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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 Provision of External Guarantees by the Company

First Tractor Company Limited (the “**Company**”) and all members of the board (the “**Board**”) of directors (the “**Directors**”) of the Company hereby warrant that there are no false information, misleading statements or material omissions in this announcement, and accept several and joint responsibilities for the truthfulness, accuracy and completeness of its contents.

IMPORTANT INFORMATION

- Name of the guaranteed parties:
 - (1) Dealers of the Company's products under the trade finance business (the “**Dealers**”)
 - (2) YTO (Luoyang) Forklift Company Limited (“**YTO Forklift**”), YTO (Jiangyan) Power Machinery Company Limited (“**YTO Jiangyan Power Machinery**”) and YTO (Luoyang) Transporting Machinery Company Limited (“**YLTM**”) (the above subsidiaries of the Company are collectively referred to as the “**Subsidiaries**”)

(The above Dealers and Subsidiaries are collectively referred to as the “**Guaranteed Parties**”, and the guarantees proposed to be provided by the Company for the Guaranteed Parties are referred to as the “**Proposed Guarantees**”)

- Total amount of the Proposed Guarantees and the amount of guarantees already provided:

The total amount of the Proposed Guarantees to be provided by the Company will not be more than RMB1,185 million. As at 30 November 2012, the amount of guarantees actually provided by the Company for the Guaranteed Parties was RMB427.5 million. The total amount of the Proposed Guarantees includes the aforesaid amount of guarantees actually provided.

- Provision of counter-guarantees: all external guarantees provided by the Company shall be counter-guaranteed by the Guaranteed Parties.
- Aggregated amount of overdue external guarantees of the Company: Nil

I. SUMMARY OF THE GUARANTEES

(I) Basic information of the Proposed Guarantees

1. Provision of guarantees by the Company for Dealers of agricultural machinery products under the trade finance business of the Company: the Company will cooperate with the banks and Dealers in trade finance business. The Dealers can apply to the banks for bankers' acceptance bills or bank drafts in order to make payment to the Company for purchasing the Company's products, and the Company shall, pursuant to the trade finance agreements entered into with the banks, bear joint liabilities for the repayment of the bankers' acceptance bills or bank drafts issued to the Dealers (after deducting the security deposits) as well as related charges. The Company proposes to provide guarantees with a total amount of not more than RMB1,106 million for the Dealers. The proposed guarantees will be available for use on a revolving basis and the amount of guarantees actually provided by the Company shall not exceed RMB1,106 million at any time during the validity period of the guarantees.

2. Provision of guarantees by the Company for the Subsidiaries: In light of the actual capital needs for the production and operations of the Subsidiaries, the Company proposes to provide guarantees with a total amount of not more than RMB79 million for the Subsidiaries for the financing provided by financial institutions. The proposed guarantees amount will be available for use on a revolving basis and the amount of guarantees actually provided by the Company shall not exceed RMB79 million at any time during the validity period of the guarantees. Details of the guarantees are set out below:

No.	Guaranteed Parties	Guarantee amount (RMB)
1	YTO Forklift	5 million
2	YTO Jiangyan Power Machinery	60 million
3	YLTM	14 million

3. The guarantees to be provided by the Company for the Dealers and YTO Forklift, a subsidiary of the Company, shall be subject to the approval at the 2013 first extraordinary general meeting of the Company (the “EGM”). The validity period of the aforesaid guarantees shall commence from the date of approval at the EGM and end on the date of convening the 2013 annual general meeting of the Company. The validity period of the guarantees to be provided by the Company for YTO Jiangyan Power Machinery and YLTM shall commence from the date of approval at the first meeting of the sixth Board and end on the date of convening the 2013 annual general meeting of the Company.

(II) Proposed Guarantees considered by the Board

On 20 December 2012, the first meeting of the sixth Board of the Company considered and approved “the Resolution in relation to Provision of Guarantees by the Company for Dealers under the Trade Finance Business” and “the Resolution in relation to Provision of Entrusted Loans and Guarantees by the Company for the Subsidiaries” with 12 affirmative votes, 0 negative vote and 0 abstaining vote.

II. BASIC INFORMATION OF THE GUARANTEED PARTIES

1. The Dealers are all non-connected persons of Company, who are selected by the Company and relevant financial institutions after making comprehensive assessment of their creditworthiness, loan repayment ability and sales capacity.
2. For basic information of the Subsidiaries, please refer to Table 1 below. For major financial data of the latest year and latest period of each Subsidiary, please refer to Table 2 below.

Table 1

Unit: RMB'0,000

Guaranteed Parties	Registered Capital	Equity Interest		Legal Representative	Principal Business
		held by the Company			
YTO Forklift	2,860	100%		Yao Weidong	Manufacturing, sale and maintenance of forklifts, power generating units, machinery products and accessories
YTO Jiangyan Power Machinery	20,000	78% ^(Note)		Li Xibin	Manufacturing and sale of multi-cylinder diesel engines and relevant accessories
YLTM	5,588	100%		Yao Weidong	Manufacturing, sale and maintenance of industrial forklifts and processing of general machineries

Note: The Company directly holds 38% equity interest and indirectly holds 40% equity interest through its subsidiary, YTO (Luoyang) Diesel Engine Company Limited.

Table 2*Unit: RMB'0,000*

	Total Assets		Total Liabilities		Net Assets		Revenue		Net Profit	
	At the		At the		At the					
	At the	end of	At the	end of	At the	end of				
	end of September		end of September		end of September		Jan – Sep		Jan – Sep	
Guaranteed Parties	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
YTO Forklift	4,034	4,976	4,315	4,823	-281	153	5,715	4,392	-736	-666
YTO Jiangyan	15,916	27,205	3,979	8,523	11,937	18,682	18,020	23,519	-810	-254
Power Machinery										
YLTM	9,166	8,613	5,867	5,826	3,299	2,788	11,181	6,446	-579	-511

The data for 2011 as set out in the table above was audited while the data for 2012 is unaudited.

III. MAIN CONTENTS OF THE GUARANTEE AGREEMENTS

The Company will enter into specific guarantee agreements with financial institutions according to the actual business needs of the Company within the limit of the guarantee amount.

IV. MEASURES FOR RISK CONTROL

The Company will control the risks of providing guarantees through the following measures:

- (1) The Company has established and refined a credit examination and assessment system of the Guaranteed Parties, and will make decision as to whether to provide guarantees or the guarantee amount, through review of materials and pre-loan investigation.
- (2) Under the business mode of trade finance, the Dealers are required to pay certain amount of security deposits and must provide an effective counter-guarantee with an amount not less than the guaranteed amount; and

- (3) The Subsidiaries are either wholly-owned or controlled by the Company, and the Company has de facto control on them. Through more stringent monitoring of the business operation, capital and financial information of the Subsidiaries, the Company can keep abreast of the capital use of the Subsidiaries and the guarantee risks, so as to safeguard the Company's capital as a whole.

V. OPINION OF THE BOARD

1. In recent years, the State continued to increase the amount of subsidies for agricultural machinery purchases. Under this agricultural benefiting policy, both the industry and the Company have kept steady growth in the manufacturing and sale of hi-powered and mid-powered tractors. However, due to delay in the settlement of the State's subsidies, the Dealers have been facing fund shortage problems. The fund return period of the Company has thus been prolonged and the capital pressure is relatively high.
2. The Company cooperates with financial institutions to provide guarantees for the Dealers who have sound credit status and strong sales capacities, which can expand the financing channels of the users, relieve the capital pressure of the Company and promote the sale of the Company's products. In addition, the introduction of financial institutions enhances the credit monitoring of the Dealers and strengthens the risk control. The Company also adopts risk prevention measures including assessing the credit rating of the Guaranteed Parties, payment of security deposits and provision of counter-guarantees, which can control the overall risk of providing guarantees. The provision of guarantees is in line with the Company's operation and development, and does not harm the interests of the minority shareholders.

In light of the above, the Board recommends the shareholders of the Company to vote for the ordinary resolutions in respect of the abovementioned guarantees to be proposed at the EGM.

VI. THE ACCUMULATED AMOUNT OF EXTERNAL GUARANTEES AND THE ACCUMULATED AMOUNT OF OVERDUE GUARANTEES PROVIDED BY THE COMPANY

As at the date of this announcement, the Company has no overdue guarantees.

As at the date of this announcement, the accumulated amount of external guarantees provided by the Company and its subsidiaries was RMB659.58 million, representing 19.85% of the audited net assets of the Company for the latest period.

VII. GENERAL INFORMATION

The Proposed Guarantees (except the guarantees to be provided for YTO Jiangyan Power Machinery and YLTM) are subject to the approval at the EGM.

If the abovementioned individual external guarantee is required to be disclosed or obtain approval of the shareholders of the Company in accordance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), the Company shall follow the relevant procedures as required by the Listing Rules in a timely manner.

VIII. EGM

The Company will convene the EGM for the purpose of, among other things, seeking the Company's shareholders' approval of the above guarantees. At the EGM, voting for the proposed ordinary resolutions shall be taken by way of poll. A notice of the EGM will be dispatched to the shareholders as soon as possible.

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

Luoyang, the PRC
21 December 2012

As at the date of this announcement, Mr. Zhao Yanshui is the Chairman of the Company and Mr. Su Weike is the vice Chairman of the Company. Other members of the Board are six Directors, namely, Mr. Yan Linjiao, Mr. Guo Zhiqiang, Ms. Dong Jianhong, Mr. Qu Dawei, Mr. Liu Jiguo and Mr. Wu Yong; and four independent non-executive Directors, namely, Mr. Hong Xianguo, Mr. Zhang Qiusheng, Mr. Xing Min and Mr. Wu Tak Lung.

* *For identification purposes only*