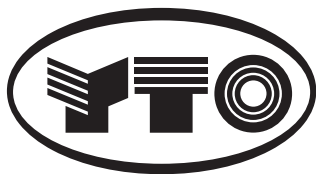


*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



# **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)

## **DISCLOSEABLE TRANSACTION PROVISION OF GUARANTEE**

The Board announces that on 18 March 2009, the Company and the Bank entered into the Co-operation Agreement. Pursuant to the Co-operation Agreement, the Bank shall grant the Company the Credit Line of RMB200 million (approximately HK\$227 million) for a period from 18 March 2009 up to 31 December 2009 (subject to extension, if necessary), such that the Credit Line will be specifically used by the Dealers recommended by the Company or the Authorized Agent for applying to the Bank for the issuance of the Bank's Acceptance Bills for the purpose of purchasing agricultural machineries from the Company or from the Authorized Agent. In return, the Company shall provide the Machinery "Full Link" Repurchase Guarantee Undertaking Letters, which shall be the legal basis for the Company's performance of its repurchase guarantee, such that if any of the Dealers are in default in failing to repay the outstanding amounts due under the Bank's Acceptance Bills within the prescribed period, the Company shall be responsible to repay the outstanding amounts to the Bank.

The provision of guarantees contemplated under the Co-operation Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

# 1. THE CO-OPERATION AGREEMENT

## Date

18 March 2009

## Parties

- (1) the Company (as guarantor). The principal activities of the Company comprise the production and sale of agricultural tractors.
- (2) the Bank. The Bank is a financial institution incorporated in the PRC which is founded under the approval of the State Council and the People's Bank of China. It engages in corporate, treasury, investment banking, wealth management and mortgage businesses.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, the Bank and its ultimate beneficial owners are not connected persons (as defined in the Listing Rules) and are independent of, and not parties acting in concert (as defined under the Codes on Takeovers and Mergers) with, any Directors, chief executive or substantial shareholder or the controlling shareholder of the Company or its subsidiaries or any of its associates.

## Provision of the Credit Line by the Bank

Pursuant to the Co-operation Agreement, the Bank shall grant the Credit Line of RMB200 million (approximately HK\$227 million) for a period from 18 March 2009 up to 31 December 2009 (if necessary, subject to extension), such that the Credit Line will be specifically used by the Dealers recommended by the Company or the Authorized Agent for applying to the Bank for the issuance of the Bank's Acceptance Bills for the purpose of purchasing machineries from the Company or the Authorized Agent. The Company shall deposit 10% of the aggregate amount of the Credit Line (i.e. RMB20 million (approximately HK\$22.7 million)) to the Bank as a security sum. Within 10 days of the expiry of the Co-operation Agreement, the Bank shall return the remaining principal of the security sum together with interest to the Company.

The Company shall distribute credit amounts to the Dealers, with reference to the operating and financial conditions of the respective Dealers, and send the “Full Link” Dealers’ Acceptance Bills Limit Distribution List (「全程通」經銷商授信額度分配表) to the branches of the Bank, which shall set out the maximum credit amount that a Dealer may obtain from the Bank for issuance of the Bank’s Acceptance Bills. It is agreed that the Dealers’ Acceptance Bills Limit Distribution List can be adjusted by the Company from time to time.

Aside from provision of the Credit Line from the Bank, the Bank will also provide settlement services among the Company, the Authorized Agent and the Dealers.

### **Issuance of the Bank’s Acceptance Bills to the Dealers**

A Dealer who is recommended by the Company or the Authorized Agent and intends to apply for the Bank’s Acceptance Bills will need to enter into the Subordinate Agreement with the Bank and the Company or the Authorized Agent. The Subordinate Agreement shall set out the procedure for applying for issuance of the Bank’s Acceptance Bills, repayment mechanism, as well as the parties’ rights and obligations. It shall also set out the maximum credit amount that a Dealer may obtain from the Bank for issuance of the Bank’s Acceptance Bills. Such credit amount to be granted to the Dealers will remain valid for one year.

The Company or the Authorized Agent will enter into the sale and purchase agreement in connection with purchase of agricultural machineries with the respective Dealers, which will stipulate that the Dealers shall apply to the Bank for the issuance of Bank’s Acceptance Bills with the Company or the Authorized Agent as the payee according to the provisions of such agreement. The authorized representative of the Company will then deliver the Machinery “Full Link” Repurchase Guarantee Undertaking Letter (機械「全程通」回購擔保承諾函) to the Bank, which shall provide a legal basis for the Company’s performance of its repurchase guarantee, such that if the Dealer is in default to repay the outstanding amounts due under the relevant Bank’s Acceptance Bill within the prescribed period, the Company shall be responsible to repay the outstanding amounts to the Bank.

When a Dealer recommended by the Company or the Authorized Agent applies to the Bank for the entry into the Financing Net, he/she shall pay to the Bank a security sum amounting to 30% of the denomination of his/her relevant Bank's Acceptance Bill. The Bank shall then proceed with the issuance of the Bank's Acceptance Bill, and deliver the same to the representative of the Company or the Authorized Agent correspondingly to pay the Company or the Authorized Agent (as the case may be) for the purchase of agricultural machineries by the Dealers.

### **Settlement of the Bank's Acceptance Bills**

Each of the Bank's Acceptance Bills should remain valid for 6 months. A Dealer shall be required to settle the outstanding sum due under his/her Bank's Acceptance Bills by applying the sale proceeds obtained from sale of agricultural machineries, in accordance with the following schedule:

1. at least 50% of the denomination of the Bank's Acceptance Bill shall be repaid within 3 months from the date of issue;
2. at least 70% of the denomination of the Bank's Acceptance Bill shall be repaid within 5 months from the date of issue; and
3. 100% of the denomination of the Bank's Acceptance Bill shall be repaid upon expiry date of the Bank's Acceptance Bill.

### **Default of the Dealers**

In the event a Dealer is in default to repay the outstanding sum in full under the relevant Bank's Acceptance Bill within the prescribed time period, a grace period of 7 Business Days will be granted by the Bank. If upon the expiry of such grace period, the Dealer still fails to settle the outstanding sum due under the relevant Bank's Acceptance Bill, the Bank shall notify the Company and request for repayment of the outstanding sum within 7 days from the date of the relevant notice of the Bank.

## **Financial effects**

The entering into the Co-operation Agreement and the provision of guarantee to the Bank will foster the Bank's confidence to issue the Bank's Acceptance Bills to the Dealers. Such Bank's Acceptance Bills are to be used for the specific purpose of purchasing the Company's agricultural machineries, which in turn can have a positive effect on the sales of the Group, and has no immediate financial effect on the Group's earnings, net assets and liabilities. The Company determines whether a credit amount shall be granted to a Dealer after strict examination of the Dealer's credit standing, and the repayment risk will be reduced by the payment of a security sum by the Dealer. Meanwhile, the Group will designate agents to keep track of and implement the repayment of each of the Bank's Acceptance Bills, thereby preventing and controlling the repayment risk effectively.

## **2. REASONS FOR ENTERING INTO THE CO-OPERATION AGREEMENT**

Having considered that the Financing Net is a new financial service product of the Bank, by way of the Bank's financial support for the Dealers to supplement their current capital needs for purchasing agricultural machineries from the Company, the purpose of encouraging the Dealers to purchase more agricultural mechanical products from the Company can be achieved.

The Board believes that the entering into the Co-operation Agreement and the establishment of the Financing Net can lead to an increase in the Company's sales volume in agricultural machinery products, which will have a positive effect on the business of the Company.

The terms of the Co-operation Agreement are determined after arm's length negotiations between the Company and the Bank and are in the ordinary and normal course of business. The Credit Line is determined with reference to the estimated demand of working capital of the Company and the Dealers' demand for the Company's products. The Directors (including the independent non-executive Directors) believe that the terms of the Co-operation Agreement and the provision of guarantee to the Bank are fair and reasonable and in the interests of the Shareholders as a whole.

## **3. GENERAL**

The provision of guarantee contemplated under the Co-operation Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

## DEFINITIONS

|                           |  |
|---------------------------|--|
| “Authorized Agent”        | Luoyang Changxing Agriculture Machinery Limited* (洛陽長興農業機械有限公司), a company incorporated in the PRC and a subsidiary of the Company, an authorized company of the Company under the Co-operation Agreement, which mainly engages in the sales of agricultural machineries |
| “Bank’s Acceptance Bills” | the bank’s acceptance bills (銀行承兌匯票) to be issued by the Bank to the Dealers for the purpose of purchasing agricultural machineries manufactured by the Company  |
| “Bank”                    | China Everbright Bank, an independent third party  |
| “Board”                   | the board of directors of the Company  |
| “Business Day(s)”         | a day (excluding Saturday) on which banks are generally open for business in Hong Kong   |
| “Company”                 | First Tractor Company Limited, a company incorporated in the PRC with limited liability and the issued Shares of which (stock code: 0038) are listed on the Stock Exchange   |
| “Co-operation Agreement”  | the co-operation agreement dated 18 March 2009 entered into between the Company and the Bank in relation to establishment of the Financing Net and the grant of the Credit Line to the Company for the Dealers to apply for the Bank’s Acceptance Bills                  |
| “Credit Line”             | the credit amount of RMB200 million (approximately HK\$272 million) to be granted by the Bank to the Company pursuant to the Co-operation Agreement  |
| “Dealer(s)”               | any individuals who intends to purchase agricultural machineries manufactured by the Company and uses Bank’s Acceptance Bills to settle the purchase price through the Financing Net, which are all independent third parties  |

|   |  |
|---|--|
| “Dealers’ Acceptance Bills<br>Limit Distribution List”  | the list to be provided by the Company to the Bank setting out the maximum credit amount that a Dealer may obtain from the Bank for issuance of the Bank’s Acceptance Bills  |
| “Directors”   | the directors of the Company   |
| “Financing Net”   | “Full Link” Machinery Financing Net (全程通機械金融網), a system to be provided by the Bank to the Dealers and the Company pursuant to the Co-operation Agreement for the purpose of facilitating the Dealer’s purchase of agricultural machineries manufactured by the Company        |
| “Group”   | the Company and its subsidiaries   |
| “HK\$”  | Hong Kong dollars, the lawful currency of Hong Kong  |
| “Listing Rules”   | The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited   |
| “Machinery “Full Link”<br>Repurchase Guarantee<br>Undertaking Letter<br>(機械「全程通」回購<br>擔保承諾函)” | the repurchase guarantee undertaking letter to be issued by the Company to the Bank, which shall provide a legal basis for the Company’s provision of guarantee to the Bank to repay the outstanding sum due under the Bank’s Acceptance Bills in case of the Dealer’s default |
| “PRC”   | the People’s Republic of China   |
| “RMB”   | Renminbi, the lawful currency of the People’s Republic of China  |
| “Stock Exchange”  | The Stock Exchange of Hong Kong Limited  |

“Subordinate Agreement”

the subordinate agreement to be entered into between the Company or the Authorized Agent, the Bank and a Dealer setting out the maximum credit amount that a Dealer may obtain from the Bank for issuance of the Bank’s Acceptance Bills, the procedure for applying for issuance of the Bank’s Acceptance Bills as well as the repayment mechanism

*For the purpose of this announcement, the exchange of RMB1.00 = HK\$0.88.*

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

Luoyang, the PRC

19 March 2009

*As at the date of this announcement, the Board comprises ten executive Directors, namely Mr. Liu Dagong, Mr. Zhao Yanshui, Mr. Liu Wenyong, Mr. Yan Linjiao, Mr. Li Tengjiao, Mr. Shao Haichen, Mr. Li Youji, Ms. Dong Jianhong, Mr. Liu Shuangcheng and Mr. Zhao Fei and four independent non-executive Directors, namely Mr. Lu Zhongmin, Mr. Chan Sau Shan, Gary, Mr. Chen Zhi and Mr. Luo Xiwen.*

\* *For identification purposes only*