

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 company incorporated in the People's Republic of China with limited liability)

(Stock Code: 0038)

Announcement in relation to the Provision of Guarantee

The Company and all Directors of the Board hereby warrant the truthfulness, accuracy and completeness of the contents in this announcement, and accept several and joint responsibilities for any false information, misleading statements or material omissions in this announcement.

The Company's agricultural machines such as large or medium sized tractors under the brand name "Dong Fanghong" are the main products of the Company. They have high individual value and added value as well as large market share and good market development prospects. Over the past two years, with the gradual implementation of "agricultural machines purchase allowance full payment policy", the fund shortage problems of the Company's product users during the sales process of agricultural machines such as large or medium sized tractors were becoming increasingly obvious. In order to promote the sales of agricultural machines such as large or medium sized tractors under the brand name "Dong Fanghong" and solve the fund shortage problems of the Company's product users, the Company is planning to cooperate with financial institutions to commence financial lease and buyer credit businesses for the sales of agricultural machines such as large or medium sized tractors. The financial institutions shall provide fund to the lessees under the financial lease business and to the purchasers under buyer credit business, and the lessees and purchasers shall repay to the financial institutions the rent or loan by installment while the Company shall provide guarantee for the lessees and purchasers. Based on the Company's financing demand for the sales of agricultural machines such as large or medium sized tractors, the Company is planning to provide guarantee with an amount of not more than RMB120 million for the lessees and purchasers of agricultural machines such as large or medium sized tractors under the financial lease and buyer credit businesses.

THE GUARANTEE

On 24 August 2012, the 31st meeting of the fifth Board of the Company considered and passed the “resolution in respect of the provision of guarantee by the Company for agricultural machines financial lease and buyer credit businesses”. The contents of the guarantee are set out below:

1. Targets being guaranteed: The targets being guaranteed are the lessees and purchasers under the financial lease and buyer credit businesses of the Company for agricultural machines such as large or medium sized tractors (including but not limited to natural persons and those companies with gearing ratio of more than 70%). They are not connected persons of the Company. The financial status of the targets being guaranteed should satisfy the borrowers credit rating requirements of the financial institutions.
2. Type of the guarantee: Joint liabilities
3. Duration of the guarantee: From the date of approval at the EGM to 31 December 2013
4. Guaranteed amount: Not more than RMB120 million

RISK MANAGEMENT MEASURES

1. According to the “Administrative Measures for Financial Lease and Buyer Credit Businesses”, the Company has built up a sound “investigation and credit rating system for purchasers and lessees”, and will decide whether to provide guarantee through background check and pre-lending investigation. The purchasers’ and lessees’ credit record shall be kept by the relevant financial institutions in the credit system of The People’s Bank of China;
2. The purchasers and lessees shall pay down payment and guarantee deposit with an amount of not less than a certain percentage of the total purchasing price of the tractors and borrowed amount;

3. The purchasers and lessees shall purchase relevant insurances such as “motor vehicle accident liability compulsory insurance”, “third party liability insurance” and “car damage insurance”;
4. The purchasers and lessees and other related parties must provide counter guarantee to the Company; and
5. Participants such as distributors shall provide counter guarantee for the above businesses, and make advancement for the repayment by the purchasers and lessees unconditionally.

AGGREGATED EXTERNAL GUARANTEE AND OVERDUE GUARANTEE OF THE COMPANY

As at the date of this announcement, the Company has no overdue guarantees. As at the date of the 31st meeting of the Board (i.e. 24 August 2012), the aggregated external guarantee provided by the Company and its subsidiaries was RMB770.21 million. If all of the above guarantee is provided, the aggregated guarantee amount shall be RMB890.21 million, representing 24.72% of the latest audited net assets of the Company.

HONG KONG LISTING RULES AND SHANGHAI LISTING RULES IMPLICATIONS

According to the Hong Kong Listing Rules, as all the applicable percentage ratios are not more than 5%, the above guarantee does not constitute a notifiable transaction of the Company under Chapter 14 of the Hong Kong Listing Rules. However, according to the Shanghai Listing Rules and the Articles of Association of the Company, the above guarantee shall be subject to the Shareholders’ approval at the EGM.

EGM

The EGM will be convened for the Shareholders to approve, among other things, the above guarantee. At the EGM, voting on the proposed ordinary resolution will be conducted by way of poll. The notice of EGM will be dispatched to the Shareholders as soon as possible.

OPINION OF THE BOARD

With the gradual implementation of “agricultural machines purchase allowance full payment policy”, the fund shortage problems of the purchasers and lessees of the large or medium sized agricultural machines were becoming increasingly obvious. Through providing guarantee by the Company for the purchasers and lessees who purchase or lease (under the financial lease) agricultural machine products of the Company, it can help releasing the financial pressure of the purchasers and lessees. The targets being guaranteed are mainly agricultural machinery cooperation organizations and big grain production households. The Company shall also take risk management measures such as beneficiary credit assessment, guarantee deposits payment and provision of counter guarantee by participants such as distributors. The risk of provision of the guarantee is controllable and the provision of the guarantee is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM.

DEFINITIONS

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

“Board”	the board of Directors
“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 and A shares of which are listed on the Stock Exchange and the Shanghai Stock Exchange respectively
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Directors”	the directors of the Company, including the independent non-executive directors
“EGM”	the extraordinary general meeting of the Company to be convened on 9 November 2012 (Friday) for the purposes of considering and if thought fit, approving, among other things, the guarantee to be provided by the Company

“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratios”	has the same meaning as ascribed to it under the Listing Rules, as applicable to a transaction
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, The Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Listing Rules”	Shanghai Stock Exchange Share Listing Rules
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percent

By Order of the Board
FIRST TRACTOR COMPANY LIMITED
YU Lina
Company Secretary

Luoyang, the PRC
21 September 2012

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; two non-executive Directors, namely, Mr. Yan Linjiao and Mr. Liu Yongle; and four independent non-executive Directors, namely, Mr. Luo Xiwen, Mr. Chan Sau Shan, Gary, Mr. Hong Xianguo and Mr. Zhang Qiusheng.