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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:

Luoyang Changxing Agricultural Machinery Company Limited (“**Changxing Agricultural Machinery**”) 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 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 be not more than RMB530 million. As at the end of February 2020, the amount of guarantees actually provided by the Company for the Guaranteed Parties was RMB180 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 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 RMB530 million at any time during the validity period of the guarantees. The proposed guarantee amount will be available for use on a revolving basis. Details of the guarantees are set out below:

Unit: 0'000 Currency: RMB

Guaranteed Parties	Guarantee Amount
Changxing Agricultural Machinery	50,000
YTO International Trade	3,000

2. The guarantees to be provided by the Company for the subsidiaries of the Company, i.e. Changxing Agricultural Machinery and YTO International Trade, shall be subject to the shareholders' approval at the 2019 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 2020 annual general meeting of the Company.

II. BASIC INFORMATION OF THE GUARANTEED PARTIES

For basic information of the Subsidiaries, please refer to Table 1 below. For major financial data of the Subsidiaries for the last two years, please refer to Table 2 below.

Table 1:

Unit: 0'000 Currency: RMB

Guaranteed Parties	Registered Capital	Voting Rights held by the Company	Legal Representative	Principal Business
Changxing Agricultural Machinery	300	100%	Liu Cong	Sale of hi-powered and mid-powered wheeled tractors and other products
YTO International Trade	6,600	100%	Liu Pei	International sale of agricultural machineries

Table 2:

Unit: 0'000 Currency: RMB

Guaranteed Parties	At the end of 2018			For the year ended 31 December 2018	
	Total Assets	Total Liabilities	Net Assets	Operating Revenue	Net Profit
Changxing Agricultural Machinery	57,604	93,736	-36,132	291,095	-1,449
YTO International Trade	65,508	60,635	4,873	59,060	547

Guaranteed Parties	At the end of 2019			For the year ended 31 December 2019	
	Total Assets	Total Liabilities	Net Assets	Operating Revenue	Net Profit
Changxing Agricultural Machinery	26,199	57,619	-31,420	380,876	4,712
YTO International Trade	62,032	58,549	3,483	25,026	-1,389

Note: The data of 2018 is audited while the date of 2019 is unaudited.

III. MAIN CONTENTS OF THE GUARANTEE AGREEMENTS

The guarantees are provided by way of undertaking joint and several liability. 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

The Subsidiaries are wholly-owned 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 27 March 2020, the sixteenth meeting of the eighth session of Board of the Company considered and approved "the Resolution in Relation to Provision of Entrusted Loans and Guarantees for Subsidiaries".

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 to be proposed at the AGM.

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

As at the end of February 2020, the accumulated amount of external guarantees provided by the Company and its subsidiaries was approximately RMB580,677,000, representing approximately 12.47% of the audited net assets of the Company for the latest period.

VII. GENERAL INFORMATION

The Proposed Guarantees are subject to the shareholders' approval at the AGM.

If any 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. 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
27 March 2020

As at the date of this announcement, the Board comprises Mr. Li Xiaoyu (Chairman), Mr. Cai Jibo (vice Chairman) and Mr. Liu Jiguo as executive Directors; Mr. Li Hepeng, Mr. Xie Donggang and Mr. Zhou Honghai as non-executive Directors; and Mr. Yu Zengbiao, Ms. Yang Minli, Ms. Wang Yuru and Mr. Edmund Sit as independent non-executive Directors.

* *For identification purposes only*