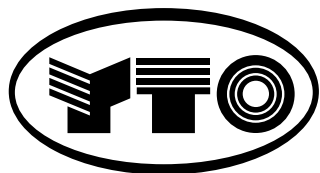


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**第一拖拉机股份有限公司**  
**FIRST TRACTOR COMPANY LIMITED**\*

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

(Stock Code: 0038)

## **Announcement in relation to the external guarantees of the Company**

In order to relieve the capital pressure on both the manufacturers and the dealers as well as to alleviate the risk of taking account receivables from the capital of First Tractor Company Limited (the “**Company**”), and to enhance the sale of products of the Company and its subsidiaries (the “**Group**”), the Group plans to continue to cooperate with financial institutions to commence business such as trade financing (sale chain), financial leasing and buyer credit, etc. in 2012. The board (the “**Board**”) of directors (the “**Directors**”) of the Company has considered and approved the provision of guarantees of not more than RMB1,388.2 million for dealers or clients designated by the Company (or its authorized subsidiaries) in respect of their leasing or purchase of machinery products manufactured by the Company (or its authorized subsidiaries) through their applications to financial institutions for the issuance of bank’s acceptance bills and loans or through financial leasing or buyer credit via financial institutions under the abovementioned business of trade financing, financial leasing and buyer credit, etc. to be commenced in 2012.

The Company will determine whether the relevant credit amount provided by the financial institutions shall be granted to the dealers or clients after strict examination of their credit standing. By payment of security deposits by the dealers or clients to the financial institutions and by provision of counter-guarantees, the risk for their repayment to the financial institutions shall be reduced.

After applying to the China Securities Regulatory Commission (the “**CSRC**”) for the issue of A shares (the “**Issue of A Shares**”), the Management Principles on External Guarantees (the “**Management Principles on External Guarantees**”) formulated according to the relevant requirements of the CSRC relating to external guarantees of listed issuers was approved at the general meeting of the Company on 16 August 2010 and will come into effect upon the Issue of A Shares. In order to ensure that the external guarantees of the Company are in compliance with the requirements under the above Management Principles on External Guarantees upon completion of the Issue of A Shares, relevant resolutions in relation to the Company’s external guarantees are proposed to be put forward at the general meeting of the Company for consideration, so as to approve the above external guarantees of the Company of not more than RMB1,388.2 million, subject to compliance with the relevant requirements under the CSRC and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) including but not limited to the requirements in relation to the shareholders’ approval under Chapter 14 and Chapter 14A of the Listing Rules, as well as other relevant requirements. The chairman of the Company shall be authorized to confirm the contents of the guarantee agreement(s) and deal with relevant matters in relation to the signing and implementation of the relevant guarantee agreement(s) during the effective period of the above guarantee amount, which shall be from 19 January 2012 to the date of convening the 2012 annual general meeting of the Company.

If the Company is required to disclose or obtain approval of the shareholders of the Company in accordance with the Listing Rules in respect of the above individual external guarantee, it shall perform relevant procedures according to the Listing Rules in a timely manner.

According to Article 65 of the articles of association of the Company (the “**Articles of Association**”), shareholder(s) individually or jointly holding 3% or more of the total number of the Company’s voting shares shall have the right to propose an ex tempore motion 10 days prior to the general meeting by furnishing the same to the Board in writing. The Board shall issue a supplemental notice of general meeting to the shareholders within 2 days after receiving the proposed motion and pass the ex tempore motion to the general meeting for consideration. On 28 December 2011, the Board received a letter from the controlling shareholder of the Company, YTO Group Corporation (which holds 443,910,000 or 52.48% voting shares of the Company), requesting for the inclusion of ordinary resolutions for consideration and approval of the above external guarantees of the Company by the shareholders of the Company in the forthcoming extraordinary general meeting (the “**EGM**”) (Notice of EGM had already been dispatched to the shareholders of the Company on 1 December 2011). According to Article 65 of the Articles of Association, the Board agreed to put forward the above new ordinary resolutions at the forthcoming EGM to be convened on 19 January 2012 for consideration and approval by the shareholders of the Company. The Board considers that the above external guarantees of the Company are in the interest of the Company and its shareholders as a whole and therefore recommends the shareholders of the Company to vote for the relevant resolutions.

New ordinary resolutions will be proposed at the EGM for the purpose of, among other things, seeking the Company’s shareholders’ approval of the above external guarantees of the Company. Votes at the EGM shall be taken by way of a poll. A supplemental notice of the EGM will be dispatched to the shareholders of the Company as soon as possible.

By Order of the Board  
**FIRST TRACTOR COMPANY LIMITED**  
**Zhao Yanshui**  
*Chairman*

Luoyang, the PRC  
30 December 2011

*As at the date of this announcement, Mr. Zhao Yanshui is the Chairman and executive Director of the Company and Mr. Su Weike is the vice Chairman and non-executive Director of the Company. Other members of the Board are, three Executive Directors, namely, Ms. Dong Jianhong, Mr. Qu Dawei and Mr. Liu Jiguo; three non-executive Directors, namely, Mr. Yan Linjiao, Mr. Liu Yongle and Mr. Li Youji; and four independent non-executive Directors, namely, Mr. Luo Xiwen, Mr. Chan Sau Shan, Gary, Mr. Hong Xianguo and Mr. Zhang Qiusheng.*

\* *For identification purposes only*