

FIRST TRACTOR COMPANY LIMITED*

第一拖拉機股份有限公司

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

(Stock Code: 0038)

CONTINUING CONNECTED TRANSACTIONS

On 13 October 2006, the Group entered into the New Agreements with China Yituo. The New Agreements (for a period of three years commencing from 1 January 2007 to 31 December 2009) are entered into between China Yituo and the Group with a view to renewing the Old Agreements (which will expire on or about 31 December 2006) so as to ensure the continued provision of services such as material supply, energy supply, financial services, and etc. and other continuing connected transactions contemplated thereunder in light of the corporate and/or business developments and changes of the Group since 2004.

The entering into the Yituo Supply Agreements, First Tractor Supply Agreement, and Financial Services Agreement constitutes non-exempted continuing connected transactions under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements.

The entering into Yituo Properties Lease Agreement, First Tractor Properties Lease Agreement and Yituo Facilities Lease Agreement constitutes continuing connected transactions exempted from the independent shareholders' approval under Chapter 14A of the Listing Rules.

An EGM will be convened for the purpose of seeking the Independent Shareholders' approval which will be taken by poll for the Yituo Supply Agreements, First Tractor Supply Agreement and Financial Services Agreement and the respective proposed Cap amounts in relation to the Continuing Connection Transactions. China Yituo, together with its associates with interests in such Continuing Connected Transactions will abstain from voting at the EGM in this regard.

A circular containing, among others, details of the Continuing Connected Transactions, the recommendation of the Independent Board Committee, the letter of advice from an independent financial adviser, together with a notice convening the EGM for approving the Yituo Supply Agreements, First Tractor Supply Agreement and Financial Services Agreement and the respective proposed Cap amounts in relation to the transactions contemplated thereunder will be despatched to the Shareholders as soon as possible.

BACKGROUND AND REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

The Group is principally engaged in the production and sale of agricultural machineries, construction machineries and non-banking financial operations. The raw materials, parts and components required by the Group include metallurgical products such as steel, pig iron, waste steel, coke and mechanical and other components such as tyres. Certain raw materials and components used by the Group, and all of the energy used for the Group's production are supplied by China Yituo Group. China Yituo Group also provides the Group with composite services (such as welfare and security services and etc.). Certain factory buildings and facilities used by the Group are also leased from China Yituo Group.

China Yituo Group is principally engaged in the production of transportation machineries, casting parts, vehicles products, spare parts and components, and etc. Certain parts and components required by China Yituo Group such as diesel engines, fuel injection pump and fuel jet are supplied by the Group. In addition, certain buildings for housing the casting facilities are leased from the Group.

As a result of the above transactions undertaken between the Group and China Yituo Group, the Group previously entered into the Old Agreements with China Yituo Group, all of which will expire on or about 31 December 2006.

As the above transactions would directly affect the normal business operation of the Group, the New Agreements are entered into between China Yituo and the Group with a view to renewing the Old Agreements and to ensure the continued provision of such services and other continuing connected transactions contemplated thereunder in light of the corporate and/or business developments and changes of the Group since 2004. The terms and conditions of each of the New Agreements are similar to those in the respective Old Agreements in all material aspects.

In view of the above, the Directors are of the view that the New Agreements have been entered into on normal commercial terms and in the ordinary and usual course of business of the Group, the terms of the New Agreements are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

PARTICULARS OF YITUO SUPPLY AGREEMENTS

Date

13 October 2006

Period

From 1 January 2007 to 31 December 2009

Parties

- (1) China Yituo, on behalf of China Yituo Group, as supplier and supplying agent; and
- (2) The Company, on behalf of the Group, as purchaser.

Goods and services to be provided / rendered:

Composite Services Agreement

certain welfare and other services, including but not limited to landscaping, cleaning services, fire prevention services, security services, storage services, transport services, administrative services for retired employees such as social insurance services, management services such as legal consultancy, internal auditing, sales and marketing planning, human resources management, public relations services such as the provisions of exhibition venue, advertising and promotion services for enterprise information, culture and image, re-employment and ability testing services and etc.

Material Supply Agreement

raw materials including but not limited to steel, pig iron, waste steel, coke, facilities, spare parts, components and other necessary essentials for the production of agricultural machineries, construction machineries and other manufacturing output.

Energy Supply Services Agreement

Energy, including but not limited to electricity, gas, oxygen, water, heat, compressed air, acetylene, steam and etc.

Price

With respect to the Composite Services Agreement, Material Supply Agreement and Energy Supply Services Agreement, the pricing in respect of the subject matter (as the context shall require) contemplated under the relevant agreements is determined with reference to:

- (a) the applicable State Price; or
- (b) if there is no applicable State Price for any such goods or services, (i) the market price or (ii) cost plus a percentage mark-up, whichever is lower.

In any event, the applicable price available to the Group shall not be less favourable than a price available to an independent third parties customer of China Yituo Group.

Conditions

The Yituo Supply Agreements shall be effective on 1 January 2007 subject to the approval by the Independent Shareholders at the EGM as required under the Listing Rules.

PARTICULARS OF FIRST TRACTOR SUPPLY AGREEMENT

Date

13 October 2006

Period

From 1 January 2007 to 31 December 2009

Parties

- (1) The Company, on behalf of Group, as supplier and supplying agent; and
- (2) China Yituo, on behalf of the China Yituo Group, as purchaser and purchasing agent.

Goods and services to be provided

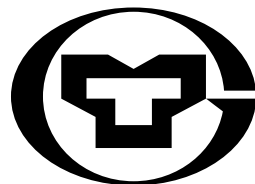
Raw materials, facilities, spare parts and components and other necessary essentials for the production of transportation machineries, casting parts, vehicles products, spare parts and components and other manufacturing output.

Price

The applicable price is determined with reference to:

- (a) the applicable State Price; or
- (b) if there is no applicable State Price for any such goods or services, the market price; or
- (c) if there is no applicable market price for any such goods or services, cost plus a percentage mark-up.

In any event, the applicable purchase price offered by China Yituo Group to the Group shall not be less favourable than the purchase price offered by an independent third parties customer of the Group.



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CONTINUING CONNECTED TRANSACTIONS

Conditions

The First Tractor Supply Agreement shall be effective on 1 January 2007 subject to the approval by the Independent Shareholders at the EGM as required under the Listing Rules.

PARTICULARS OF YITUO PROPERTIES LEASE AGREEMENT

Date

13 October 2006

Period

From 1 January 2007 to 31 December 2009

Parties

- (1) China Yituo, on behalf of China Yituo Group, as lessor; and
- (2) The Company, on behalf of the Group, as lessee.

Particulars of the properties

Certain factory premises located in 152 Jianshe Road, Luoyang, eastern district of 154 Jianshe Road, Luoyang and 72 Mid Zhong Zhou Road, Lao Cheng District, Luoyang with an aggregated gross floor area of approximately 90,000 sq.m., inclusive of the electric and water facilities servicing the relevant premises, for storage and housing facilities which are ancillary or related to the production of agricultural and construction machineries such as industrial bulldozers and wheeled and crawler tractors, and etc.

Rent

The annual rental shall be determined with reference to:

- (i) the market rental; or
- (ii) if there is no applicable market rental, annual depreciation expenses and the management fee which is not more than 5% of the net book value of the relevant premises. The lessee will also bear the related sales tax currently at 5.5% (subject to the tax rate imposed by the government of the PRC from time to time) on the rental charge and management fee.

PARTICULARS OF FIRST TRACTOR PROPERTIES LEASE AGREEMENT

Date

13 October 2006

Period

1 January 2007 to 31 December 2009

Parties

- (1) The Company, on behalf of the Group, as lessor; and
- (2) China Yituo, on behalf of the China Yituo Group, as lessee.

Particulars of the properties

Certain factory premises located in western district of 154 Jianshe Road, Luoyang, with aggregated gross floor area of approximately 180,000 sq.m., inclusive of the electric and water facilities servicing the relevant premises, for storage and housing facilities which are ancillary or related to the production of casting parts, spare parts and components, and etc.

Rent

The annual rental shall be determined with reference to:

- (i) the market rental; or
- (ii) if there is no applicable market rental, annual depreciation expenses and management fee which is not more than 5% of the net book value of the relevant premises. The lessee will also bear the related sales tax currently at 5.5% (subject to the tax rate imposed by the government of the PRC from time to time) on the rental charge and management fee.

PARTICULARS OF YITUO FACILITIES LEASE AGREEMENT

Date

13 October 2006

Period

From 1 January 2007 to 31 December 2009

Parties

- (1) China Yituo, on behalf of China Yituo Group, as lessor; and
- (2) The Company, on behalf of the Group, as lessee.

Particulars of the production facilities

Certain production facilities and such other facilities which are ancillary or related to the manufacture of agricultural and construction machineries like industrial bulldozers, wheel loaders, rollers, hydraulic excavators and wheeled and crawler tractors, etc.

Rent

The annual rental shall be determined with reference to:

- (i) the market rental; or
- (ii) if there is no applicable market rental, annual depreciation expenses and management fee which is not more than 10% of the net book value of the facilities. The lessee will also bear the related sales tax currently at 5.5% (subject to the tax rate imposed by the government of the PRC from time to time) on the rental charge and management fee.

FINANCIAL SERVICES AGREEMENT

Date

13 October 2006

Parties

First Tractor Finance and China Yituo, on behalf of China Yituo Group

Period

From 1 January 2007 to 31 December 2009

Financial Services to be provided to China Yituo Group

(a) Loan

First Tractor Finance will provide loans to China Yituo Group with interest rate determined with reference to the relevant interest rates set by PBOC from time to time;

(b) Bills discounting

First Tractor Finance will provide bills discounting services to China Yituo Group, whereby First Tractor Finance will pay the face value of bills presented by China Yituo Group, net of interests in advance of payment due date of the bills with interest rate determined with reference to the relevant interest rates set by PBOC from time to time;

(c) Finance lease

First Tractor Finance will provide lease financing to China Yituo Group pursuant to which First Tractor Finance will purchase properties from parties other than the Group chosen by China Yituo Group and lease the properties to China Yituo Group for a lease charge determined with reference to the cost of purchase and interest rate for purchase amount as if it were loan amount (with the interest rate determined with reference to relevant interest rates set by PBOC from time to time). First Tractor Finance shall also charge an insurance fee based on fee charged by the licensed insurance company in the PRC and a one-off handling charge of 1% to 3% of the lease amount;

(d) Bills acceptance

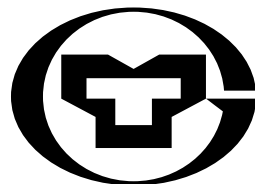
First Tractor Finance will provide bills acceptance services to China Yituo Group, whereby First Tractor Finance guarantees the payment of bills issued by China Yituo Group. In return, First Tractor Finance shall charge a one-off services fee of 0.05% of value of such bills;

(e) Guarantee

First Tractor Finance will provide corporate or credit guarantee for bank loans and other liabilities of China Yituo Group with a one-off services charge of approximately 0.5% to 1% of the guarantee amount with reference to relevant services fee charged by other licensed financial institutions in the PRC; and

(f) Designated loan

First Tractor Finance will accept designated deposits placed by China Yituo Group or parties, which are not connected persons within the meanings of the Listing Rules, to fund loans made by First Tractor Finance to parties, which may or may not be connected persons within the meanings of the Listing Rules, as designated by such relevant ultimate financiers. First Tractor Finance will charge a one-off services fee of about 0.1% to 0.3% of the amount of designated deposits. Under this arrangement, First Tractor Finance does not bear any credit risks.



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CONTINUING CONNECTED TRANSACTIONS

Conditions

The Financial Services Agreement shall be effective on 1 January 2007 subject to the approval by the Independent Shareholders at the EGM as required under the Listing Rules.

Other Financial Services to be provided

Apart from the Financial Services mentioned above, First Tractor Finance will also provide the following Financial Services:

- (g) First Tractor Finance will provide lease financing to the Parties, which are not connected persons within the meanings of the Listing Rules, ("the Parties") pursuant to which First Tractor Finance will purchase the properties from China Yituo Group chosen by the Parties and lease the properties to the Parties for a lease charge determined with reference to the cost of purchase and interest rate for the purchase amount as if it were loan amount (with the interest rate determined with reference to relevant interest rates set by PBOC from time to time). First Tractor Finance shall also charge an insurance fee based on fee charged by the licensed insurance company in the PRC and a one-off handling of about 1% to 3% of lease amount;
- (h) First Tractor Finance will also provide loans to the Parties for certain percentage of total consideration for purchasing China Yituo Group's products with interest rate determined with reference to the relevant interest rates set by PBOC from time to time. Such financing will be reviewed and considered on a case-by-case basis having regard to the credit quality of such customers; and
- (i) First Tractor Finance will accept deposit (including the time deposit, deposit with saving interest rate and also the transfer of fund within China Yituo Group) for China Yituo Group with saving interest rate determined with reference to the reference interest rates set by PBOC from time to time, the capital interest rate for the settlement account will be determined with reference to the current interest rates i.e. the relevant interest rates set by PBOC from time to time.

The Financial Services to be provided to the Parties under (g) and (h) do not constitute a connected transaction under Listing Rules and therefore are not subject to reporting, announcement and independent shareholder approval's requirements under Chapter 14A of the Listing Rules. Financial Services to be provided under (i) represents financial assistance provided by China Yituo Group, for the benefit of First Tractor Finance on normal commercial terms where no security over the assets of the Group is granted in respect of the financial assistance, such financial assistance is exempted from reporting, announcement and independent shareholder approval's requirements under Rule 14A.65(4) of the Listing Rules.

BASIS OF RELEVANT CAP AMOUNTS

The following table summarises proposed cap amounts of the relevant agreements for each of the three years ending 31 December 2009:

	2007 RMB'000	2008 RMB'000	2009 RMB'000
Yituo Supply Agreements			
- Composite Services Agreement	121,000	154,000	206,000
- Material Supply Agreement	963,000	1,227,000	1,646,000
- Energy Supply Services Agreement	321,000	409,000	549,000
First Tractor Supply Agreement	803,000	1,022,000	1,372,000
Yituo Properties Lease Agreement	4,000	4,400	4,900
First Tractor Properties Lease Agreement	12,000	14,000	16,000
Yituo Facilities Lease Agreement	13,000	13,000	13,000
Financial Services Agreement			
- Loan	611,000	752,000	846,000
- Bills discounting	455,000	560,000	630,000
- Finance lease	109,200	134,300	151,100
- Bills acceptance	30,000	38,000	42,000
- Guarantee	416,000	510,000	570,000
- Designated loan	55,000	68,000	76,000

Yituo Supply Agreements

Composite Services Agreement

The Cap amount for the Composite Services Agreement is determined on the basis that such amount will not exceed 1% of the estimated consolidated turnover of the Group for each of the three years ending 31 December 2009. The estimated consolidated turnover of the Group is estimated with reference to the future growth and development of the Group according to the industry development, market share, capacity and business strategy of the Group. The Cap amount, being set at 1% of the estimated consolidated turnover, is based on (a) the historical transactions in the last two years (2004: RMB30.88 million, 2005: RMB54.53 million), which on average amounted to 1% of the consolidated turnover of the Group; (b) the change in the provision of composite services, such as the cancellation of the education services to staff's children and the continual increase in demand for composite services to be provided for the Group in the future due to the growth in production and sales in the future; and (c) the Reorganization of the Group since 2004 ("the Reorganization"), such as the acquisition of the Yituo (Luoyang) Diesel Company Limited and Yituo (Luoyang) Fuel Jet Company Limited in 2006, which will lead to an increase in the scale of operation of the Group, thus increasing the demand of composite services from China Yituo Group.

Material Supply Agreement

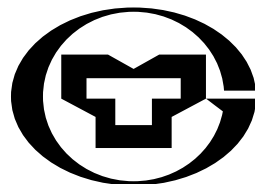
The Cap amount for the Material Supply Agreement is determined on the basis that such amount will not exceed 12% of the estimated consolidated turnover of the Group for each of the three years ending 31 December 2009. The estimated consolidated turnover of the Group is estimated with reference to the future growth and development of the Group according to the industry development, market share, capacity and business strategy of the Group. The Cap amount, being set at 12% of the estimated consolidated turnover, is based on (a) the historical transactions in the last two years (2004: RMB505.45 million, 2005: RMB472.65 million), which on average amounted to 11% of the consolidated turnover of the Group; (b) the increment of 1% was attributed from the net effect of (i) the continuation of purchasing strategy of the Group which aims at centralising the purchase of materials through China Yituo Group in order to minimise the cost by bulk purchasing and to conduct materials purchase through China Yituo Group rather than third parties if such materials are available from China Yituo Group; (ii) modification of the product structure which includes the introduction of modified models and new series of products which therefore derive the amount of materials needed; and (iii) the Reorganization which will decrease the materials purchase through China Yituo Group.

Energy Supply Services Agreement

The Cap amount for the Energy Supply Services Agreement is determined on the basis that such amount will not exceed 4% of the estimated consolidated turnover of the Group for each of the three years ending 31 December 2009. The estimated consolidated turnover of the Group is estimated with reference to the future growth and development of the Group according to the industry development, market share, capacity and business strategy of the Group. The Cap amount, being set at 4% of the estimated consolidated turnover of the Group, is based on (a) the historical transactions in the last two years (2004: RMB127.06 million, 2005: RMB107.72 million), which on average amounted to 2.63% of the consolidated turnover of the Group; (b) the increment of 1.37% was attributable from the net effect of (i) the anticipated increase in energy price in the next three years due to energy shortage in the PRC, in particular, an increase in price of electricity is anticipated according to research conducted by the Company; (ii) the anticipated change in the structure of production, in particular, some process such as purchasing parts from other parties in the past will become self production by the Group in the future in order to improve the quality of products and lower cost; (iii) the Reorganisation which will decrease the demand of energy supply from China Yituo Group.

First Tractor Supply Agreement

The Cap amount for the First Tractor Supply Agreement is determined on the basis that such amount will not exceed 10% of the estimated consolidated turnover of the Group for each of the three years ending 31 December 2009. The estimated consolidated turnover of the Group is estimated with reference to the future growth and development of the Group according to the industry development, market share, capacity and business strategy of the Group. The Cap amount, being set at 10% of the estimated consolidated turnover, is based on (a) the historical transactions in the last two years (2004: RMB332.92 million, 2005: RMB375.65 million), which on average amounted to 8% of the consolidated turnover of the Group; (b) the increment of 2% was attributed from the net effect of (i) the anticipated growth in turnover of China Yituo Group; and (ii) the Reorganisation which will decrease the materials purchase through the Group.



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CONTINUING CONNECTED TRANSACTIONS

Yituo Properties Lease Agreement

The Cap amount for the Yituo Properties Lease Agreement is based on (i) a maximum gross floor area of 90,000 sq.m.; (ii) historical monthly rental of RMB3.02 per sq.m. in 2005; and (iii) annual increment of 10% thereafter.

First Tractor Properties Lease Agreement

The Cap amount for First Tractor Properties Lease Agreement is based on (i) a maximum gross floor area of 180,000 sq.m.; (ii) historical monthly rental of RMB4.73 per sq.m. in 2006; and (iii) annual increment of 10% thereafter.

Yituo Facilities Lease Agreement

The Cap amount for the Yituo Facilities Lease Agreement is based on (i) book value of the relevant facilities totaling approximately RMB75.26 million as at 30 June 2006; (ii) net book value of the relevant facilities totaling approximately RMB13.15 million as at 30 June 2006; and (iii) the related sales tax currently at 5.5% on the rental charge.

Financial Services Agreement

The proposed Cap amounts for the financial services are determined after considering the following factors:

- the financial resources of First Tractor Finance;
- credit policy of First Tractor Finance;
- the future growth and development of China Yituo Group;
- the past financial transactions which China Yituo Group has undertaken.

In particular, the relevant Cap amount for each of the Financial Services are calculated as below:

Designated loan

The calculation of the Cap amount for designated loans comprises two parts:

- the anticipated amount of outstanding designated loans as at year end of previous year; and
- the additional designated loan for this financial year.

Therefore, the calculation of the Cap amount for designated loans for the respective financial years will be based on the aggregate amount of designated loans in the preceding year and will also take into account the future business prospects of First Tractor Finance.

Financial Services other than the designated loan

Financial Services other than designated loan will be based on the percentage of increase in the total asset value of First Tractor Finance for each relevant year. The estimated total asset of First Tractor Finance is approximately RMB1,820.00 million, RMB2,238.60 million, and RMB2,518.43 million respectively for each of the three years ending 31 December 2009, taking into account the historical growth trend of its business as well as its future business prospects. The percentages for each of the Financial Services over the total asset value of First Tractor Finance for each of the three years ending 31 December 2009 are as follows: loan (33.57%, 33.59%, 33.59%), bills discounting (25.00%, 25.02%, 25.02%), finance lease (6.00%, 6.00%, 6.00%), bills acceptance (1.65%, 1.70%, 1.67%) and guarantee (22.86%, 22.78%, 22.63%).

RELATIONSHIPS BETWEEN PARTIES

China Yituo beneficially owns approximately 57.32% of the issued share capital of the Company, and is the controlling shareholder of the Company. Thus China Yituo and its subsidiaries are regarded as connected persons of the Company under the Listing Rules. Accordingly the transactions contemplated under the New Agreements and the respective proposed Cap amounts constitute continuing connected transactions or financial assistance under Chapter 14A of the Listing Rules. Each of the Yituo Properties Lease Agreement, First Tractor Properties Lease Agreement and Yituo Facilities Agreement is entered into on normal commercial terms and in the ordinary and usual course of business. None of the applicable percentage ratios (as defined in the Listing Rules) exceeds 2.5%, as stipulated under Rule 14A.34(1) of the Listing Rules, the Yituo Properties Lease Agreement, First Tractor Properties Lease Agreement and Yituo Facilities Agreement are exempted from Independent Shareholders' approval requirement but subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

Transactions contemplated under each of the Yituo Supply Agreements, First Tractor Supply Agreement and Financial Services Agreement and the respective proposed Cap amounts constitute non-exempted continuing connected transactions and are subject to the reporting and announcements requirements under the Listing Rules and the approval of the Independent Shareholders at the EGM. China Yituo and its associates will abstain from voting in respect of each of the Yituo Supply Agreements, First Tractor Supply Agreement and Financial Services Agreement at the EGM. At the EGM, votes of the Independent Shareholders will be taken by poll.

In addition, the Company is required to comply with the reporting, announcement and annual review requirements under Rules 14A.35 to 14A.41 of the Listing Rules in respect of the Continuing Connected Transactions contemplated under the Yituo Supply Agreements, First Tractor Supply Agreement and Financial Services Agreement.

EGM

An EGM will be convened at which ordinary resolutions will be proposed to seek approval of the Independent Shareholders for each of the Yituo Supply Agreements, First Tractor Supply Agreement and Financial Services Agreement and the respective proposed Cap amounts. In view of the interests of China Yituo and its associates in the transactions contemplated under each of the Yituo Supply Agreements, First Tractor Supply Agreement and Financial Services Agreement, China Yituo and its associates, holding an aggregate of approximately 57.32% of the issued share capital of the Company, will abstain from voting at the EGM. At the EGM, votes of the Independent Shareholders will be taken by poll.

GENERAL

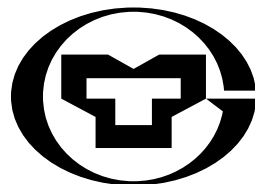
The Independent Board Committee comprising all the independent non-executive Directors (namely Mr. Lu Zhongmin, Mr. Chen Zhi, Mr. Chan Sau Shan, Gary and Mr. Luo Xiwen) will be formed to consider the transactions contemplated under each of the Yituo Supply Agreements, First Tractor Supply Agreement and Financial Services Agreement and the respective proposed Cap amounts and to advise the Independent Shareholders as to whether each of the Yituo Supply Agreements, First Tractor Supply Agreement and Financial Services Agreement and the respective proposed Cap amounts are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. An independent financial adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among others, details of each of the Yituo Supply Agreements, First Tractor Supply Agreement and Financial Services Agreements and the respective proposed Cap amounts, the recommendation of the Independent Board Committee, the letter of advice from the independent financial adviser, together with a notice convening the EGM for approving each of Yituo Supply Agreements, First Tractor Supply Agreement and Financial Services Agreement and the respective proposed Cap amounts will be despatched to the Shareholders as soon as possible.

DEFINITIONS

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

"associates"	has the same meaning as ascribed to the Listing Rules
"Board"	the board of Directors
"Cap(s)"	the maximum aggregated annual values of the Continuing Connected Transactions
"China Yituo"	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, holding approximately 57.32% of the equity interest of the Company
"China Yituo Group"	China Yituo and its subsidiaries/controlled companies/entities (for the purpose of this announcement excluding the Group but including non-wholly owned subsidiaries of the Company in which China Yituo has equity interest of 10% or more)
"Company"	First Tractor Company Limited (第一拖拉機股份有限公司), a joint stock company incorporated in the PRC



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CONTINUING CONNECTED TRANSACTIONS

“Composite Services Agreement”	the agreement dated 13 October 2006 entered into between China Yituo, on behalf of China Yituo Group, as supplier or supplying agent and the Company, on behalf of the Group, as purchaser pursuant to which China Yituo Group agreed to provide certain welfare and other services to the Group	“New Agreements”	the Yituo Supply Agreements, First Tractor Supply Agreement, Yituo Properties Lease Agreement, First Tractor Properties Lease Agreement, Yituo Facilities Lease Agreement and Financial Services Agreement (as the context may require)
“connected person”	has the same meaning as ascribed to the Listing Rules	“Old Agreements”	the (i) composite services agreement, material supply agreement and energy supply services agreement all dated 19 August 2004 entered into between China Yituo, on behalf of China Yituo Group, as supplier or supplying agent and the Company, on behalf of the Group, as purchaser; (ii) material supply agreement dated 19 August 2004 entered into between the Company, on behalf of the Group, as supplier or supplying agent and China Yituo, on behalf of the China Yituo Group, as purchaser; (iii) building lease agreement and facilities lease agreement both dated 6 June 1997 entered into between China Yituo as lessor and Yituo (Luoyang) Construction Machinery Co., Ltd (一拖(洛陽)工程機械有限公司), a subsidiary of the Company, as lessee; (iv) building lease agreement dated 8 May 2006 entered into between the Company as lessor and China Yituo as lessee; and (v) financial services agreement dated 2 June 2004 entered into between First Tractor Finance and China Yituo.
“Continuing Connected Transactions”	the transactions contemplated under each of the New Agreements (as the context may require)		
“Director(s)”	Director(s) of the Company		
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering and approving each of the Yituo Supply Agreements, First Tractor Supply Agreement and Financial Services Agreement and the transactions contemplated thereunder and the respective proposed Cap amounts		
“Energy Supply Services Agreement”	the agreement dated 13 October 2006 entered into between China Yituo, on behalf of China Yituo Group, as supplier or supplying agent and the Company, on behalf of the Group, as purchaser pursuant to which China Yituo Group agreed to supply energy to the Group		
“Financial Services”	the financial services provided by First Tractor Finance to China Yituo Group pursuant to the Financial Services Agreement	“PBOC”	People's Bank of China
“Financial Services Agreement”	the agreement dated 13 October 2006 entered into between First Tractor Finance and China Yituo, on behalf of China Yituo Group, pursuant to which First Tractor Finance agreed to provide the Financial Services to the China Yituo Group	“PRC”	the People's Republic of China
“First Tractor Finance”	China First Tractor Group Finance Co., Ltd (中國一拖集團財務有限責任公司), a company established in the PRC and a subsidiary of the Company	“RMB”	Renminbi, the lawful currency of the PRC
“First Tractor Properties Lease Agreement”	the agreement dated 13 October 2006 entered into between the Company, on behalf of the Group, as lessor and China Yituo, on behalf of the China Yituo Group, as lessee pursuant to which Company agreed to lease to China Yituo premises of approximately 180,000 sq.m.	“Shares”	state-owned legal person shares and H Shares
“First Tractor Supply Agreement”	material supply agreement dated 13 October 2006 entered into between the Company, on behalf of the Group, as supplier or supplying agent and China Yituo, on behalf of the China Yituo Group, as purchaser and purchasing agent	“Shareholder(s)”	holder of the Share(s) of the Company
“Group”	the Company and its subsidiaries	“State Price”	mandatory price in respect of welfare and supporting services, raw materials and components and utilities set by the central government of the PRC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC	“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	an independent committee of the Board comprising the independent non-executive Directors, namely Mr. Lu Zhongmin, Mr. Chen Zhi, Mr. Chan Sau Shan, Gary and Mr. Luo Xiwen	“Yituo Facilities Lease Agreement”	the agreement dated 13 October 2006 entered into between China Yituo, on behalf of China Yituo Group, as lessor and the Company, on behalf of the Group, as leasing agent pursuant to which China Yituo agreed to provide certain production facilities and such other facilities to the Group
“Independent Shareholders”	Shareholders other than China Yituo and its associates	“Yituo Properties Lease Agreement”	the agreement dated 13 October 2006 entered into between China Yituo, on behalf of the China Yituo Group, as lessor and Company, on behalf of the Group as lessee pursuant to which China Yituo agreed to lease to Company premises of approximately 90,000 sq.m.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)	“Yituo Supply Agreements”	Composite Services Agreement, Material Supply Agreement and Energy Supply Services Agreement
“Material Supply Agreement”	the agreement dated 13 October 2006 entered into between China Yituo, on behalf of China Yituo Group, as supplier or supplying agent and the Company, on behalf of the Group, as purchaser, pursuant to which China Yituo Group agreed to supply material to the Group		

By Order of the Board
First Tractor Company Limited
YU Lina
Company Secretary

Luoyang, the PRC
 16 October 2006

As at the date of this announcement, the Board comprises ten executive Directors, namely, Mr. LIU Dagong (Chairman), Messrs. ZHAO Yanshui, LIU Wenying, 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 purpose only