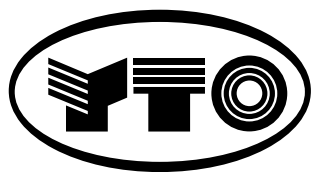


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第一拖拉机股份有限公司
FIRST TRACTOR COMPANY LIMITED*

(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 25 October 2010, First Tractor Finance, 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 First Tractor Finance has agreed to purchase the Financing Bills in the principal amount of RMB50,000,000.00 issued by YTO, the controlling Shareholder and a connected person of the Company.

The Purchase of the Financing Bills in the principal amount of RMB50,000,000.00 constitutes a financial assistance provided by the Company to YTO under Chapter 14A of the Listing Rules. As the relevant percentage ratios of the Purchase are less than 5%, the Purchase is subject to the reporting and announcement requirements only but is exempt from independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 25 October 2010, First Tractor Finance, 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 First Tractor Finance has agreed to purchase the Financing Bills in the principal amount of RMB50,000,000.00 issued by YTO, the controlling Shareholder and a connected person of the Company.

THE DISTRIBUTION AGREEMENT

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

(1) Date

25 October 2010

(2) Parties

- (a) First Tractor Finance, 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.

(3) Details of the Purchase

First Tractor Finance and China Citic Bank entered into the Distribution Agreement on 25 October 2010, pursuant to which First Tractor Finance has agreed to purchase the Financing Bills in the principal amount of RMB50,000,000.00 issued by YTO.

(4) Consideration

The consideration of the Distribution Agreement is RMB50,000,000.00 (equivalent to approximately HK\$58,000,000.00), which shall be settled by First Tractor Finance from its internal resources on 26 October 2010.

The consideration is the principal amount of the Financing Bills in the sum of RMB50,000,000.00 purchased by First Tractor Finance. The Directors (including independent non-executive Directors) consider 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 First Tractor Finance does not settle the consideration on time or China Citic Bank does not transfer the Financing Bills in the principal sum of RMB50,000,000.00 to First Tractor Finance on time according to the Distribution Agreement, an amount equivalent to 0.025% of RMB50,000,000.00 per day shall be paid to the non-defaulting party as compensation.

INFORMATION OF THE FINANCING BILLS

The Financing Bills are the first tranche unsecured short-term financing bills issued by YTO in 2010 with a total principal amount of RMB500,000,000.00 and a term of 365 days from 26 October 2010 to 26 October 2011.

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 and the relevant regulations in the PRC, is 3.73%. Both the issuing date and distribution date of the Financing Bills are 25 October 2010. The interest accumulating date of the Financing Bills is from 26 October 2010. The repayment date of the Financing Bills is 26 October 2011 and the principal amount of the Financing Bills together with its interests will be repaid on an one-off basis upon maturity.

According to Dagong Global Credit Rating Co., Ltd (“Dagong Global”), a qualified institute for credit rating, the credit rating of YTO 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 to supplement its production and operation cash flows as well as to repay bank loans.

REASONS FOR THE PURCHASE

The interest rate of the Financing Bills is 3.73% which is higher than the market 1-year annual interest rate on deposits of 2.5% by 1.23 percentage point. According to the credit rating report issued by Dagong Global, the repayment capability of YTO for the Financing Bills is high. Further, the term of the Financing Bills is 365 days and the Financing Bills can be traded among 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. First Tractor Finance has sufficient capital and 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 the Shareholders as a whole.

INFORMATION OF FIRST TRACTOR FINANCE, CHINA CITIC BANK AND YTO

First Tractor Finance 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.

YTO is the controlling Shareholder of the Company and is principally engaged in the production of transportation and agricultural machineries and vehicle products, etc.

LISTING RULES IMPLICATIONS

YTO 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 RMB50,000,000.00 constitutes a financial assistance provided by the Company to YTO under Chapter 14A of the Listing Rules.

As the relevant percentage ratios of the Purchase are less than 5%, the Purchase is subject to the reporting and announcement requirements only but is exempt from independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

No Director had any interest in the Distribution Agreement and thus no Director had to abstain from voting on the Board resolution for approving the Distribution Agreement.

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;
“connected person(s)”	has the meaning ascribed to this term under the Listing Rules;
“Directors”	the directors of the Company, including the independent non-executive directors;
“Distribution Agreement”	the distribution agreement for the Financing Bills entered into between First Tractor Finance and China Citic Bank on 25 October 2010 in respect of the Purchase;
“Financing Bills”	the first tranche unsecured short-term financing bills issued by YTO with a total principal amount of RMB500,000,000.00 and a term of 365 days from 26 October 2010 to 26 October 2011;
“First Tractor Finance”	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 RMB50,000,000.00 by First Tractor Finance 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”	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.

For the purpose of this announcement, the exchange rate of RMB1.00 = HK\$1.16 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, as this or any other rates.

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