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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)

CONNECTED TRANSACTIONS GUARANTEES FOR YTO SPECIAL VEHICLE AND YTO XINNUO GOODS

The Acquisition was completed on 22 January 2013 and since then, YTO Foundry became a wholly-owned subsidiary of the Company.

On 28 March 2012 and 21 August 2012, YTO Foundry entered into YTO Special Vehicle Guarantee Agreement and YTO Xinnuo Goods Guarantee Agreement respectively with Luoyang Bank. At their respective signing dates and before 22 January 2013, the transactions under the Guarantee Agreements did not constitute connected transactions of the Company. Since YTO Foundry became a wholly-owned subsidiary of the Company upon completion of the Acquisition on 22 January 2013 and YTO Special Vehicle and YTO Xinnuo Goods, being the principal debtors under the respective Guarantee Agreements, are wholly-owned subsidiaries of YTO, the transactions under the Guarantee Agreements became connected transactions of the Company as well as financial assistance provided by the Company upon completion of the Acquisition.

Having considered that the principal debtor under each of the Guarantees is an associate of YTO, the transactions contemplated under the Guarantee Agreements should be aggregated under Rule 14A.25 of the Listing Rules.

As the applicable percentage ratio (after aggregation) is more than 0.1% but less than 5%, the Guarantees are exempted from the independent shareholders' approval requirements but subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the announcement and circular of the Company dated 15 November 2012 and 4 December 2012 respectively in relation to, among other things, the Acquisition of 100% equity interest in YTO Foundry by the Company from YTO, the controller shareholder of the Company.

The Acquisition was completed on 22 January 2013 and since then, YTO Foundry became a wholly-owned subsidiary of the Company.

On 28 March 2012 and 21 August 2012, YTO Foundry entered into YTO Special Vehicle Guarantee Agreement and YTO Xinnuo Goods Guarantee Agreement respectively with Luoyang Bank. At their respective signing dates and before 22 January 2013, the transactions under the Guarantee Agreements did not constitute connected transactions of the Company. Since YTO Foundry became a wholly-owned subsidiary of the Company upon completion of the Acquisition on 22 January 2013 and YTO Special Vehicle and YTO Xinnuo Goods, being the principal debtors under the respective Guarantee Agreements, are wholly-owned subsidiaries of YTO, the transactions under the Guarantee Agreements became connected transactions of the Company as well as financial assistance provided by the Company upon completion of the Acquisition.

THE GUARANTEES

Save and except for the signing dates, principal debtors, maximum guarantee amount, coverage period and default payment, other principal terms of the Guarantee Agreements are substantially the same, summary of which is set out below:-

	YTO Special Vehicle Guarantee Agreement	YTO Xinnuo Goods Guarantee Agreement
Date	28 March 2012	21 August 2012
Parties		
(as Guarantor)	YTO Foundry	YTO Foundry
(as Beneficiary)	Luoyang Bank	Luoyang Bank
Principal debtor	YTO Special Vehicle	YTO Xinnuo Goods

**YTO Special Vehicle
Guarantee Agreement**

**YTO Xinnuo Goods
Guarantee Agreement**

Maximum guarantee amount	RMB15,000,000 (As at the date of this announcement, the actual guaranteed amount is RMB11,855,000)	RMB7,000,000 (As at the date of this announcement, the actual guaranteed amount is RMB500,000)
Coverage period	Indebtedness incurred between 28 March 2012 and 27 March 2013	Indebtedness incurred between 21 August 2012 and 20 August 2013
Default payment	0%	10% of the total amount of the guarantee scope
Guarantee	The Guarantees were joint liabilities guarantees. The guarantor guarantees the due and punctual payment to Luoyang Bank for all indebtedness in respect of any loans, banker's acceptance bill (being the difference between the face value of the bill and the amount deposited by the principal debtor as security), bill discounting, letters of credit (being the difference between the face value of the letters and the amount deposited by the principal debtor as security) or other banking facilities provided by Luoyang Bank to the principal debtor during the above respective coverage period. Luoyang Bank may set-off any credit balance in any account of the guarantor maintained with Luoyang Bank against any sum payable by the guarantor to Luoyang Bank.	
Scope	Indebtedness includes loan principal, its interest (including compound interest and default interest), damages, compensation and any expenses incurred in connection with the enforcement of the indebtedness (including but not limited to legal, litigation, arbitration, assets preservation, travelling, enforcement, valuation and auction expenses).	

REASONS FOR ENTERING INTO THE GUARANTEE AGREEMENTS

The Guarantee Agreements were entered into before the signing of the YTO Foundry equity transfer agreement in respect of the Acquisition (“**YTO Foundry Equity Transfer Agreement**”) dated 15 November 2012 between the Company and YTO. The entering into of the Guarantee Agreements was for the purpose of facilitating YTO Special Vehicle and YTO Xinnuo Goods to obtain funds or loans from Luoyang Bank. The terms of the Guarantee Agreements were determined after arm’s length negotiations between the relevant parties. Pursuant to the YTO Foundry Equity Transfer Agreement, YTO has agreed to assume all contingent liabilities (including the above guarantee amount) under the Guarantee Agreements.

The Directors (including the independent non-executive Directors) are of the view that the Guarantee Agreements were entered into on normal commercial terms and the terms of the Guarantee Agreements are fair and reasonable. The Company has mentioned the Guarantees when announcing the YTO Foundry Equity Transfer Agreement. As mentioned above, YTO has agreed to assume all contingent liabilities under the Guarantee Agreements, therefore the Guarantees do not prejudice the interests of the Group and the Shareholders as a whole. As the Guarantee Agreements have been signed and implemented before the Acquisition, the Company is not required to convene Board meeting especially for discussion and approval of the Guarantee Agreements.

INFORMATION OF THE GROUP, YTO, YTO FOUNDRY, YTO SPECIAL VEHICLE, YTO XINNUO GOODS AND LUOYANG BANK

The Group is principally engaged in production and sale of agricultural machineries and power machineries. The principal products include tractors of hi-powered, mid-powered and low-powered, diesel engines and other accessories of tractors, forklifts and mining trucks, etc.

YTO is the controlling shareholder of the Company, holding 44.574% equity interest in the Company, and is principally engaged in production of transporting machineries, casting parts, vehicles products and components.

YTO Foundry is principally engaged in the processing and sale of casting blank and semi-finished products. It was established in September 2003 and has a relatively strong processing and manufacturing capacity. YTO Foundry is currently a wholly-owned subsidiary of the Company.

YTO Special Vehicle is principally engaged in the production, sale, research and development and maintenance of garbage and special-purpose vehicles, semi-trailers, engineering machineries products and their components. YTO Special Vehicle is currently a wholly-owned subsidiary of YTO.

YTO Xinnuo Goods is principally engaged in the sale of agricultural machineries, engineering machineries, vehicle machine tools and their components, steel, iron, non-ferrous metals, iron alloys, mineral products (excluding coal), lubricating oil, coke, construction materials, industrial chemical goods, rubber, steel scrap and iron scrap, etc. YTO Xinnuo Goods is currently a wholly-owned subsidiary of YTO.

Luoyang Bank is a financial institution incorporated in the PRC and is principally engaged in the financial and banking services. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Luoyang Bank and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

LISTING RULES IMPLICATIONS

As mentioned above, YTO is the controlling shareholder of the Company. Both YTO Special Vehicle and YTO Xinnuo Goods are wholly-owned subsidiaries of YTO, and are therefore associates of YTO. Accordingly, YTO Special Vehicle and YTO Xinnuo Goods are regarded as connected persons of the Company pursuant to the Listing Rules. Since the Acquisition was completed and YTO Foundry became a wholly-owned subsidiary of the Company on 22 January 2013, the transactions under the Guarantee Agreements (with YTO Special Vehicle and YTO Xinnuo Goods being the respective principal debtors of the Guarantees) became connected transactions of the Company as well as financial assistance provided by the Company.

Having considered that the principal debtor under each of the Guarantees is an associate of YTO, the transactions under the Guarantee Agreements should be aggregated under Rule 14A.25 of the Listing Rules.

As the applicable percentage ratio (after aggregation) is more than 0.1% but less than 5%, the Guarantees are exempted from the independent shareholders' approval requirements but subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the 100% equity interest in YTO Foundry by the Company from YTO pursuant to an equity transfer agreement dated 15 November 2012
“associate(s)”	has the same meaning as ascribed to this term under the Listing Rules
“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 main boards of the Stock Exchange and the Shanghai Stock Exchange respectively
“connected person(s)”	has the same meaning as ascribed to this term under the Listing Rules
“controlling shareholder”	has the same meaning as ascribed to this term under the Listing Rules
“Directors”	the directors of the Company, including the independent non-executive directors
“Group”	the Company and its subsidiaries
“Guarantee Agreements”	YTO Special Vehicle Guarantee Agreement and YTO Xinnuo Goods Guarantee Agreement

“Guarantee I”	corporate guarantee provided by YTO Foundry to Luoyang Bank with a maximum guarantee amount of RMB15,000,000 (equivalent to approximately HK\$18,750,000) to secure indebtedness incurred between 28 March 2012 to 27 March 2013 arising from loans and banking facilities provided by Luoyang Bank to YTO Special Vehicle
“Guarantee II”	corporate guarantee provided by YTO Foundry to Luoyang Bank with a maximum guarantee amount of RMB7,000,000 (equivalent to approximately HK\$8,750,000) to secure indebtedness incurred between 21 August 2012 to 20 August 2013 arising from loans and banking facilities provided by Luoyang Bank to YTO Xinnuo Goods
“Guarantees”	Guarantee I and Guarantee II
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Luoyang Bank”	Bank of Luoyang, Zhongzhou Sub-branch* (洛陽銀行中州支行)
“percentage ratio(s)”	has the same meaning as ascribed to this term 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

“Shareholder(s)”	registered holder(s) of the Shares
“Shares”	share(s) of RMB1.00 each of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“YTO”	YTO Group Corporation* (中國一拖集團有限公司), a limited liability company incorporated in the PRC and the controlling shareholder of the Company, holding approximately 44.574% equity interest in the Company
“YTO Foundry”	YTO (Luoyang) Foundry Company Limited* (一拖(洛陽)鑄造有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company
“YTO Special Vehicle”	YTO (Luoyang) Special Refit Vehicle Company Limited* (一拖(洛陽)專用汽車有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of YTO
“YTO Special Vehicle Guarantee Agreement”	the guarantee agreement entered into between YTO Foundry and Luoyang Bank on 28 March 2012 in respect of the provision of the Guarantee I
“YTO Xinnuo Goods”	YTO (Luoyang) Xinnuo Goods Trading Company Limited* (一拖(洛陽)信諾物資貿易有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of YTO

“YTO Xinnuo Goods
Guarantee Agreement”

the guarantee agreement entered into between YTO Foundry and Luoyang Bank on 21 August 2012 in respect of the provision of the Guarantee II

“%”

per cent.

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

Luoyang, the PRC
24 January 2013

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 the purpose of this announcement, the exchange rate of RMB1.00 = HK\$1.25 has been used, where applicable, for purposes of illustration only and does not constitute a representation that any amounts have been, could have been or may be exchanged, at this or any other rates.

* *For identification purposes only*