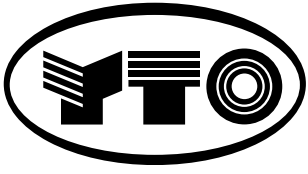


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第一拖拉机股份有限公司* **FIRST TRACTOR COMPANY LIMITED**

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

(Stock Code: 0038)

CONNECTED TRANSACTION

On 10 November 2010, YTO DongFangHong and SCIVIC entered into the Agreement at a consideration of RMB64,000,000.00 (equivalent to approximately HK\$74,240,000.00) for the purpose of the Project.

YTO DongFangHong is a wholly-owned subsidiary of the Company. SCIVIC is an indirect wholly-owned subsidiary of China Machinery, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. The transaction contemplated under the Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since the consideration of the Agreement represents less than 5% of the applicable percentage ratios of the Company, the Agreement is subject to the reporting and announcement requirements only but is exempt from independent shareholders' approval requirement pursuant to Rule 14A.32 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 10 November 2010, YTO DongFangHong and SCIVIC entered into the Agreement at a consideration of RMB64,000,000.00 (equivalent to approximately HK\$74,240,000.00) for the purpose of the Project.

THE AGREEMENT

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

(1) Date

10 November 2010

(2) Parties

- (a) YTO DongFangHong, a wholly-owned subsidiary of the Company; and
- (b) SCIVIC, an indirect wholly-owned subsidiary of China Machinery, the ultimate controlling shareholder of the Company. SCIVIC is therefore a connected person of the Company.

(3) Details of the Agreement

Pursuant to the Agreement, SCIVIC has contracted for the Project. The services to be provided by SCIVIC to YTO DongFangHong under the Agreement include but not limited to the following:

- (i) construction of the factory buildings, adjustment and testing laboratories, canteen, petrol station and composite station (collectively, the “**Buildings**”), as well as installation of non-standard equipment of the assembly line in accordance with the relevant technology information and requirements provided by YTO DongFangHong;
- (ii) management work in relation to the Project, such as management of preparation work of the Project as well as supervision of the design of the construction plan and the progress of the Project; and
- (iii) design and construction of the assembly line, trial running, assembling, packing, distribution, transportation and on-site installation of components, adjusting and testing of the assembly line, as well as trial production, after-care services and technology training.

(4) Term

The term of the Agreement shall commence upon its signing until 1 year after completion of the final examination and acceptance of the assembly line as well as settlement of all construction fees payable under the Agreement. The term of the Agreement can be delayed upon confirmation of the following factors by the engineer of the Project:

- (i) the construction commencement conditions have not been satisfied;
- (ii) YTO DongFangHong has not paid the prepayment or other payments in accordance with the terms of the Agreement, as a result of which the construction work cannot be proceeded;
- (iii) the engineer of the Project has not provided the necessary instructions or obtained the necessary approval(s) in accordance with the Agreement, as a result of which the construction work cannot be proceeded;
- (iv) change of design and increment of the construction work;
- (v) the construction work has been stopped for more than 8 hours in aggregate within 1 week due to no water, electricity or gas provision without default on the part of SCIVIC;
- (vi) force majeure; or
- (vii) any postponement as agreed under the Agreement or by the engineer of the Project.

(5) Consideration

Subject to any adjustment made due to any change of the construction as agreed by the parties, the consideration of the Agreement is RMB64,000,000.00 (equivalent to approximately HK\$74,240,000.00), including RMB51,644,100.00 for construction of the Buildings, RMB8,832,100.00 for installation of the facilities and equipment of the assembly line, RMB3,023,800.00 for management of the Project, and RMB500,000.00 for any extra fee and financial fee incurred from the Project.

The consideration of the Agreement shall be settled by YTO DongFangHong in cash out of its internal resources in the following manner:

- (i) 20% of the consideration (i.e. RMB12,800,000.00) to be paid within 14 days upon signing of the Agreement as prepayment;
- (ii) 20% of the management fee and financial fee being RMB3,523,800.00 (i.e. RMB704,760.00) to be paid within 14 days upon signing of the Agreement;
- (iii) 5% of the consideration with respect to the Buildings (i.e. RMB2,582,205.00) to be paid within 10 days upon completion of the construction of the Buildings;
- (iv) 3% of the consideration with respect to the Buildings (i.e. RMB1,549,323.00) to be paid within 10 days upon examination and acceptance of the Buildings;
- (v) 20% of the installation fee of the facilities and equipment (i.e. RMB1,766,420.00) to be paid within 10 days upon purchase of the standard equipment of the assembly line;
- (vi) 30% of the installation fee of the facilities and equipment (i.e. RMB2,649,630.00) to be paid within 7 days upon completion of the composition of the non-standard components and equipment and acceptance by YTO DongFangHong;
- (vii) 10% of the installation fee of the facilities and equipment (i.e. RMB883,210.00) to be paid within 7 days upon completion of the installation of the production line and equipment and acceptance by YTO DongFangHong;
- (viii) 10% of the installation fee of the facilities and equipment (i.e. RMB883,210.00) to be paid within 7 days upon completion of the adjustment and testing of the equipment as well as submission of the adjustment and testing report to YTO DongFangHong;
- (ix) 5% of the consideration (i.e. RMB3,200,000.00) to be paid within 15 days upon examination and acceptance of the assembly line;
- (x) 3% of the installation fee of the facilities and equipment (i.e. RMB264,963.00) to be paid within 15 days upon final examination and acceptance of the assembly line;

- (xi) 2% of the consideration (i.e. RMB1,280,000.00), being the quality assurance deposit for the construction, to be paid within 14 days upon YTO DongFangHong's confirmation as to its satisfaction of the assembly line after 12 months of the final examination and acceptance;
- (xii) the remaining management fee of the Project and the financial fee incurred therefrom shall be paid by 31 December 2010 ; and
- (xiii) the remaining balance of the consideration shall be settled upon completion, examination and acceptance of the respective phases of the construction.

The consideration of the Agreement was determined after arm's length negotiations between YTO DongFangHong and SCIVIC with reference to, among others, the following factors:

- (i) the consideration for contracting a construction project between SCIVIC and the Company as well as between SCIVIC and other companies;
- (ii) the tender price of other construction projects of similar nature;
- (iii) the increase in the transportation costs and inflation; and
- (iv) the term and complexity of the construction as well as the surrounding environment of the construction site of the Project.

The Directors (including independent non-executive Directors) consider that the consideration of the Agreement is fair and reasonable and in the interests of the Group and the Shareholders as a whole.

(6) Commencement and completion of the construction

Pursuant to the Agreement, the construction work of the Project should commence on 22 May 2010 whereas the installation of the equipment of the assembly line as well as the adjustment and testing thereof shall be completed on 31 December 2010. The assembly line shall commence trial production thereafter.

(7) Other terms of the Agreement

Subject to the terms and conditions of the Agreement, SCIVIC may sub-contract the construction work of the Project to other parties.

The Agreement may be terminated by the parties upon the construction being suspended for a continuous period of 30 calendar days or unable to proceed due to YTO DongFangHong's default. YTO DongFangHong shall then pay the service fee to SCIVIC for the actual construction work done within 30 working days and shall compensate SCIVIC for any direct loss incurred.

REASONS FOR ENTERING INTO THE AGREEMENT

SCIVIC is the largest surveying and design unit in scale, with the most comprehensive professional facilities and advanced composite technologies in the PRC machinery industry. SCIVIC has passed the ISO9001 quality certification and has been awarded by the State nine Grade A certificates in respect of project surveying, design, consultation and supervision, etc. SCIVIC has a strong capability of design and project management in the machinery industry in terms of construction consultation, design and contracting, etc.

In order to cement the Group's market position in Xinjiang, the PRC and radiate its effect in the Five Countries in the Central Asia (中亞五國), as well as to expand its products export, the Group intends to establish its agricultural assembly and manufacture station in Xinjiang, the PRC, for assembling and manufacturing agricultural machinery products, as well as for product logistics and sales services, etc. In light of the above, YTO DongFangHong and SCIVIC entered into the Agreement to construct the assembly line for the Group.

The terms of the Agreement were determined after arm's length negotiations between the parties. The Directors (including the independent non-executive Directors) consider that the terms of the Agreement are on normal commercial terms, fair and reasonable and in the interest of the Group and the Shareholders as a whole.

INFORMATION OF THE GROUP, YTO DONGFANGHONG AND SCIVIC

The Group is principally engaged in the production and sale of agricultural machineries and construction machineries.

YTO DongFangHong is principally engaged in the manufacture and sale of agricultural machineries' equipment and components.

SCIVIC is principally engaged in Grade-A design of machineries and civil buildings; construction survey and measurement, geotechnical and hydrology engineering, consultancy, contracting and supervision of construction; manufacturing and installation of non-standard equipment and electrical automation equipment; consultancy and design of foreign-related construction; general contracting of construction, import and export of equipment and materials and designation of labor.

LISTING RULES IMPLICATIONS

YTO DongFangHong is a wholly-owned subsidiary of the Company.

SCIVIC is an indirect wholly-owned subsidiary of China Machinery, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. The transaction contemplated under the Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since the consideration of the Agreement represents less than 5% of the applicable percentage ratios of the Company, the Agreement is subject to the reporting and announcement requirements only but is exempt from independent shareholders' approval requirement pursuant to Rule 14A.32 of the Listing Rules.

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

DEFINITIONS

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

“Agreement”	the agreement entered into between YTO DongFangHong and SCIVIC on 10 November 2010, pursuant to which SCIVIC has contracted for the Project
“Board”	the board of Directors
“China Machinery”	China National Machinery Industry Corporation* (中國機械工業集團有限公司), a wholly state-owned company incorporated in the PRC managed by the State-owned Assets Supervision and Administrative Commission of State Council of the PRC, the ultimate controlling shareholder of the Company and the controlling shareholder of YTO Group Corporation* (中國一拖集團有限公司), the controlling shareholder of the Company
“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
“Directors”	the directors of the Company, including the independent non-executive directors
“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(s)”	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

“Project”	the project for construction of the assembly line of YTO DongFangHong for agricultural assembly machineries (一拖(新疆)東方紅裝備機械有限公司農業裝備機械項目), located at No. 665 Lu Zhou Road, the Economic and Technology Development Zone in Urumqi, Xinjiang, the PRC (中國新疆烏魯木齊經濟技術開發區廬州街665號)
“RMB”	Renminbi, the lawful currency of the PRC
“SCIVIC”	SCIVIC Engineering Corporation* (機械工業第四設計研究院), a company incorporated in the PRC and an indirect wholly-owned subsidiary of China Machinery
“Shareholder(s)”	registered holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“YTO DongFangHong”	YTO (Xinjiang) DongFangHong Machinery Co., Ltd.* (一拖(新疆)東方紅裝備機械有限公司), a wholly-owned subsidiary 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, at this or any other rates.

By Order of the Board
First Tractor Company Limited
YU Lina / LIU Pui Yee
Joint Company Secretaries

Luoyang, the PRC
11 November 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*