

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)

Transfer of Shares in the Controlling Shareholder of the Company

The Company received a notice from YTO Group, that on 13 December 2007, Luoyang SAOCL, its controlling shareholder and China National Machinery entered into the Share Transfer Agreement pursuant to which Luoyang SAOCL will transfer 67% equity interest in YTO Group to China National Machinery at nil consideration.

The completion of Share Transfer Agreement is conditional upon, inter alia, granting of a waiver from the Executive from the strict compliance with the requirements under Rule 26.1 of the Takeovers Code to make a mandatory offer for the Shares.

Upon completion of the Share Transfer Agreement, China National Machinery and Luoyang SAOCL will hold 67% and 17.63% equity interest in YTO Group respectively and China National Machinery will replace Luoyang SAOCL as the Company's ultimate parent company.

Introduction

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

The Company received a notice from YTO Group, that on 13 December 2007, Luoyang SAOCL, its controlling shareholder and China National Machinery entered into the Share Transfer Agreement pursuant to which Luoyang SAOCL will transfer 67% equity interest in YTO Group to China National Machinery at nil consideration.

The completion of Share Transfer Agreement is conditional upon, inter alia, granting of a waiver from the Executive from the strict compliance with the requirements under Rule 26.1 of the Takeovers Code to make a mandatory offer for the shares in the Company.

Background of the Share Transfer Agreement

On 25 July 2007, the Office of the People's Government of Henan Province issued the Notice of Guidance Opinion in which the SASAC of Henan Province provided an opinion on 18 July 2007 on the acceleration of strategic restructuring work of provincial controlled enterprises. Pursuant to the Notice of Guidance Opinion, YTO Group was requested to seize the opportunity of the national invigoration of the equipment manufacturing industry and being an established manufacturing base to accelerate the business restructuring and strategic cooperation with leading domestic or overseas enterprises.

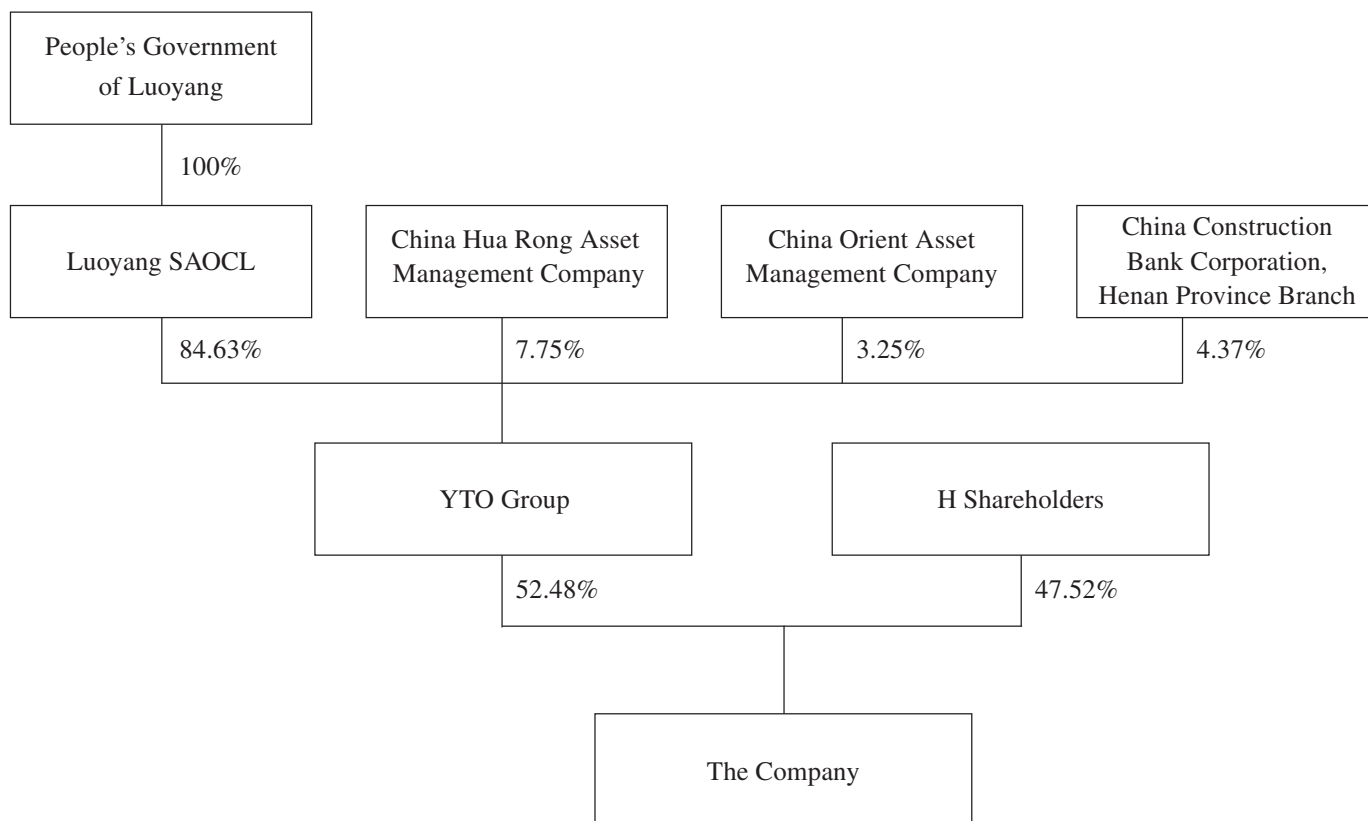
On 31 July 2007, SASAC of Luoyang issued the Notice Acceleration of Adjustment to Luoyang SAOCL. Pursuant to the Notice Acceleration of Adjustment, Luoyang SAOCL was requested to actively seek strategic investors through transfer of shares (at nil consideration) or increase of share capital in order to realise the strategic restructuring and business consolidation of state-owned enterprises.

The Share Transfer Agreement was made in compliance with the Administrative Measures issued by the SASAC of the State Council on 29 August 2005.

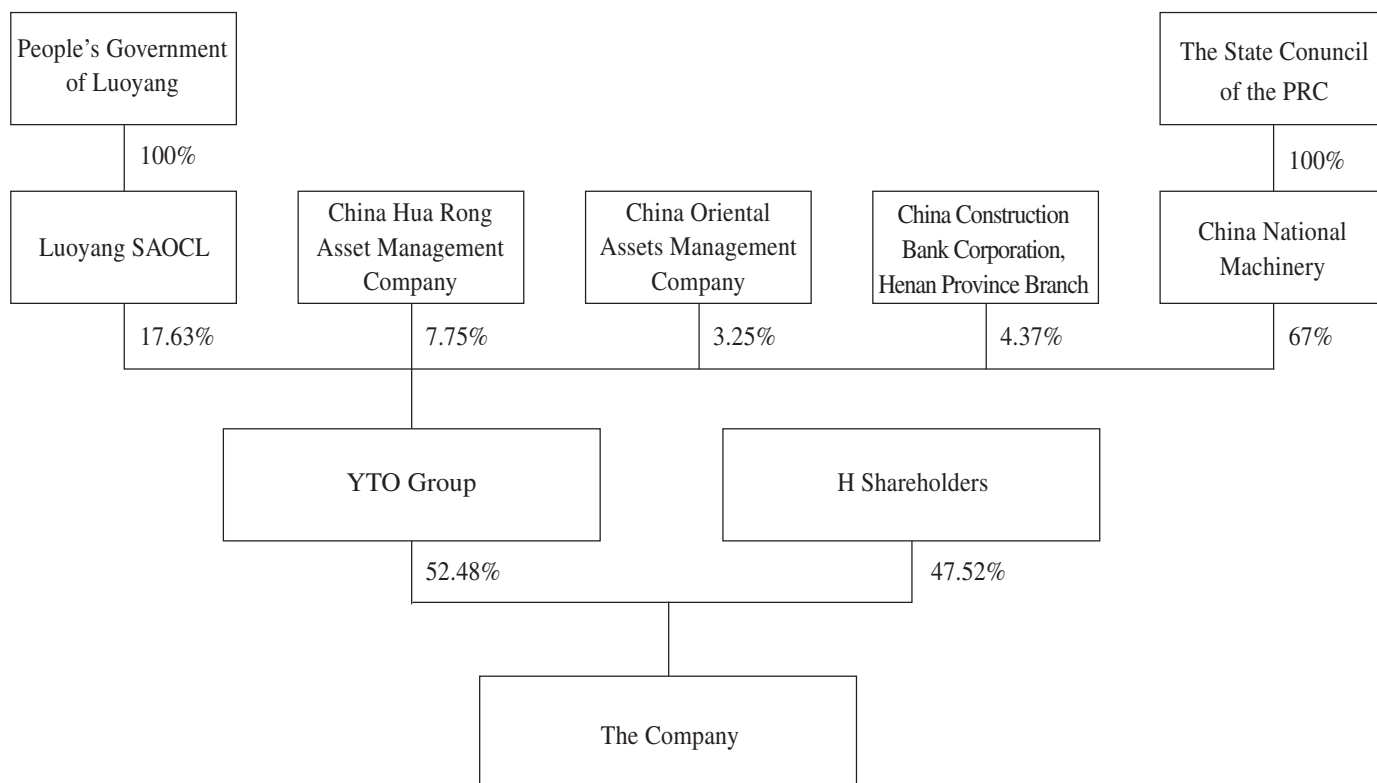
Upon completion of the Share Transfer Agreement, China National Machinery and Luoyang SAOCL will hold 67% and 17.63% equity interest in YTO Group respectively. While YTO Group will remain as a state-owned enterprise after the share transfer, China National Machinery will replace Luoyang SAOCL as the Company's ultimate parent company.

Corporate structure before and after the transfer

Before



After



Information on China National Machinery

China National Machinery is a state-owned group enterprise engaging in construction and project contractor business focusing on machinery and electric products, trading business in the PRC as well as overseas and development and production of high technology products. It is one of the largest PRC enterprises engaged in international projects contractor business and import/export trading. It is also a renowned and experience enterprise in the PRC machinery industry with extensive and comprehensive scientific research and development base as well as surveying, designing and constructing experience.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

- “Administrative Measures” 企業國有產權無償劃轉管理暫行辦法(國資發產權[2005] 239號 (Temporary Administrative Measures for Transfer of Enterprises’ State-owned Assets at Nil Consideration (Guo Zi Fa Chan Quan [2005] No.239))
- “Company” 第一拖拉機股份有限公司 (First Tractor Company Limited), a joint stock limited company established in the PRC
- “China National Machinery” 中國機械工業集團公司 (China National Machinery Industry Corporation), a wholly State-owned group enterprise incorporated in the PRC. Its shareholder is The State Council of the PRC.
- “Executive” the Executive Director of the Corporate Finance Division of the SFC
- “H Shareholders” the holders of the H shares of the Company
- “Luoyang SAOCL” 洛陽市國資國有資產經營有限公司(Luoyang State-owned Assets Operation Company Limited), a PRC company with limited liability established by the 洛陽市國資國有資產管理局 (Luoyang Administration Bureau of State-owned Assets) holding approximately 84.63% equity interests in YTO Group and the ultimate parent of the Company. Its shareholder is the People’s Government of Luoyang.

“Notice Acceleration of Adjustment”	關於加快推進一拖集團等國有骨幹企業組織結構調整的通知(洛國資[2007] 285號) (Notice Regarding Acceleration of Adjustment of the Structure of Key State-owned Enterprises including YTO Group etc.(Luo Guo Zi [2007] No.285)
“Notice of Guidance Opinion”	河南省人民政府辦公廳轉發省政府國資委關於加快省管企業戰略重組指導意見的通知(豫政辦[2007]76號) (Notice of Guidance Opinion from the SASAC of the Provincial Government Regarding Acceleration of Strategic Restructuring of Provincial Controlled Enterprises forwarded by the Office of the People’s Government of Henan Province (Yu Zheng Ban [2007] No.76)
“PRC”	the People’s Republic of China
“SASAC”	State-owned Assets Supervision and Administrative Commission
“SFC”	the Securities and Futures Commission of Hong Kong Special Administrative Region
“Share(s)”	the ordinary shares of nominal value of RMB1.00 each in the ordinary share capital of the Company comprising domestic shares and overseas listed foreign shares which are listed on the Stock Exchange of Hong Kong Limited i.e. H shares.
“Share Transfer Agreement”	the conditional agreement entered between Luoyang SAOCL and China Machinery on 13 December 2007 in connection with the transfer of 67% equity interest in YTO Group to China National Machinery
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers

“YTO Group”

中國一拖集團有限公司 (YTO Group Corporation Limited), a PRC company with limited liability, the controlling shareholder of the Company, holding approximately 443,910,000 domestic shares of the Company (representing approximately 52.48% of the total share capital of the Company)

By order of the Board

LIU Dagong

Chairman

Luoyang, the PRC

14 December 2007

As at the date of this announcement, the board of directors of the Company comprises of ten executive directors, namely Messrs. LIU Dagong (Chairman), ZHAO Yansui, 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 LUO Xiwen.

* *For identification purposes*