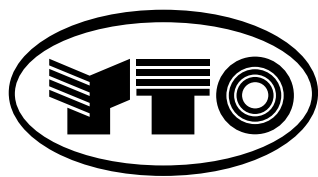


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第一拖拉机股份有限公司
FIRST TRACTOR COMPANY LIMITED*

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

(Stock Code: 0038)

DISCLOSEABLE TRANSACTION PROVISION OF GUARANTEE

The Board announces that on 12 February 2010, the Company and the Banks entered into the Agreements, pursuant to which BOC and CEB shall grant to the Company the BOC Credit Line of RMB200 million (approximately HK\$228 million) for a period from 1 February 2010 to 31 January 2012 and the CEB Credit Line of RMB400 million (approximately HK\$456 million) for a period from 6 February 2010 up to 5 February 2011 (subject to extension, if necessary) respectively, such that the Credit Lines will be specifically used by the Dealers recommended by the Company and/or the Authorized Agents for applying to the Banks for the issuance of the Banks' Acceptance Bills for the purpose of purchasing products such as agricultural and construction machineries from the Company or the Authorized Agents. In return, the Company or the Authorized Agents shall provide guarantees in the form of an undertaking letter or agreement setting out the legal basis for the Company's performance of its repurchase guarantee, such that if any of the Dealers is in default on repaying the outstanding amounts due under the Banks Acceptance Bills within the prescribed period, the Company shall be responsible to repay the outstanding amounts to the Banks.

The provision of guarantee contemplated under the CEB Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. The disclosure made herein in relation to the BOC Agreement is on a voluntary basis.

THE AGREEMENTS

Date of the Agreements: 12 February 2010

Parties to the Agreements:

BOC Agreement

- (i) the Company; and
- (ii) BOC, Henan branch in the PRC

CEB Agreement

- (i) the Company; and
- (ii) CEB

Provision of the Credit Lines by the Banks

Pursuant to the Agreements, the Banks shall grant to the Company the Credit Lines which shall be specifically used by the Dealers recommended by the Company and/or the Authorized Agents for applying to the Banks for the issuance of the Banks' Acceptance Bills for the purpose of purchasing agricultural and construction machineries from the Company or the Authorized Agents.

For the CEB Agreement, a certain percentage of the CEB Credit Line shall be paid by the Company to CEB as security deposits (more details are set out in the paragraph headed “Summary of terms of each of the Agreements” below). Upon expiry of the CEB Agreement, CEB shall return the remaining principal of the Company’s security deposit together with the 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 Dealers’ Acceptance Bills Limit Distribution Lists to the respective branches of the Banks, which shall set out the maximum credit amount that a Dealer may obtain from the respective Banks for issuance of the Banks’ Acceptance Bills. It is agreed that the Dealers’ Acceptance Bills Limit Distribution Lists can be adjusted by the Company from time to time.

Issuance of the Banks’ Acceptance Bills to the Dealers

A Dealer recommended by the Company or the Authorized Agents who intends to apply for the Banks’ Acceptance Bills shall enter into a Subordinate Agreement with the respective Banks and the Company or the Authorized Agents. The Subordinate Agreements shall set out the procedure for applying for issuance of the Banks’ 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 Banks for issuance of the Banks’ Acceptance Bills. Such credit amount to be granted to the Dealers will remain valid for a prescribed period (more details are set out in the paragraph headed “Summary of terms of each of the Agreements” below).

The Company or the Authorized Agents shall enter into a sale and purchase agreement with the respective Dealers in connection with the purchase of agricultural and/or construction machineries, which stipulates that the Dealers shall apply to the Banks for the issuance of Banks’ Acceptance Bills with the Company or the Authorized Agents as the payee according to the provisions of the Agreements. The Company or the Authorized Agents will then deliver the Repurchase Guarantee Undertaking to the Banks, which shall provide a legal basis for the Company’s performance of its repurchase guarantee, such that if the Dealer is in default on repaying the outstanding amounts due under any of its Banks’ Acceptance Bills within the prescribed period, the Company shall be responsible to repay the outstanding amounts to the Banks.

When a Dealer recommended by the Company or the Authorized Agents applies to the Banks for the entry into the Financing Nets, it shall pay to the Banks a security deposit amounting to 30% of the denomination of its relevant Banks' Acceptance Bills (more details are set out in the paragraph headed "Summary of terms of each of the Agreements" below), which shall be applied for settlement of the relevant Banks' Acceptance Bills. The Banks shall then proceed with the issuance of the Banks' Acceptance Bills, and deliver the same to the representative of the Company or the Authorized Agents correspondingly to pay to the Company or the Authorized Agents (as the case may be) for the purchase of agricultural or construction machineries by the Dealers.

Settlement of the Banks' Acceptance Bills

Each of the Banks' Acceptance Bills shall remain valid within a prescribed period (more details are set out in the paragraph headed "Summary of terms of each of the Agreements" below). A Dealer shall be required to settle the outstanding sum due under its Banks' Acceptance Bills from the sale proceeds obtained from the sale of agricultural and construction machineries and tractors, in accordance with the following manners:

Under the BOC Agreement

1. at least 50% of the denomination of the BOC Acceptance Bill shall be repaid not later than 2 months before the expiry date of the BOC Acceptance Bill;
2. at least 70% of the denomination of the BOC Acceptance Bill shall be repaid not later than 1 month before the expiry date of the BOC Acceptance Bill; and
3. 100% of the denomination of the BOC Acceptance Bill shall be repaid within 5 Business Days before the expiry date of the BOC Acceptance Bill.

Under the CEB Agreement

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

Default of the Dealers

In the event a Dealer is in default on repaying the outstanding sum under the relevant Banks' Acceptance Bills within the prescribed period, a grace period will be granted by the Banks (except for BOC) (more details are set out in the paragraph headed "Summary of terms of each of the Agreements" below). If upon expiry of such grace period, the Dealer still fails to settle the outstanding sum due under the relevant Banks' Acceptance Bills, the Banks shall notify the Company and request the Company for repayment of such outstanding sum.

Summary of terms of each of the Agreements

	BOC Agreement	CEB Agreement
Banks	BOC	CEB
Total credit amount granted to the Company under the Agreements (<i>RMB</i>)	200 million	400 million
Effective period of the Agreements (yy/mm/dd)	2010/2/1 - 2012/1/31	2010/2/6 - 2011/2/5 (subject to extension, if necessary)
Products to be purchased under the Credit Lines	Agricultural and construction machineries	Machineries
Security deposit to be paid by the Company	—	Total credit amount x 70% x 5%
Security deposit to be paid by the Dealers	30% of the denomination of the BOC Acceptance Bill	30% of the denomination of the CEB Acceptance Bill
Period for returning the remaining security deposit and interests, if any, to the Company by the Banks	—	Within 10 days after termination of the CEB Agreement
Valid period of the credit amount to be granted to the Dealers under the Subordinate Agreements	2 years	1 year
Valid period of each of the Banks' Acceptance Bills	6 months	6 months
Grace period for repaying the outstanding sum to the Banks by the Dealers	—	7 Business Days

FINANCIAL EFFECTS

The entering into of the Agreements and the provision of guarantees to the Banks will foster the Banks' confidence to issue the Banks' Acceptance Bills to the Dealers. Such Banks' Acceptance Bills are to be used for specific purpose of purchasing products such as agricultural and construction machineries from the Company or the Authorized Agents, which in turn will have a positive effect on the sales volume of the Group, and shall have no immediate financial effect on the Group's earnings, net assets and liabilities. The Company will determine whether a credit amount shall be granted to a Dealer after strict examination of the Dealer's credit standing. By payment of a security deposit by the Dealer, the repayment risk shall be reduced. Meanwhile, the Group will designate agents to keep track of and implement the repayment of each of the Banks' Acceptance Bills, thereby effectively controlling the repayment risk and preventing the non-repayment.

REASONS FOR ENTERING INTO THE AGREEMENTS

Having considered that the Financing Nets are new financial service products of the Banks to provide financial support to the Dealers to supplement their current capital needs for purchasing agricultural and construction machineries from the Company or the Authorized Agents, the purpose of encouraging the Dealers to purchase more agricultural and construction machineries from the Company or the Authorized Agents can be achieved. The Board believes that the entering into of the Agreements and the establishment of the Financing Nets can lead to an increase in the sales volumes in products such as agricultural and construction machineries of the Company and the Authorized Agents, which will have a positive effect on the business of the Group. The terms of the Agreements are determined after arm's length negotiations between the Company and the Banks and are in the ordinary and normal course of business. Each of the Credit Lines is determined with reference to the estimated demand of working capital of the Company and the Authorized Agents as well as the Dealers' demand for the products of the Company and the Authorized Agents. The Directors (including the independent non-executive Directors) believe that the terms of the Agreements and the provision of guarantees to the Banks are fair and reasonable and in the interests of the Shareholders as a whole.

INFORMATION OF THE GROUP AND THE BANKS

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

Each of the Banks is a financial institution incorporated in the PRC which is founded under the approval of the State Council of the PRC and the People's Bank of China. The Banks engage 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 Banks and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

LISTING RULES IMPLICATION

The provision of guarantee contemplated under the CEB Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. The disclosure made herein in relation to the BOC Agreement is on a voluntary basis.

DEFINITIONS

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

“Agreements”	includes BOC Agreement and CEB Agreement;
“Authorized Agents”	the authorized agents for the Company under the Agreements, namely, for CEB Agreement, Luoyang Changxing Agriculture Machinery Company Limited (洛陽長興農業機械有限公司), and for BOC Agreement, Luoyang Changxing Agriculture Machinery Company Limited (洛陽長興農業機械有限公司), Yituo (Luoyang) Shentong Construction Machinery Company Limited* (一拖(洛陽)神通工程機械有限公司), YTO (Luoyang) Building Machinery Company Limited (一拖(洛陽)建築機械有限公司), and YTO (Luoyang) Construction Machinery Company Limited (一拖(洛陽)工程機械有限公司), each of the Authorized Agents is a subsidiary of the Company;

“Banks”	BOC and CEB, each of them is an independent third party to the Company and its connected persons;
“Banks’ Acceptance Bills”	includes BOC Acceptance Bills and CEB Acceptance Bills;
“Board”	the board of Directors;
“BOC”	Bank of Communications Co., Ltd.;
“BOC Acceptance Bills”	the bank’s acceptance bills(銀行承兌匯票) to be issued by BOC to the Dealers pursuant to the BOC Agreement for the purpose of purchasing agricultural and/or construction machineries from the Company or the Authorized Agents;
“BOC Agreement”	the co-operation agreement dated 12 February 2010 entered into between the Company and BOC (Henan branch in the PRC) in relation to the establishment of the BOC Financing Net and the grant of the BOC Credit Line to the Company for the Dealers to apply for the BOC Acceptance Bills;
“BOC Credit Line”	the credit amount of RMB200 million (approximately HK\$228 million) to be granted by BOC to the Company pursuant to the BOC Agreement;
“BOC Financing Net”	Agricultural Machinery (Construction Machinery) Financing Network(農業機械(工程機械)金融網絡), a system to be provided by BOC to the Dealers and the Company pursuant to the BOC Agreement for the purpose of facilitating the Dealers’ purchase of agricultural and/or construction machineries from the Company or the Authorized Agents;
“Business Day(s)”	a day on which banks are generally open for business in the PRC;

“CEB”	China Everbright Bank;
“CEB Acceptance Bills”	the bank’s acceptance bills (銀行承兌匯票) to be issued by CEB to the Dealers pursuant to the CEB Agreement for the purpose of purchasing machineries from the Company or the Authorized Agents;
“CEB Agreement”	the co-operation agreement dated 12 February 2010 entered into between the Company and CEB in relation to the establishment of the CEB Financing Net and the grant of the CEB Credit Line to the Company for the Dealers to apply for the CEB Acceptance Bills;
“CEB Credit Line”	the credit amount of RMB400 million (approximately HK\$456 million) to be granted by CEB to the Company pursuant to the CEB Agreement;
“CEB Financing Net”	Full Link Machinery Financing Network (全程通機械金融網), a system to be provided by CEB to the Dealers and the Company pursuant to the CEB Agreement for the purpose of facilitating the Dealer’s purchase of machineries from the Company or the Authorized Agents;
“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 (Stock Code: 0038);
“Credit Lines”	includes the BOC Credit Line and CEB Credit Line;
“Dealer(s)”	any party, being an independent third party to the Company and its connected person, who intends to purchase products such as agricultural and construction machineries from the Company or the Authorized Agents and uses Banks’ Acceptance Bills to settle the purchase price through the Financing Nets;

“Dealers’ Acceptance Bills Limit Distribution Lists”	the lists to be provided by the Company to the Banks setting out the maximum credit amount that a Dealer may obtain from the Banks for issuance of the Banks’ Acceptance Bills pursuant to each of the Agreements;
“Directors”	the directors of the Company, including the independent non-executive directors;
“Financing Nets”	includes the BOC Financing Net and CEB Financing Net;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan;
“Repurchase Guarantee Undertaking”	the repurchase guarantee undertakings to be provided by the Company or the Authorized Agents to the Banks pursuant to the Agreements either in the form of an undertaking letter or agreement which provides a legal basis for the Company’s provision of guarantees to the Banks to repay the outstanding sum due under the Banks’ Acceptance Bills;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	registered holder(s) of the shares of the Company;

“Stock Exchange”

The Stock Exchange of Hong Kong Limited; and

“Subordinate Agreements”

the subordinate agreements to be entered into between the Company or the Authorized Agents, the respective Banks and a Dealer setting out the maximum credit amount that a Dealer may obtain from the respective Banks for issuance of the Banks’ Acceptance Bills, the procedure for applying for issuance of the Banks’ Acceptance Bills as well as the repayment mechanism.

For the purpose of this announcement, the exchange rate of RMB1.00 = HK\$1.14.

By Order of the Board
FIRST TRACTOR COMPANY LIMITED
Liu Dagong
Chairman

Luoyang, the PRC
12 February 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 three independent non-executive Directors, namely Mr. Chan Sau Shan, Gary, Mr. Luo Xiwen and Mr. Hong Xianguo.

* *for identification purpose only*