge Agreement to secure YTO Building Machinery's liabilities arising from YTO Building Machinery Bills Acceptance Agreement. The fees for keeping the pledged assets should be borne by First Tractor Finance.

<b>Scope of liabilities to be secured:</b>	Principal amount of loans, interests arising from the loans and loans overdue, damages, compensations, losses from exchange rates, fees for keeping the pledged assets and any related fees arising from collection of any outstanding amounts under the YTO Building Machinery Bills Acceptance Agreement.
<b>Details of the pledged assets:</b>	two bank acceptance bills in the total amount of RMB10,100,000
<b>Money arising from the pledged assets:</b>	Any insurance premium or compensations arising from the pledged assets shall be used to settle any outstanding amounts payable by YTO Building Machinery under the YTO Building Machinery Bills Acceptance Agreement, or upon consent by ICBC, be used to restore the value of the pledged assets or be deposited in a designated account at ICBC for the purposes of securing YTO Building Machinery's liabilities arising from YTO Building Machinery Bills Acceptance Agreement.
<b>Rights to request for the return of the pledged assets:</b>	Where ICBC fails to keep the pledged assets in a proper manner and is likely to cause damages to the pledged assets, First Tractor Finance can request ICBC to pass the pledged assets to the safekeeping institutions in the PRC or request for early settlement of the outstanding amounts under the YTO Building Machinery Bills Acceptance Agreement for the return of the pledged assets.
<b>Insurance for the pledged assets:</b>	Upon request by ICBC, First Tractor Finance should purchase insurance for the pledged assets within 15 days after the date of the YTO Building Machinery Pledge Agreement and should ensure that the pledged assets are insured during the term of the agreement. ICBC shall be the primary beneficiary under the insurance policy for the pledged assets. Any compensation from the insurance in respect of the pledged assets shall be paid to ICBC.

In order to avoid the loss of First Tractor Finance in case of performing its obligations under the YTO Building Machinery Pledge Agreement, First Tractor Finance and YTO Construction Machinery entered into a counter-guarantee agreement on 27 August 2010, pursuant to which YTO Construction Machinery agreed to provide counter-guarantee to First Tractor Finance, including the amount of loans and interests arising from the loans overdue under the YTO Building Machinery Bills Acceptance Agreement, and any related fees paid by First Tractor Finance, in the amount of RMB5,040,000. The amount of counter-guarantee is RMB5,040,000 because YTO Building Machinery has provided First Tractor Finance with RMB5,040,000 as security before First Tractor Finance entering into the YTO Building Machinery Pledge Agreement.

**(D) YTO Construction Machinery Bills Acceptance Agreements and YTO Construction Machinery Guarantee Agreements**

On 11 May 2010, 21 June 2010, 27 July 2010, 29 July 2010 and 11 August 2010, YTO Construction Machinery and Luoyang Bank entered into six YTO Construction Machinery Bills Acceptance Agreements, pursuant to which Luoyang Bank accepted the bills issued by YTO Construction Machinery in the total amount of RMB19,300,000. In order to secure YTO Construction Machinery's liabilities arising from the YTO Construction Machinery Bills Acceptance Agreements, the Company and Luoyang Bank entered into six YTO Construction Machinery Guarantee Agreements on 11 May 2010, 20 June 2010, 27 July 2010, 29 July 2010 and 11 August 2010, the principal terms of which are set out below:

<b>Dates:</b>	1st agreement - 11 May 2010
	2nd agreement - 20 June 2010
	3rd agreement - 27 July 2010
	4th agreement - 29 July 2010
	5th agreement - 29 July 2010
	6th agreement - 11 August 2010

<b>Parties:</b>	(a) The Company
	(b) Luoyang Bank

<b>Guarantee to be provided:</b>	The Company agreed to provide guarantees to Luoyang Bank on YTO Construction Machinery's liabilities arising from the YTO Construction Machinery Bills Acceptance Agreements in the total amount of RMB9,650,000.
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<b>Guarantee period:</b>	From the respective dates of the six YTO Construction Machinery Guarantee Agreements to two years after the loans under the respective YTO Construction Machinery Bills Acceptance Agreements are repaid in full.
<b>Guarantee amount:</b>	<p>The total guarantee amount under the six YTO Construction Machinery Guarantee Agreements is RMB9,650,000, the breakdown of which is as follows:</p> <p>1st agreement - RMB1,970,000  2nd agreement - RMB2,800,000  3rd agreement - RMB1,700,000  4th agreement - RMB1,050,000  5th agreement - RMB800,000  6th agreement - RMB1,330,000</p>
<b>Scope of guarantee:</b>	Principal amount of loans, interests arising from the loans and loans overdue, damages, compensations and any related fees arising from collection of loans under the YTO Construction Machinery Bills Acceptance Agreements.

In order to avoid the loss of the Company in case of performing its obligations under the YTO Construction Machinery Guarantee Agreements, the Company and YTO Building Machinery entered into five counter-guarantee agreements on 10 May 2010, 19 May 2010, 26 July 2010, 28 July 2010 and 10 August 2010, pursuant to which YTO Building Machinery agreed to provide counter-guarantee to the Company including the principal amount of loans, interests arising from the loans and loans overdue, and any related fees arising from collection of the loans under the YTO Construction Machinery Bills Acceptance Agreements as well as any other fees arising from repayment of the loans by the Company for and on behalf of YTO Construction Machinery.

## **REASONS FOR ENTERING INTO THE AGREEMENTS**

The entering into of the YTO B&C Machinery Designated Loan Agreements and YTO Building Machinery Loan Agreements is primarily for the purpose of raising additional funds to YTO B&C Machinery and YTO Building Machinery to finance their general working capital. The loans provided were funded from the internal resources of the Group.

The entering into of the YTO Building Machinery Guarantee Agreements, YTO Building Machinery Pledge Agreement and YTO Construction Machinery Guarantee Agreements is for the purpose of facilitating YTO Building Machinery and YTO Construction Machinery to obtain the funds or loans from the lending financial institutions, i.e. First Tractor Finance, ICBC and Luoyang Bank.

The terms of the Agreements were determined after arm's length negotiations between the relevant parties. The Directors (including the independent non-executive Directors) are of the opinion that the Agreements were entered into in the ordinary and usual course of business of the Group and on normal commercial terms and the terms of the Agreements are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

The Directors also consider that the counter-guarantees (i) provided by YTO Construction Machinery to the Company for the YTO B&C Machinery Designated Loan Agreements, (ii) provided by YTO Construction Machinery to the Company for the YTO Building Machinery Loan Agreements, (iii) provided by YTO Construction Machinery to First Tractor Finance for the YTO Building Machinery Bills Acceptance Agreement, and (iv) provided by YTO Building Machinery to the Company for the YTO Construction Machinery Bills Acceptance Agreements, will help to reduce the Group's loss (if any) under the YTO B&C Machinery Designated Loan Agreements, YTO Building Machinery Guarantee Agreements, YTO Building Machinery Pledge Agreement and YTO Construction Machinery Guarantee Agreements. Those abovementioned counter-guarantee agreements were entered into on normal commercial terms for the benefit of the Company, the terms thereof are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

## **INFORMATION OF THE COMPANY, YTO, YTO B&C MACHINERY, YTO MACHINERY SALES, YTO BUILDING MACHINERY, YTO CONSTRUCTION MACHINERY, FIRST TRACTOR FINANCE, ICBC AND LUOYANG BANK**

The Company is principally engaged in the production and sale of agricultural machineries, engineering machineries and construction machineries.

YTO beneficially owns 443,910,000 voting Shares, representing approximately 52.48% of the issued share capital of the Company, and is the controlling Shareholder of the Company. Thus, YTO and its associates are regarded as connected persons of the Company under the Listing Rules.

YTO B&C Machinery, upon completion of the Disposal, is a wholly-owned subsidiary of YTO. It is principally engaged in the manufacture and sale of building machineries, construction machineries such as small road rollers and components.

YTO Machinery Sales, upon completion of the Disposal, is a wholly-owned subsidiary of YTO. It is principally engaged in the sale of construction machineries, building machineries and components.

YTO Building Machinery is a wholly-owned subsidiary of YTO Machinery Sales and is principally engaged in the design, manufacture and sale of road rollers and other road construction machineries.

YTO Construction Machinery is a wholly-owned subsidiary of YTO Machinery Sales and is principally engaged in the design, manufacture and sale of excavators, loaders, bulldozers and equipments for bulldozers.

First Tractor Finance, a subsidiary of the Company, is a non-banking financial institution approved and regulated by the relevant PRC regulatory authorities. First Tractor Finance provides non-banking financial services to YTO Group, the Group and their respective member entities in the PRC.

ICBC is a financial institution incorporated in the PRC and is principally engaged in the financial and banking services. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, ICBC and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

Luoyang Bank is a financial institution incorporated in the PRC and is principally engaged in the financial and banking services. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Luoyang Bank and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

## **LISTING RULES IMPLICATIONS**

At the respective dates of the Agreements and before 9 October 2010, YTO Subsidiaries, i.e. YTO B&C Machinery, YTO Building Machinery, YTO Construction Machinery and YTO Machinery Sales, were wholly-owned subsidiaries of the Company. Therefore, the transactions contemplated under the Agreements were exempted from the reporting, announcement and independent shareholder's approval requirements according to the Listing Rules.

Upon completion of the Disposal which took place on 9 October 2010, YTO Subsidiaries became wholly-owned subsidiaries of YTO, the controlling shareholder of the Company, holding approximately 52.48% equity interest in the Company. YTO Subsidiaries are therefore connected persons of the Company. The transactions contemplated under the Agreements became connected transactions of the Company as well as financial assistance provided by the Group and should be aggregated under the Listing Rules.

Since the relevant percentage ratios of the Agreements are less than 5%, the Agreements are exempted from the independent shareholders' approval requirements but subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

No Director had any interest in any of the Agreements and thus no Director had to abstain from voting on the Board resolutions for approving each of the Agreements.

## **DEFINITIONS**

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

“Agreements”	YTO B&C Machinery Designated Loan Agreements, YTO Building Machinery Loan Agreements, YTO Building Machinery Guarantee Agreements, YTO Building Machinery Pledge Agreement and YTO Construction Machinery Guarantee Agreements
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“associate(s)”	has the meaning as defined under the Listing Rules
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“Board”	the board of Directors
“Company”	First Tractor Company Limited* (第一拖拉機股份有限公司), a joint stock company with limited liability incorporated in the PRC, the H Shares of which are listed on the Stock Exchange (Stock Code: 0038)
“connected person(s)”	has the meaning as defined under the Listing Rules
“Directors”	the directors of the Company, including the independent non-executive directors
“Disposal”	the disposal of 100% equity interest in both YTO B&C Machinery and YTO Machinery Sales by the Company to YTO pursuant to a sale and purchase agreement dated 28 June 2010, details of which were disclosed in the announcement and circular of the Company dated 28 June 2010 and 20 July 2010 respectively
“First Tractor Finance”	China First Tractor Group Finance Company Limited* (中國一拖集團財務有限責任公司), a company incorporated in the PRC with limited liability and a subsidiary of the Company owned as to 87.80% by the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“ICBC”	Industrial and Commercial Bank of China Limited (Luoyang Huashan Branch)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Luoyang Bank”	Bank of Luoyang (Zhongzhou Branch)
“PBOC”	The People’s Bank of China

“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong and the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shares”	domestic shares and H shares of the Company
“Shareholder(s)”	registered holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“YTO”	YTO Group Corporation* (中國一拖集團有限公司), a limited liability company incorporated in the PRC and the controlling shareholder of the Company, holding approximately 52.48% equity interest in the Company as at the date of this announcement
“YTO B&C Machinery”	YTO (Luoyang) Building & Construction Machinery Company Limited* (一拖(洛陽)建工機械有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of YTO
“YTO B&C Machinery Designated Loan Agreements”	three designated loan agreements entered into between the Company, YTO B&C Machinery and First Tractor Finance on 29 December 2009, 3 March 2010 and 26 May 2010, pursuant to which the Company agreed to entrust First Tractor Finance to provide designated loans to YTO B&C Machinery in the total amount of RMB11,500,000
“YTO Building Machinery”	YTO (Luoyang) Building Machinery Company Limited* (一拖(洛陽)建築機械有限公司), a limited liability company incorporated in the PRC and an indirect wholly-owned subsidiary of YTO through YTO Machinery Sales

<p>“YTO Building Machinery Bills Acceptance Agreement”</p>	<p>a bills acceptance agreement entered into between YTO Building Machinery and ICBC on 27 August 2010, pursuant to which ICBC accepted the bills issued by YTO Building Machinery in the total amount of RMB10,080,000</p>
<p>“YTO Building Machinery Guarantee Agreements”</p>	<p>two guarantee agreements entered into between the Company and First Tractor Finance on 26 March 2010 and 23 May 2010, pursuant to which the Company agreed to provide guarantee to First Tractor Finance on YTO Building Machinery’s liabilities arising from the YTO Building Machinery Loan Agreements</p>
<p>“YTO Building Machinery Loan Agreements”</p>	<p>two loan agreements entered into between YTO Building Machinery and First Tractor Finance on 26 March 2010 and 21 May 2010, pursuant to which First Tractor Finance agreed to provide loans to YTO Building Machinery in the maximum loan amounts of RMB10,000,000 and RMB7,000,000 respectively</p>
<p>“YTO Building Machinery Pledge Agreement”</p>	<p>a pledge agreement entered into between ICBC and First Tractor Finance on 27 August 2010, pursuant to which First Tractor Finance agreed to pledge its certain assets to ICBC to secure YTO Building Machinery’s liabilities arising from YTO Building Machinery Bills Acceptance Agreement</p>
<p>“YTO Construction Machinery”</p>	<p>YTO (Luoyang) Construction Machinery Company Limited* (一拖(洛陽)工程機械有限公司), a limited liability company incorporated in the PRC and an indirect wholly-owned subsidiary of YTO through YTO Machinery Sales</p>
<p>“YTO Construction Machinery Bills Acceptance Agreements”</p>	<p>six bills acceptance agreements entered into between YTO Construction Machinery and Luoyang Bank on 11 May 2010, 21 June 2010, 27 July 2010, 29 July 2010 and 11 August 2010, pursuant to which Luoyang Bank accepted the bills issued by YTO Construction Machinery in the total amount of RMB19,300,000</p>

“YTO Construction Machinery Guarantee Agreements”	six guarantee agreements entered into between the Company and Luoyang Bank on 11 May 2010, 20 June 2010, 27 July 2010, 29 July 2010 and 11 August 2010, pursuant to which the Company agreed to provide guarantee to Luoyang Bank on YTO Construction Machinery’s liabilities arising from the YTO Construction Machinery Bills Acceptance Agreements in the total amount of RMB9,650,000
“YTO Group”	YTO and its controlled companies/entities (the “ <b>Relevant Parties</b> ”) and/or the non wholly-owned subsidiaries of the Company in which the Relevant Parties, whether individually or jointly, has 10% or more voting rights
“YTO Machinery Sales”	YTO (Luoyang) Construction Machinery Sales Company Limited* (一拖(洛陽)工程機械銷售有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of YTO
“YTO Subsidiaries”	YTO B&C Machinery, YTO Building Machinery, YTO Construction Machinery and YTO Machinery Sales
“%”	per cent.

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

Luoyang, the PRC  
26 October 2010

*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 four independent non-executive Directors, namely Mr. Chan Sau Shan, Gary, Mr. Luo Xiwen, Mr. Hong Xianguo and Mr. Zhang Qiusheng.*

\* For identification purposes only