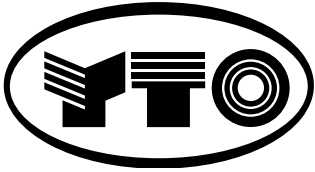


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第一拖拉机股份有限公司*
FIRST TRACTOR COMPANY LIMITED*

(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 agricultural machinery products under the brand name of “Dong Fanghong” (the “**Dealers**”); and
 - (2) YTO (Luoyang) Forklift Company Limited* (“**YTO Forklift**”), YTO (Jiangyan) Power Machinery Company Limited* (“**YTO Jiangyan Power Machinery**”), YTO (Luoyang) Transporting Machinery Company Limited* (“**YLTM**”), YTO (Luoyang) Shentong Engineering Machinery Company Limited* (“**YTO Shentong**”), YTO (France) Agricultural Equipment Company Limited* (“**YTO France Agricultural Equipment**”) and Changtuo Agricultural Machinery Equipment Company Limited* (“**Changtuo Agricultural Machinery**”) (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 RMB1,067 million. As at 31 December 2013, the amount of guarantees actually provided by the Company for the Guaranteed Parties was RMB545.41 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

1. Provision of guarantees by the Company for the Dealers of agricultural machinery products under the brand name of “Dong Fanghong”: the Company will enter into cooperation agreements with financial institutions to obtain financial credit. The Dealers, who are selected by the Company and the relevant financial institutions, can apply to the financial institutions for trade financing in order to make payment to the Company for purchasing the Company’s products. The Company proposes to provide guarantees with a maximum amount of RMB820 million for the Dealers for financing purpose. 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 RMB820 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 RMB247 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 RMB247 million at any time during the validity period of the guarantees. Details of the guarantees are set out below:

No.	Guaranteed Parties	Guarantee amount <i>(RMB)</i>
1	YTO Shentong	45 million
2	YLTM	14 million
3	YTO Forklift	5 million
4	YTO Jiangyan Power Machinery	60 million
5	YTO France Agricultural Equipment	108 million
6	Changtuo Agricultural Machinery	15 million

3. The guarantees to be provided by the Company for the Dealers and YTO Forklift, YLTM and YTO Shentong, subsidiaries of the Company, shall be subject to the approval at the general meeting of the Company (the “**General Meeting**”). The validity period of the aforesaid guarantees shall commence from the date of approval at the General Meeting and end on the date of convening the 2014 annual general meeting of the Company. The validity period of the guarantees to be provided by the Company for YTO Jiangyan Power Machinery, YTO France Agricultural Equipment and Changtuo Agricultural Machinery shall commence from the date of approval at the tenth meeting of the sixth Board and end on the date of convening the 2014 annual general meeting of the Company.

II. BASIC INFORMATION OF THE GUARANTEED PARTIES

1. The Dealers are non-connected persons of the Company.
2. For basic information of the Subsidiaries, please refer to Table 1 below. For major financial data of the latest two years of each Subsidiary, please refer to Table 2 below.

Table 1:

Guaranteed Parties	Registered Capital	Voting Rights		Principal Business
		held by the Company	Legal Representative	
YTO Shentong	RMB53 million	100%	Yao Weidong	Manufacturing and sale of mining trucks, special vehicle and mechanical products for rural construction
YLTM	RMB55.88 million	100%	Yao Weidong	Manufacturing, sale and maintenance of industrial forklifts and processing of general machineries
YTO Forklift	RMB28.6 million	100%	Yao Weidong	Manufacturing, sale and maintenance of forklifts, power generating units, machinery products and accessories
YTO France Agricultural Equipment	Euro34.6 million	100%	Liu Yao	Research, manufacturing and sale of agricultural machinery and relevant accessories
YTO Jiangyan Power Machinery	RMB200 million	78% (Note 1)	Li Xibin	Manufacturing and sale of multi-cylinder diesel engines and relevant accessories
Changtuo Agricultural Machinery	RMB282 million	66.66% (Note 2)	Hou Zhiping	Research, manufacturing and sale of hi-powered and mil-powered wheeled tractors and relevant accessories

Notes:

1. The Company directly holds 38% equity interest in YTO Jiangyan Power Machinery and indirectly holds 40% equity interest in YTO Jiangyan Power Machinery through its subsidiary, YTO (Luoyang) Diesel Engine Company Limited; and
2. The Company directly holds 33.33% equity interest in Changtuo Agricultural Machinery, China National Machinery Industry Corporation* (中國機械工業集團有限公司), the de facto controller of the Company holds 33.33% equity interest in Changtuo Agricultural Machinery, which is entrusted to the Company for management.

Table 2:

Unit: RMB ‘0,000

Guaranteed Parties	Total Assets		Total Liabilities		Net Assets		Revenue		Net Profit	
	At the end of 2012	At the end of 2013	At the end of 2012	At the end of 2013	At the end of 2012	At the end of 2013	At the end of 2012	At the end of 2013	At the end of 2012	At the end of 2013
	YTO Shentong	26,884	29,192	24,233	34,062	2,651	-4,869	31,098	5680	78
YLTM	8,448	8,328	5,992	6,414	2,456	1,914	8,361	7,581	-843	-541
YTO Forklift	4,681	6,097	4,827	6,400	-145	-1,304	5,282	4,461	-964	-1,158
YTO France Agricultural Equipment	24,514	23,729	17,279	7,789	7,235	15,939	17,944	14,699	-4086	-3,726
YTO Jiangyan Power Machinery	29,136	40,145	10,662	21,060	18,474	19,085	31,073	43,962	-463	611
Changtuo Agricultural Machinery	—	23,200	—	5,259	—	17,941	—	2,174	—	-3,074

The data set out in the table above was audited.

III. MAIN CONTENTS OF THE GUARANTEE AGREEMENTS

Methods of guarantees include, but not limited to, guarantee of joint and several liability and repurchase guarantee.

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. OPINION OF THE BOARD

On 27 March 2014, the tenth meeting of the sixth Board of the Company considered and approved “the Resolution in relation to Provisions of Guarantees by the Company to Dealers of Products under the Brand Name of “Dong Fanghong” under the Commercial Loan Business of the Company” and “the Resolution in relation to Provision of Entrusted Loans and Guarantees by the Company to Subsidiaries” with 10 affirmative votes, 0 negative vote and 0 abstaining vote.

Provision of guarantees by the Company for the Dealers for financing in purchasing the agricultural machinery products under the band name of “Dong Fanghong” can expand the financing channels of the Dealers, relieve the capital pressure of the Company and promote the sales of the Company’s products. Provision of guarantees by the Company for the Subsidiaries is mainly to satisfy the actual capital needs for the production and operation of the Subsidiaries, which is in the interest of the operation and development of the Company.

The Company has established and refined a credit examination and assessment system of the Dealers, and will make decision as to whether to provide guarantees or the guarantee amount, through review of materials and pre-loan investigation. 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. The Company will take a series of risk management measures to ensure the overall safety of the Company’s capital and the overall controllability of the guarantee risks.

The Directors (including the independent non-executive Directors) consider that the terms of the Proposed Guarantees are on normal commercial terms, fair and reasonable and in the interest of the Company and the shareholders of the Company as a whole.

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 General Meeting.

V. 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 RMB557.1 million, representing 12.45% of the audited net assets of the Company for the latest period.

VI. GENERAL INFORMATION

The Proposed Guarantees (except for the guarantees to be provided for YTO Jiangyan Power Machinery, YTO France Agricultural Equipment and Changtuo Agricultural Machinery by the Company) are subject to the approval at the General Meeting.

If the abovementioned individual external guarantee is required to be disclosed or obtain approval from 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.

VII. GENERAL MEETING

The Company will convene the General Meeting for the purpose of, among other things, seeking the Company's shareholders' approval of the above guarantees. At the General Meeting, voting for the proposed ordinary resolutions shall be taken by way of poll. A notice of the General Meeting 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
27 March 2014

As at the date of this announcement, Mr. Zhao Yanshui is the Chairman of the Company and Mr. Wang Erlong is the vice Chairman of the Company. Other members of the Board are four Directors, namely, Mr. Yan Linjiao, Mr. Guo Zhiqiang, 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*