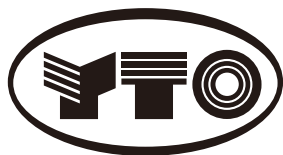


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第一拖拉机股份有限公司*
FIRST TRACTOR COMPANY LIMITED

(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 and users which purchase agricultural machinery products from the Company under finance lease, buyer’s credit and “Dong Fanghong” commercial loan business (the “**Dealers and Users**”); and
 - (2) YTO (Jiangyan) Power Machinery Company Limited* (“**YTO Jiangyan Power Machinery**”), 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 Users 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 RMB1,122.50 million. As at the end of February 2017, the amount of guarantees actually provided by the Company for the Guaranteed Parties was RMB236.0845 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.

I. SUMMARY OF THE GUARANTEES

1. Provision of guarantees by the Company for the Dealers and Users: in order to promote the sale of agricultural machinery products of the Company, relieve the pressure in relation to collection of accounts receivable and diversify the financing methods for the Dealers and Users to purchase products, the Company intends to develop the finance lease, buyer's credit and "Dong Fanghong" commercial loan business. The Company proposes to provide guarantees for the Dealers and Users for financing purpose and the amount of guarantees actually provided shall not exceed RMB480 million at any time during the validity period of the guarantees, among which the amount of guarantees actually provided to the dealers under the "Dong Fanghong" commercial loan business shall not exceed RMB280 million. 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 RMB642.50 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)*

Guaranteed Parties	Guarantee Amount
YTO Jiangyan Power Machinery	30 million
YTO France Agricultural Equipment	Euro 15 million (approximately RMB112.5 million)
Changxing Agricultural Machinery	500 million

3. The guarantees to be provided by the Company for the Dealers and Users and the subsidiaries of the Company, i.e. YTO France Agricultural Equipment and Changxing Agricultural Machinery, shall be subject to the shareholders' approval at the 2016 annual general meeting of the Company (the "AGM"). The validity period of the above guarantees shall commence from the date of approval at the AGM and end on the date of convening the 2017 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 2017 annual general meeting of the Company.

II. BASIC INFORMATION OF THE GUARANTEED PARTIES

1. The Dealers and Users 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		Principal Business
		held by the Company	Legal Representative	
YTO Jiangyan Power Machinery	RMB200 million	78% (Note 1)	Yang Yongan	Manufacturing and sale of multi-cylinder diesel engines and relevant accessories
YTO France Agricultural Equipment	Euro 34.60 million	100%	Su Wensheng	Research, manufacturing and sale of agricultural machineries and relevant accessories
Changxing Agricultural Machinery	RMB3 million	100% (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*

Guaranteed Parties	At the end of 2016			For the year ended 31 December 2016	
	Total Assets	Total Liabilities	Net Assets	Revenue	Net Profit
YTO France Agricultural Equipment	27,351	25,613	1,738	13,330	-2,098
Changxing Agricultural Machinery	113,729	140,755	-27,026	501,036	-3,786
YTO Jiangyan Power Machinery	46,957	22,320	24,637	34,873	-830

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. RISK CONTROL MEASURES OF THE COMPANY IN RESPECT OF THE GUARANTEES

In respect of provision of guarantees for the Dealers and Users, the Company has established and refined a credit examination and assessment system for the Dealers and Users, and will enhance the selection of the Dealers and Users, conduct tracking and supervision on the products by technological means, implement and perfect the counter-guarantee measures, and send advent reminders to the Dealers and Users to urge repayment, in order to strengthen risk alarm and its handling of risks.

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.

V. OPINION OF THE BOARD

On 28 March 2017, the eleventh meeting of the seventh Board of the Company considered and approved “the Resolution in relation to Provision of Guarantees for the Financial Business for the Company’s Products” 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 intends to develop finance lease, buyer’s credit, “Dong Fanghong” commercial loan business and other products financial business, which will expand the financing channels of the product users, and in turns can help promote the sales of the Company’s products and relieve the pressure of the Company in relation to collection of accounts receivable.

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 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.

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

As at the date of this announcement, the accumulated amount of external guarantees provided by the Company and its subsidiaries was approximately RMB236.0845 million, representing approximately 4.89% of the audited net assets of the Company for the latest period.

VII. 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.

VIII. 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
28 March 2017

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