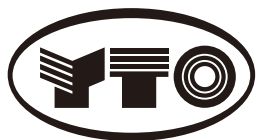


*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance 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 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 (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 Luoyang Changxing Agricultural Machinery Company Limited\* (“**Changxing 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 actually provided:

The total amount of the Proposed Guarantees to be provided by the Company will not be more than RMB876.26 million. As at the date of this announcement, the amount of guarantees actually provided by the Company for the Guaranteed Parties was RMB212.95 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: RMB12 million

## **I. SUMMARY OF THE GUARANTEES**

1. Provision of guarantees by the Company for the Dealers: the Company, through the entering into of cooperation agreements with financial institutions, obtains financial credit. The Dealers, who are approved by both the Company and the relevant financial institutions, can apply to the financial institutions for trade financing in order to make payment to the Company solely for purchasing the Company's products. The Company proposes to provide guarantees for the Dealers for financing purpose and the amount of guarantees actually provided by the Company shall not exceed RMB126.26 million at any time during the validity period of the guarantees. The proposed guarantees will be available for use on a revolving basis.

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 for the Subsidiaries for the financing provided by financial institutions and the amount of guarantees actually provided by the Company shall not exceed RMB750 million at any time during the validity period of the guarantees. The proposed guarantees amount will be available for use on a revolving basis. Details of the guarantees are set out below:

*Currency: RMB  
(unless otherwise specified)*

| <b>Guaranteed Parties</b>         | <b>Guarantee Amount</b>                           |
|-----------------------------------|---|
| YTO Shentong                      | 45 million  |
| YLTM                              | 14 million  |
| YTO Jiangyan Power Machinery      | 30 million  |
| YTO France Agricultural Equipment | Euro 23 million<br>(approximately RMB161 million) |
| Changxing Agricultural Machinery  | 500 million                                       |

3. The guarantees to be provided by the Company for the Dealers and the Subsidiaries of the Company, i.e. YTO Shentong, YLTM, YTO France Agricultural Equipment, YTO Forklift and Changxing Agricultural Machinery, shall be subject to the shareholders' approval at the 2015 annual general meeting of the Company (the "AGM"). The validity period of the Proposed Guarantees shall commence from the date of approval at the AGM and end on the date of convening the 2016 annual general meeting of the Company. The guarantee to be provided by the Company for its subsidiary YTO Jiangyan Power Machinery is not required to obtain shareholders' approval, therefore, the validity period of the guarantee to be provided for YTO Jiangyan Power Machinery shall commence from the date of convening the AGM and end on the date of convening the 2016 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 audited financial data of the Subsidiaries for the last year, please refer to Table 2 below.

**Table 1:**

| Guaranteed Parties                | Registered Capital | Voting Rights held by the Company | Legal Representative | Principal Business  |
|-----------------------------------|--------------------|-----------------------------------|----------------------|---|
| 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   | 93.39%                            | Yao Weidong          | Manufacturing, sale and maintenance of industrial forklifts, etc. and processing of general machineries |
| YTO France Agricultural Equipment | Euro 35 million    | 100%                              | Liu Yao              | Research, manufacturing and sale of agricultural machinery and relevant accessories                     |
| YTO Jiangyan Power Machinery      | RMB200 million     | 78%<br>(Note 1)                   | Li Xibin             | Manufacturing and sale of multi-cylinder diesel engines and relevant accessories                        |
| Changxing Agricultural Machinery  | RMB3 million       | 100%<br>(Note 2)                  | Zhu Weijiang         | Sale of hi-powered and mid-powered wheeled tractors and relevant products                               |

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 70% equity interest in Changxing Agricultural Machinery, and indirectly holds 30% equity interest in Changxing Agricultural Machinery through its wholly-owned subsidiary, Luoyang Changhong Industrial Trading Company Limited\*.

**Table 2:**

*Unit: RMB0'000  
(unless otherwise specified)*

|                                      | At the end<br>of 2015   | At the end<br>of 2015        | At the end<br>of 2015 | For the<br>year 2015  | For the<br>year 2015  |
|--------------------------------------|-------------------------|------------------------------|-----------------------|-----------------------|-----------------------|
| <b>Guaranteed Parties</b>            | <b>Total<br/>Assets</b> | <b>Total<br/>Liabilities</b> | <b>Net Assets</b>     | <b>Revenue</b>        | <b>Net Profit</b>     |
| YTO Shentong                         | 10,060                  | 33,481                       | -23,421               | 1,807                 | -8,379                |
| YLTM                                 | 5,289                   | 4,854                        | 435                   | 3,721                 | -941                  |
| YTO France Agricultural<br>Equipment | Euro 33.23<br>million   | Euro 26.06<br>million        | Euro 7.17<br>million  | Euro 18.25<br>million | Euro -7.97<br>million |
| YTO Jiangyan<br>Power Machinery      | 41,993                  | 21,725                       | 20,268                | 38,734                | 545                   |
| Changxing Agricultural<br>Machinery  | 41,318                  | 66,038                       | -24,720               | 517,766               | -14,338               |

### III. MAIN CONTENTS OF THE GUARANTEE AGREEMENTS

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

The Company will enter into specific guarantee agreements according to the actual business situations within the limit of the guarantee amount.

#### **IV. OPINION OF THE BOARD**

On 29 March 2016, the third meeting of the seventh 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”. The voting results of the above two resolutions are 11 affirmative votes, 0 negative vote and 0 abstaining vote.

The Company joins with the Dealers and financial institutions to launch “Dong Fanghong” commercial loan business, which expands the financing channels of the product users, which can help promote the sales of the Company’s products and relieve the pressure of the Company in relation to collection of accounts receivable.

To perfect the security measures of repayment, and to strengthen risk alarm and its handling of risks, the Company has established and refined a credit examination and assessment system for the Dealers, and will make decisions as to whether to provide guarantees or the guarantee amount based on enhanced selection, chasing and supervision of the Dealers and through review of materials and pre-loan investigation.

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 Subsidiaries are either wholly-owned or controlled by the Company, and the Company has de facto control on them. Through more stringent real time 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 Board considers 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 Proposed Guarantees (except for the guarantee to be provided for YTO Jiangyan Power Machinery) to be proposed at the AGM.

## **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 takes liabilities as a guarantor for the overdue payment by the borrowers amounted to RMB12 million, which has been recorded as receivables owed by the Dealers.

As at the date of this announcement, the accumulated amount of external guarantees provided by the Company and its subsidiaries was RMB212.95 million, representing 4.56% of the audited net assets of the Company for the latest period.

## **VI. GENERAL INFORMATION**

The Proposed Guarantees (except for the guarantee to be provided for YTO Jiangyan Power Machinery) are subject to the shareholders' approval at the AGM.

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. AGM**

The Company will convene the AGM for the purpose of, among other things, seeking the Company's shareholders' approval for the Proposed Guarantees (except for the guarantee to be provided for YTO Jiangyan Power Machinery). At the AGM, voting for the proposed ordinary resolutions shall be taken by way of poll. A notice of the AGM 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  
29 March 2016

*As at the date of this announcement, the Board comprises Mr. Zhao Yanshui (Chairman), Mr. Wang Erlong (vice Chairman) and Mr. Wu Yong as executive Directors; Mr. Li Hepeng, Mr. Xie Donggang, Mr. Li Kai and Mr. Yin Dongfang as non-executive Directors; and Ms. Yang Minli, Mr. Xing Min, Mr. Wu Tak Lung and Mr. Yu Zengbiao as independent non-executive Directors.*

\* For identification purposes only