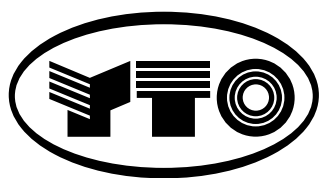


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第一拖拉机股份有限公司*
FIRST TRACTOR COMPANY LIMITED

(Incorporated in the People's Republic of China with limited liability)

(Stock Code: 0038)

DISCLOSEABLE TRANSACTION PROVISION OF GUARANTEE

The Board announces that following the signing of the BOC Agreement and the CEB Agreement on 12 February 2010, the Company and CCB entered into the CCB Agreement and the Guarantee Agreement on 16 April 2010. Pursuant to the CCB Agreement, CCB shall grant to the Company the CCB Credit Line of RMB300 million (approximately HK\$342 million) for a period from 16 April 2010 up to 16 April 2012 (subject to extension, if necessary), such that the CCB Credit Line will be specifically used by the Dealers recommended by the Company and/or the Authorized Agent for applying to CCB for the issuance of the CCB Acceptance Bills for the purpose of purchasing products such as tractors from the Company or the Authorized Agent. In return, the Company shall provide guarantees for all debts incurred by the Dealers arising from the CCB Acceptance Bills under the CCB Credit Line by entering into the Guarantee Agreement with CCB pursuant to the CCB Agreement (the scope of the guarantee is set out in the paragraph headed “Summary terms of the Guarantee Agreement” in this announcement), such that if any of the Dealers is in default on repaying the outstanding amounts due under the CCB Acceptance Bills within the prescribed period, the Company shall be responsible to repay the outstanding amounts to CCB.

The CCB Agreement, the BOC Agreement and the CEB Agreement should be aggregated under the Listing Rules. The provision of guarantee contemplated under the CCB Agreement and the Guarantee Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

THE CCB AGREEMENT

Date of the CCB Agreement: 16 April 2010

Parties to the CCB Agreement: (i) the Company; and

(ii) CCB

Provision of the CCB Credit Line

Pursuant to the CCB Agreement, CCB shall grant to the Company the CCB Credit Line which shall be specifically used by the Dealers recommended by the Company and/or the Authorized Agent for applying to CCB for issuance of the CCB Acceptance Bills for the purpose of purchasing products such as tractors from the Company or the Authorized Agent.

According to the CCB Agreement, a certain percentage of the CCB Credit Line shall be paid by the Company to CCB as security deposits (more details are set out in the paragraph headed “Summary terms of the CCB Agreement” below). Upon expiry of the CCB Agreement and settlement of all the CCB Acceptance Bills, CCB shall return the remaining principal of the Company’s security deposit together with the interest to the Company within 10 Business Days.

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 CCB, which shall set out the maximum credit amount that a Dealer may obtain from CCB for issuance of the CCB 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 CCB Acceptance Bills to the Dealers

A Dealer recommended by the Company or the Authorized Agent who intends to apply for the CCB Acceptance Bills shall enter into a Subordinate Agreement with CCB and the Company or the Authorized Agent. The Subordinate Agreement shall set out the procedure for applying for issuance of the CCB 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 CCB for issuance of the CCB 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 terms of the CCB Agreement” below).

The Company or the Authorized Agent shall enter into a sale and purchase agreement with the respective Dealers in connection with the purchase of products such as tractors, which stipulates that the Dealers shall apply to CCB for issuance of the CCB Acceptance Bills with the Company or the Authorized Agent as the payee according to the provisions of the CCB Agreement. The Company will provide Repurchase Guarantee to CCB for all debts incurred by the Dealers arising from the CCB Acceptance Bills under the CCB Credit Line by entering into the Guarantee Agreement with CCB pursuant to the CCB Agreement (the scope of the guarantee is set out in the paragraph headed “Summary terms of the Guarantee Agreement” in this announcement), such that if any of the Dealers is in default on repaying the outstanding amounts due under the CCB Acceptance Bills within the prescribed period, the Company shall be responsible to repay the outstanding amounts to CCB.

Summary terms of the Guarantee Agreement

Date	16 April 2010
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Parties	CCB The Company
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Maximum guarantee amount (RMB)	300 million
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Scope of guarantee	Principal amount of debts, interests, damages, compensations under the Subordinate Agreement, other fees payable by the Dealers to CCB or its branches, and any fees arising from collection of debts and execution of guarantees under the Guarantee Agreement by CCB
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Guarantee period	From the execution date of the Subordinate Agreement to 2 years after the maturity date of the debt(s) incurred by the Dealer under the Subordinate Agreement, or to 2 years after the date extended as agreed by CCB and the Dealer; or to 2 years after the earlier maturity date of the debt(s) as announced by CCB
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When a Dealer recommended by the Company or the Authorized Agent applies to CCB for the entry into the CCB Financing Net, it shall pay to CCB a security deposit amounting to 30% of the denomination of its relevant CCB Acceptance Bills (more details are set out in the paragraph headed “Summary terms of the CCB Agreement” below), which shall be applied for settlement of the relevant CCB Acceptance Bills. CCB shall then proceed with issuance of the CCB Acceptance Bills, and deliver the same to the representative of the Company or the Authorized Agent correspondingly to pay to the Company or the Authorized Agent (as the case may be) for the purchase of products such as tractors by the Dealers.

Settlement of the CCB Acceptance Bills

The CCB Acceptance Bills shall remain valid within a prescribed period (more details are set out in the paragraph headed “Summary terms of the CCB Agreement” below). A Dealer shall be required to settle the outstanding sum due under its CCB Acceptance Bills from the sales proceeds obtained from the sale of products such as tractors, in accordance with the following manners:

1. at least 50% of the denomination of the CCB Acceptance Bill (including the security deposits already paid by the Dealers to CCB) shall be repaid within 4 months from the date of issue;
2. at least 70% of the denomination of the CCB Acceptance Bill (including the security deposits already paid by the Dealers to CCB) shall be repaid within 5 months from the date of issue; and
3. 100% of the denomination of the CCB Acceptance Bill (including the security deposits already paid by the Dealers to CCB) shall be repaid before the eighth Business Day before the expiry date of the CCB Acceptance Bill.

Default of the Dealers

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

Summary terms of the CCB Agreement

Bank	CCB
Total credit amount granted to the Company under the CCB Agreement (<i>RMB</i>)	300 million
Effective period of the CCB Agreement (yy/mm/dd)	2010/4/16 - 2012/4/16 (subject to extension, if necessary)
Products to be purchased under the CCB Credit Line	Tractors and other products
Security deposit to be paid by the Company	5% of the CCB Credit Line, the total security deposit in any event not less than RMB22 million
Security deposit to be paid by the Dealers	30% of the denomination of the CCB Acceptance Bill
Interest rate of the security deposit	Fixed deposit interest rate
Valid period of the credit amount to be granted to the Dealers under the Subordinate Agreement	Effective period of the CCB Agreement
Valid period of the CCB Acceptance Bills	6 months
Grace period for repaying the outstanding sum to CCB by the Dealers	7 Business Days, and no grace period for final round of repayment

FINANCIAL EFFECTS

Same as the BOC Agreement and the CEB Agreement, the entering into of the CCB Agreement and Guarantee Agreement as well as the provision of guarantee to CCB will foster CCB's confidence to issue the CCB Acceptance Bills to the Dealers. Such CCB Acceptance Bills are to be used for specific purpose of purchasing products such as tractors from the Company or the Authorized Agent, 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 CCB Acceptance Bills, thereby effectively controlling the repayment risk and preventing non-repayment.

REASONS FOR ENTERING INTO THE CCB AGREEMENT

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

INFORMATION OF THE GROUP AND CCB

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

CCB 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. CCB 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, CCB and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

LISTING RULES IMPLICATION

The CCB Agreement, the BOC Agreement and the CEB Agreement should be aggregated under the Listing Rules. The provision of guarantee contemplated under the CCB Agreement and the Guarantee Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Authorized Agent”	the authorized agent for the Company under the CCB Agreement, i.e. Luoyang Changxing Agriculture Machinery Company Limited*(洛陽長興農業機械有限公司), which is a subsidiary of the Company;
“Board”	the board of Directors;
“BOC Agreement”	the co-operation agreement dated 12 February 2010 entered into between the Company and Bank of Communications Co., Ltd. (Henan branch in the PRC), details of which were disclosed in the Company's announcement dated 12 February 2010;
“Business Day(s)”	a day on which banks are generally open for business in the PRC;

“CCB”	China Construction Bank Corporation (Henan Branch);
“CCB Acceptance Bills”	the bank’s acceptance bills (銀行承兌匯票) to be issued by CCB to the Dealers pursuant to the CCB Agreement for the purpose of purchasing tractors and other products from the Company or the Authorized Agent;
“CCB Agreement”	the co-operation agreement dated 16 April 2010 entered into between the Company and CCB in relation to the establishment of the CCB Financing Net and the grant of the CCB Credit Line to the Company for the Dealers to apply for the CCB Acceptance Bills;
“CCB Credit Line”	the credit amount of RMB300 million (approximately HK\$342 million) to be granted by CCB to the Company pursuant to the CCB Agreement;
“CCB Financing Net”	Sales Financing Network (銷售寶融資業務) , a system to be provided by CCB to the Dealers and the Company pursuant to the CCB Agreement for the purpose of facilitating the Dealers’ purchase of tractors and other products from the Company or the Authorized Agent;
“CEB Agreement”	the co-operation agreement dated 12 February 2010 entered into between the Company and China Everbright Bank, details of which were disclosed in the Company’s announcement dated 12 February 2010;
“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);
“Dealer(s)”	any party, being an independent third party to the Company and its connected person, who intends to purchase products such as tractors from the Company or the Authorized Agent and uses CCB Acceptance Bills to settle the purchase price through the CCB Financing Net;

“Dealers’ Acceptance Bills Limit Distribution Lists”	the lists to be provided by the Company to CCB setting out the maximum credit amount that a Dealer may obtain from CCB for issuance of the CCB Acceptance Bills pursuant to the CCB Agreement;
“Directors”	the directors of the Company, including the independent non-executive directors;
“Group”	the Company and its subsidiaries;
“Guarantee Agreement”	the guarantee agreement dated 16 April 2010 entered into between the Company and CCB, pursuant to which the Company shall provide guarantees for all debts incurred by the Dealers arising from the CCB Acceptance Bills under the CCB Credit Line;
“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”	the repurchase guarantee to be provided by the Company for all debts incurred by the Dealers arising from the CCB Acceptance Bills under the CCB Credit Line by entering into the Guarantee Agreement with CCB pursuant to the CCB Agreement (the scope of the guarantee is set out in the paragraph headed “Summary terms of the Guarantee Agreement” in this announcement);
“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 Agreement”	the subordinate agreement(s) to be entered into among the Company or the Authorized Agent, CCB and a Dealer setting out the maximum credit amount that a Dealer may obtain from CCB for issuance of the CCB Acceptance Bills, the procedure for applying for issuance of the CCB 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
19 April 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*