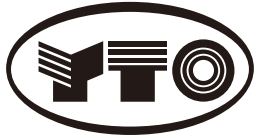


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**第一拖拉机股份有限公司**  
**FIRST TRACTOR COMPANY LIMITED**\*

*(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 that 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 (France) SAS (“**YTO France**”), Luoyang Changxing Agricultural Machinery Company Limited (“**Changxing Agricultural Machinery**”) YTO (Jiangyan) Power Machinery Company Limited\* (“**YTO Jiangyan Power Machinery**”), YTO (Xinjiang) Dongfanghong Equipment Machinery Company Limited (“**Xinjiang Company**”) and YTO International Economy and Trade Company Limited (“**YTO International Trade**”) (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 RMB2,038 million. As at the end of February 2018, the amount of guarantees actually provided by the Company for the Guaranteed Parties was RMB240.1 million. The total amount of the Proposed Guarantees includes the aforesaid amount of guarantees actually provided.

- Provision of counter-guarantees for the Proposed Guarantee: 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 RMB1,100 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 RMB800 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 RMB938 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:

*Unit: 0'000 Currency: RMB  
(unless otherwise specified)*

<b>Guaranteed Parties</b>	<b>Guarantee Amount</b>
YTO France	20,000 (approximately €25 million)
Changxing Agricultural Machinery	50,000
YTO Jiangyan Power Machinery	3,000
Xinjiang Company	800
YTO International Trade	20,000

- The guarantees to be provided by the Company for the Dealers and Users and the subsidiaries of the Company, i.e. Changxing Agricultural Machinery and YTO International Trade, shall be subject to the shareholders' approval at the 2017 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 2018 annual general meeting of the Company; while the guarantees to be provided by the Company for the subsidiaries, i.e. YTO France, YTO Jiangyan Power Machinery and Xinjiang Company are not required to obtain shareholders' approval at the general meeting of the Company. The validity period of the guarantee provided for YTO Jiangyan Power Machinery for the previous year will end on the date of the 2017 AGM, and 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 31 March 2019, and the validity period of the guarantees to be provided for YTO France and Xinjiang Company shall commence from 1 April 2018 and end on 31 March 2019.

## II. BASIC INFORMATION OF THE GUARANTEED PARTIES

- The Dealers and Users are non-connected persons of the Company.
- 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:**

*Unit: 0'000 Currency: RMB  
(unless otherwise specified)*

Guaranteed Parties	Registered Capital	Voting Rights held by the Company	Legal Representative	Principal Business
YTO France	€22.5998 million	100%	Su Wensheng	Research, manufacturing and sale of agricultural machineries and relevant components
Changxing Agricultural Machinery	300	100% <sup>Note 1</sup>	Zhu Weijiang	Sale of hi-powered and mid-powered wheeled tractors and other products
YTO Jiangyan Power Machinery	20,000	78% <sup>Note 2</sup>	Yang Yongan	Manufacturing and sale of multi-cylinder diesel engines and relevant accessories
Xinjiang Company	16,000	100%	Zhu Weijiang	Manufacturing and sale of agricultural machineries equipment and parts
YTO International Trade	6,600	100%	Wang Kejun	International sale of agricultural machineries

*Notes:*

1. The Company directly and indirectly holds 100% equity interest; and
2. The Company directly holds 38% equity interest in YTO Jiangyan Power Machinery and indirectly holds 40% equity interest in YTO Jiangyan Power Machinery through YTO (Luoyang) Diesel Engine Company Limited, its subsidiary.

**Table 2:**

*Unit: 0'000 Currency: RMB*

<b>Guaranteed Parties</b>	<b>At the end of 2017</b>			<b>For the year ended 31 December 2017</b>	
	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Net Assets</b>	<b>Operating Revenue</b>	<b>Net Profit</b>
YTO France	34,129	15,798	18,331	11,427	-3,416
Changxing Agricultural Machinery	83,798	118,481	-34,683	438,371	-7,657
YTO Jiangyan Power Machinery	46,176	21,653	24,523	36,693	-114
Xinjiang Company	15,552	555	14,997	15,108	-475
YTO International Trade	70,526	66,201	4,325	64,276	-2,908

### **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 PROVISION OF 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 such 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 further strengthen risk alarm and risk response.

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 control 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 29 March 2018, the eighteenth 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 Guarantees 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 distributors and users, and in turns help to 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 to the Subsidiaries mainly aims to satisfy the actual capital needs for the production and operation of the Subsidiaries, which is in line with the operation and development requirements 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 guarantees to be provided to YTO France, YTO Jiangyan Power Machinery and Xinjiang Company) to be proposed at the AGM.

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

As at the end of February 2018, the accumulated amount of external guarantees provided by the Company and its subsidiaries was approximately RMB240.1 million, representing approximately 5% of the audited net assets of the Company for the latest period.

## **VII. GENERAL INFORMATION**

The Proposed Guarantees (except for the guarantees to be provided to YTO France, YTO Jiangyan Power Machinery and Xinjiang Company) 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 approval from shareholders of the Company for the Proposed Guarantees (except for the guarantees to be provided for YTO France, YTO Jiangyan Power Machinery and Xinjiang Company). 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  
2 April 2018

*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