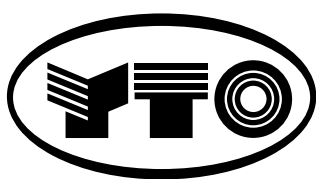


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*The securities have not been registered under the Securities Act and may not be offered or sold in the United States or to U.S. persons unless the securities are registered under the Securities Act, or an exemption from the registration requirements of the Securities Act is available. For so long as the securities are restricted securities within the meaning of Rule 144(a)(3) under the Securities Act and until the expiration of applicable holding periods, the securities will not be eligible for deposit under any unrestricted depository receipt facility.*



**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)

**Placing of 66,990,000 H Shares  
and  
Resumption of Trading**

**Sole Placing Agent**



**Financial Adviser to the Company**



On 10 October 2007, the Company entered into the Placing Agreement with UBS AG in relation to the Placing pursuant to which UBS AG agreed to act as the sole placing agent for the purpose of procuring, on a best commercial effort basis, investors to subscribe for an aggregate of 66,990,000 H Shares at a price of HK\$3.95 per H Share, failing which, UBS AG will purchase such Placing H Shares as principal in accordance with the provisions of the Placing Agreement.

The Placing H Shares comprise of (1) 60,900,000 New H Shares to be allotted and issued by the Company and (2) 6,090,000 Sale H Shares to be converted from the same number of existing Domestic Shares that are held by YTO Group in accordance with the Existing Approvals and applicable PRC laws and regulations.

The Placing H Shares represent approximately 8.53% of the existing registered capital of the Company and approximately 7.92% of the registered capital of the Company as enlarged by the issue of the New H Shares.

The net proceeds of the Placing of the New H Shares in full will be approximately HK\$229.4 million. The Company intends to use the net proceeds from the Placing of the New H Shares to expand the production capacity of medium and large wheeled tractors. The entire net proceeds from the sale of the Sale H Shares will be remitted to NSSF.

The Placing H Shares will be issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 15 June 2007.

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended from 10:00 a.m. on 10 October 2007 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:30 a.m. on 11 October 2007.

## **THE PLACING AGREEMENT**

Date: 10 October 2007

Parties: (i) The Company  
(ii) The Placing Agent  
(iii) OP

## **PLACING**

The Placing Agent agrees to act as the sole agent for the Company to, on a best commercial effort basis, procure investors to subscribe for an aggregate of 66,990,000 Placing H Shares, failing which the Placing Agent will purchase such Placing H Shares as principal in accordance with the provisions of the Placing Agreement. The Placing H Shares comprise of (1) 60,900,000 New H Shares to be allotted and issued by the Company; and (2) 6,090,000 Sale H Shares to be converted from the same number of existing Domestic Shares that are held by YTO Group. The placees have not been identified yet, but in any event, it is expected that the placees will not be less than six in number and they will not become connected persons and substantial shareholders of the Company under the Listing Rules.

OP agrees to act as the financial advisor of the Company in relation to the Placing.

## **INDEPENDENCE OF THE PLACING AGENT**

To the best of the Directors' belief, the Placing Agent is independent of and not connected with any promoter, supervisor, director, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules).

## **NUMBER OF PLACING H SHARES**

The 66,990,000 Placing H Shares represent approximately 20% and 8.53% respectively of the existing H Shares in issue and the registered capital of the Company immediately prior to the Placing, and approximately 16.66% and 7.92% respectively of the H Shares in issue and the registered capital of the Company as enlarged by the issue of the New H Shares.

## **PLACING PRICE**

HK\$3.95 per Placing H Share, representing a discount of approximately 3.90% to the closing price of HK\$4.11 per H Share on the Stock Exchange on the date immediately preceding the date of the Placing Agreement and representing a discount of approximately 4.45% to the average closing price of HK\$4.13 per H Share on the Stock Exchange for the last five trading days up to and including 9 October 2007, and a discount of approximately 7.32% to the average closing price of HK\$4.26 per H Share on the Stock Exchange for the last ten trading days up to and including 9 October 2007. The net Placing Price is HK\$3.78 per Placing H Share. The Placing Price was agreed after arm's length negotiation between the Company and the Placing Agent.

## **CONDITIONS OF THE PLACING**

The Placing is conditional upon, among other things:

1. the Existing Approvals being in full and effect up to and including completion of the Placing Agreement; and
2. the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Placing H-Shares (and such listing and permission not subsequently being revoked prior to the delivery of definitive share certificate(s) representing the Placing H Shares).

Pursuant to the force majeure provisions contained in the Placing Agreement, the Placing Agent has the right to terminate the Placing Agreement at any time on or prior to 10:00 a.m. on the Placing Completion Date if any of the force majeure events mentioned therein develops, occurs or comes into force.

## **THE SALE H SHARES**

Pursuant to the approval of the SASAC dated 29 April 2007, the SASAC has approved, as part of the Placing, the conversion of 6,090,000 Domestic Shares that are held by YTO Group in accordance with the requirements of the Regulations for the Reduction of State-owned Shares of the PRC. By an approval document dated 18 May 2007, the NSSF, who is not an existing shareholder of the Company, entrusted the Company to effect a sale of the Sale H Shares (to be converted from the same number of Domestic Shares) as part of the Placing. Net proceeds of the sale of such Sale H shares will be remitted in full to the NSSF.

## COMPLETION OF THE PLACING

Completion shall take place on the Placing Completion Date or as soon as practicable thereafter or such other time and/or date as the Placing Agent and the Company may agree in writing.

### Shareholding Structure of the Company on the date of the Placing Agreement and on the Placing Completion Date

Holder of Domestic Shares or H Shares	As at the date of the Placing Agreement		On the Placing Completion Date after completion of the Placing in full	
	No. of shares <i>(in millions)</i>	Approximate percentage of issued share capital <i>(%)</i>	No. of shares <i>(in millions)</i>	Approximate percentage of issued share capital <i>(%)</i>
Holder of Domestic Shares				
YTO Group	450 <sup>(1)</sup>	57.32	443.91 <sup>(2)</sup>	52.48
Holder of H Shares				
Public investors	335	42.68	401.99	47.52
	<u>785.00</u>	<u>100.00</u>	<u>845.90</u>	<u>100.00</u>

*Notes:*

(1) Includes the 6,090,000 Sale H Shares (to be converted from 6,090,000 Domestic Shares).

(2) After conversion of the 6,090,000 Domestic Shares into H shares as approved by the SASAC.

## **GENERAL MANDATE TO ISSUE THE PLACING H SHARES**

The Placing H Shares will be allotted and issued under the General Mandate granted to the Directors at the annual general meeting of the Company held on 15 June 2007. The issue of the Placing H Shares was approved by the CSRC on 24 August 2007.

## **REGULATORY APPROVALS**

The Company has obtained all relevant PRC regulatory approvals for the Placing, being approvals from the CSRC, SASAC, NSSF, as well as the General Mandate and board approval.

The Company has confirmed and undertaken to the Placing Agent that the Existing Approvals shall remain valid for the purposes of the Placing. The Placing shall complete while the Existing Approvals are still valid.

## **RANKING**

The Placing H Shares will rank pari passu in all respects with the existing H Shares in issue on the Placing Completion Date, including the right to receive all dividends and distributions declared, paid or made after the Placing Completion Date.

## **LOCK-UP UNDERTAKING**

The Company has undertaken to the Placing Agent that for the period of six months from the Placing Completion Date, neither the Company nor any of its subsidiaries or affiliates over which it exercises management or voting control, nor any person acting on its or their behalf will, except for the Placing H Shares and the transfer and conversion of the Domestic Shares to H Shares in compliance with the Regulations for the Reduction of State-owned Shares for the purposes of the Placing and save pursuant to bonus or scrip dividend or similar arrangements which provide for the allotment of H Shares in lieu of the whole or part of a dividend on H Shares in accordance with its articles of association, (i) sell, transfer, dispose, allot or issue or offer to sell, transfer, dispose, allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any H Shares or any interests in H Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any H Shares or interest in H Shares or (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (i) above or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above without first having obtained the written consent of the Placing Agent, which may not be unreasonably withheld or delayed.

YTO Group will undertake to the Placing Agent that, save and except for the transfer and conversion of 6,090,000 Domestic Shares currently held by it in compliance with the Regulations for the Reduction of State-owned Shares for the purposes of the Placing, it will not, between the Placing Completion Date and the date which is six months from the Placing Completion Date, (i) sell, transfer, dispose, allot or issue or offer to sell, transfer, dispose, allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any H Shares or any interests in H Shares or any securities convertible into or exercisable or exchangeable for or substantially similar (but for the avoidance of doubt excluding any Domestic Shares) to any H Shares or interest in H Shares or (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (i) above or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above without first having obtained the written consent of the Placing Agent, which may not be unreasonably withheld or delayed.

## **REASONS FOR THE PLACING AND USE OF PROCEEDS**

In view of current market conditions, the Directors consider that the Placing represents a good opportunity for the Company to raise further financing and also broaden the shareholder and capital base. In order to expand the production capacity and technology of the Company and maintain the leading position of the Company in the agricultural machines industry, the Company intends to, through the fund raising from the Placing, expand its working capital. The Directors also consider that the current environment is favourable for the Company. The Company intends to use the net proceeds from the Placing of the New H Shares to expand the production capacity of medium and large wheeled tractors.

The net proceeds raised by the Company from the Placing of the New H Shares is expected to be approximately HK\$229.4 million. The Company will not receive any proceeds from the placing of the Sale H Shares. The net proceeds of the Sale H Shares will be remitted to the NSSF in full.

The Company has not raised funds by way of issue of shares in the 12 months immediately preceding the date of this announcement.

## **APPLICATION FOR LISTING**

Application will be made to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Placing H Shares on the Stock Exchange.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended from 10:00 a.m. on 10 October 2007 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:30 a.m. on 11 October 2007.



## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Company”	First Tractor Company Limited (第一拖拉機股份有限公司), a joint stock limited company incorporated in the PRC with limited liability
“CSRC”	the China Securities Regulatory Commission
“Directors”	the directors of the Company
“Domestic Shares”	ordinary shares of the Company of RMB 1.00 each which are subscribed for in Renminbi, all of which have been allotted and issued and are fully paid up
“Existing Approvals”	collectively (i) the written approval issued by SASAC on 29 April 2007; (ii) the written approval issued by the NSSF on 18 May 2007; and (iii) the written approval issued by the CSRC on 24 August 2007, in each case authorising and approving the Placing, the conversion of 6,090,000 Domestic Shares into 6,090,000 H-Shares, entrusting the Company to sell the Sale H Shares on behalf of NSSF as part of the Placing and/or the placing and sale of the Placing H Shares
“General Mandate”	the general mandate granted to the Directors at the annual general meeting of the Company held on 15 June 2007
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“H Shares”	overseas listed foreign invested shares of the Company of RMB1.00 each
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)

“NSSF”	中國全國社會保障基金理事會 (The National Social Security Fund Council of the PRC)
“New H Shares”	a total of 60,900,000 H Shares to be issued by the Company under the Placing
“OP”	Oriental Patron Asia Limited, a licensed corporation to carry out Types 1, 6 and 9 regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing”	the placing of the Placing H Shares by the Placing Agent pursuant to the Placing Agreement
“Placing Agent”	UBS AG
“Placing Agreement”	the placing agreement entered into between the Company, Placing Agent and OP in relation to the Placing on 10 October 2007
“Placing Completion Date”	two (2) business days after the date on which conditions to the completion of the Placing are fulfilled or such other date as the Company and the Placing Agent may agree in writing but in any event not later than 22 October 2007
“Placing H Shares”	the New H Shares and the Sale H Shares
“Placing Price”	HK\$3.95 per Placing H-Share
“PRC”	the People’s Republic of China
“Regulations for the Reduction of State-owned Shares”	減持國有股籌集社會保障資金管理暫行辦法 (The Provisional Administrative Measures for the Reduction of State Shares and the Raising of the Social Security Fund)
“Sale H Shares”	a total of 6,090,000 H Shares to be converted from an equal number of Domestic Shares held by YTO Group in accordance with the Existing Approvals and applicable PRC laws and regulations

“SASAC”	中國國務院國有資產監督管理委員會 (The State-owned Assets Supervision and Administration Commission of the State Council of the PRC)
“Securities Act”	the United States Securities Act of 1933, as amended
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“YTO Group”	YTO Group Corporation Limited (formerly named as China Yituo Group Corporation Limited (中國一拖集團有限公司)), a PRC company with limited liability, the controlling shareholder and holding company of the Company

By Order of the Board  
**First Tractor Company Limited**  
**LIU Dagong**  
*Chairman*

Luoyang, the PRC  
10 October 2007

*As at the date of this announcement, the Board comprises ten executive Directors, namely, Mr. LIU Dagong (Chairman), Messrs. ZHAO Yanshui, LIU Wenyong, YAN Linjiao, LI Tengjiao, SHAO Haichen, ZHANG Jing, LI Youji, LIU Shuangcheng and ZHAO Fei and four independent non-executive Directors, namely, Messrs. LU Zhongmin, CHEN Zhi, CHAN Sau Shan, Gary and Mr. Luo Xiwen.*

\* *For identification purposes only*