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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)

- (1) General Mandate to Repurchase H Shares;**
- (2) Directors Liability Insurance;**
- (3) Appointment of Internal Control Auditors; and**
- (4) Provision of Guarantee**

The Company and all members of the Board 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.

(1) GENERAL MANDATE TO REPURCHASE H SHARES

In order to provide flexibility to the Directors in the event that it becomes desirable to repurchase any H Shares, approval is proposed to be sought from the Shareholders for the grant of the Repurchase Mandate to the Directors. In accordance with the requirements under the Company Law, the Mandatory Provisions and the Articles of Association, the Company is required to convene the EGM and Class Meetings to seek the aforesaid approval from the Shareholders. At each such meeting, a special resolution will be proposed for the Shareholders to consider and approve granting to the Directors of the Repurchase Mandate (i.e. a conditional general mandate to repurchase H Shares in issue on the Stock Exchange with an aggregate nominal value of not exceeding 10% of the aggregate nominal value of H Shares in issue as at the date of passing of such special resolution).

The Repurchase Mandate will be conditional upon (a) the special resolution for approving the grant of the Repurchase Mandate being passed at each of the EGM and Class Meetings; and (b) the approvals of SAFE (or its successor authority) and/or any other regulatory authorities as may be required by the laws, rules and regulations of the PRC being obtained by the Company, if appropriate. If the above conditions are not fulfilled, the Repurchase Mandate will not be exercisable by the Directors.

The Repurchase Mandate will expire on the earlier of (a) the conclusion of the next annual general meeting of the Company; or (b) the expiry of a period of twelve months following the passing of the relevant resolution at the EGM and Class Meetings; or (c) the date on which the authority conferred by the special resolution is revoked or varied by a special resolution of the Shareholders in a general meeting or by a special resolution of holders of H Shares or holders of A Shares at their respective class meetings.

The H Shares which may be repurchased by the Company pursuant to the Repurchase Mandate shall not exceed 10% of the aggregate nominal value of H Shares in issue as at the date of passing of the special resolution approving the Repurchase Mandate at the EGM and Class Meetings.

(2) DIRECTORS LIABILITY INSURANCE

In order to fulfill the requirements of the Hong Kong Listing Rules, provide incentive for the Directors, Supervisors and senior management officers to work hard and fulfill their respective duties, avoid the litigation risk arising from the performance of the duties of Directors, Supervisors and senior management officers, and protect the Company against liability risk, the Company proposes to purchase directors liability insurance for its Directors, Supervisors and senior management officers.

The Company's current directors liability insurance will expire on 20 December 2013. The Company proposes to renew or purchase a directors liability insurance with an insurance coverage of RMB30,000,000 and a term of twelve months counting from the commencement date of the insurance, renewable upon maturity.

According to the requirements of the "Rules on Corporate Governance of Listed Companies" issued by China Securities Regulatory Commission, the proposed purchase of directors liability insurance is subject to the approval by the Shareholders at the EGM. The Company proposes the Shareholders to authorize the Board to decide the specific matters in relation to the purchase of the above directors liability insurance at the EGM.

(3) APPOINTMENT OF INTERNAL CONTROL AUDITORS

Pursuant to the “Notice on Implementation of Enterprise Internal Control Regulated Systems by Main Board Listed Companies by Classes and by Batches in 2012 (關於2012年主板上市公司分類分批實施企業內部控制規範體系的通知)” issued by the Ministry of Finance of the PRC, listed companies with shareholding controlled by the State were required to implement enterprise internal control regulated system and disclose internal control audited report to be prepared and issued by their auditors in their annual reports.

In order to comply with the above requirements, the Board of the Company proposes to appoint Baker Tilly China Certified Public Accountants to conduct the required internal control review for the Group and prepare the required internal control audited report. The proposed appointment of Baker Tilly China Certified Public Accountants is subject to the approval by the Shareholders at the EGM.

(4) PROVISION OF GUARANTEE

The agricultural machine products such as large or medium sized tractors manufactured and sold by the Company and its subsidiaries are the main products of the Company. They have high individual value and added value as well as large market share and good market development prospects. Over the past two years, with the gradual implementation of “agricultural machines purchase allowance full payment policy”, the fund shortage problems of the Company’s product users during the sales process of agricultural machines such as large or medium sized tractors were becoming increasingly obvious. In order to promote the sales of agricultural machines such as large or medium sized tractors and solve the fund shortage problems of the users, the Company and/or its subsidiaries are planning to cooperate with financial institutions to commence financial sale businesses such as financial lease and buyer credit businesses for the sales of agricultural machines such as large or medium sized tractors. The financial institutions shall provide fund to the purchasers of the Company’s products while the Company and/or its subsidiaries shall provide guarantee for such purchasers. Based on the Company’s financing demand for the sales of agricultural machines such as large or medium sized tractors, the Company and/or its subsidiaries are planning to provide guarantee with a total amount of not more than RMB150 million for the purchasers.

The Guarantee

On 20 August 2013, the Board considered and passed the “resolution in respect of the provision of guarantee by the Company and its subsidiaries for agricultural machines financial lease and buyer credit businesses”. The contents of the guarantee are set out below:

1. Targets being guaranteed: The targets being guaranteed are the purchasers of agricultural machine products manufactured and sold by the Company and its subsidiaries, including but not limited to the lessees and purchasers under the financial lease and buyer credit businesses of the Company and its subsidiaries. They are not connected persons of the Company.
2. Type of the guarantee: Including but not limited to general guarantee liabilities, joint liabilities and repurchase guarantees, etc.
3. Duration of the guarantee: From 1 January 2014 to 30 June 2015
4. Guaranteed amount: Not more than RMB150 million

Risk Management Measures

1. Before commencement of business, the Company will decide whether to commence financial sale business by conducting examination on the credit record and repayment abilities of the purchasers through pre-lending investigation and credit assessment system;
2. The targets being guaranteed shall pay down payment and guarantee deposit with an amount of not less than a certain percentage of the total purchasing price of the agricultural machine products and borrowed amount;
3. The targets being guaranteed shall purchase relevant insurances such as “motor vehicle accident liability compulsory insurance”, “third party liability insurance” and “car damage insurance”; and

4. The targets being guaranteed and the distributors of the Company's products participated in the financial sale businesses such as financial lease and buyer credit businesses shall provide counter guarantee.

Aggregated External Guarantee and Overdue Guarantee of the Company

As at the date of this announcement, the Company has no overdue guarantees. The balance of the external guarantee provided by the Company and its subsidiaries was RMB584.43 million, representing 14.23% of the latest audited net assets of the Company. The balance of guarantee provided by the Company to its subsidiaries was RMB128 million, representing 3.12% of the latest audited net assets of the Company.

Hong Kong Listing Rules and Shanghai Listing Rules Implications

According to the Hong Kong Listing Rules, as all the applicable percentage ratios are not more than 5%, the above guarantee does not constitute a notifiable transaction of the Company under Chapter 14 of the Hong Kong Listing Rules. However, according to the Shanghai Listing Rules and the Articles of Association of the Company, the above guarantee shall be subject to the Shareholders' approval at the EGM.

Opinion of the Board

With the gradual implementation of "agricultural machines purchase allowance full payment policy", the fund shortage problems of the purchasers of the large or medium sized agricultural machines were becoming increasingly obvious. Through providing guarantee by the Company and its subsidiaries for the purchasers of agricultural machine products of the Company by way of financial sale business such as financial lease and buyer credit businesses, it can help releasing the financial pressure of the purchasers and enhancing the Company's sale. The targets being guaranteed are mainly agricultural machinery cooperation organizations and big grain production households who purchase or lease the Company's products. The Company shall also take risk management measures such as beneficiary credit assessment, guarantee deposits payment and provision of counter guarantee by participants such as distributors. The risk of provision of the guarantee is controllable and the provision of the guarantee is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM.

GENERAL INFORMATION

The Company will convene the EGM for the purpose of, among other things, seeking the Shareholders' approval for (a) the Repurchase Mandate, (b) the purchase of directors liability insurance, (c) the appointment of internal control auditors, and (d) the provision of guarantee. The Repurchase Mandate will also be put forward to the A Shareholders and H Shareholders for approval at their respective Class Meetings. The votes to be taken at the EGM and the respective Class Meetings will be taken by poll. Notices of the EGM and Class Meetings will be dispatched to the Shareholders as soon as possible.

A circular containing, among other things, (i) further information relating to the Repurchase Mandate, (ii) further information relating to the directors liability insurance, (iii) further information relating to the appointment of internal control auditors, (iv) further information relating to the provision of guarantee, and (v) notices of the EGM and Class Meetings, will be dispatched to the Shareholders as soon as possible.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“A Share(s)”	the domestic ordinary share(s) of RMB1.00 each in the share capital of the Company, which are listed on the Shanghai Stock Exchange, and subscribed for and traded in RMB
“A Shareholder(s)”	holders of A Share(s)

“Board”	the board of Directors
“Class Meetings”	the A share class meeting and H share class meeting
“Company”	First Tractor Company Limited* (第一拖拉機股份有限公司), a joint stock company with limited liability incorporated in the PRC, the H Shares and A Shares of which are listed on the main boards of the Stock Exchange and the Shanghai Stock Exchange respectively
“Company Law”	the Company Law of the PRC (中華人民共和國公司法), as enacted by the Standing Committee of the Eighth National People’s Congress on 29 December 1993 and effective on 1 July 1994, as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the same meaning as ascribed to this term under the Hong Kong Listing Rules
“Director(s)”	the directors of the Company
“EGM”	an extraordinary general meeting of the Company to be held for the purposes of considering and approving, among other things, the Repurchase Mandate, the purchase of directors liability insurance, the appointment of internal control auditors and the provision of guarantee
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“H Share(s)”	the overseas listed foreign share(s) having a nominal value of RMB1.00 each in the capital of the Company, which are subscribed for and traded in Hong Kong dollars, all of which are listed on the Stock Exchange
“H Shareholder(s)”	holders of H Share(s)
“Mandatory Provisions”	the Mandatory Provisions for the Articles of Association of the Companies to be Listed Overseas (到境外上市公司章程必備條款) issued on 27 August 1994 by the State Council Securities Policy Committee and the State Commission for Restructuring the Economic System
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Repurchase Mandate”	subject to the conditions set out in the proposed resolution(s) approving the repurchase mandate at the EGM and Class Meetings, the general mandate to be granted to the Board to exercise the power of the Company to repurchase H Shares, the aggregate nominal amount of which shall not exceed 10% of the aggregate nominal value of H Shares in issue as at the date of passing of the relevant resolution(s) as set out in the Notices of EGM and Class Meetings
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局) or its successor authority

“Shanghai Listing Rules”	Rules Governing the Listing of Stocks on Shanghai Stock Exchange
“Share(s)”	share(s) of RMB1.00 each of the Company
“Shareholder(s)”	registered holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisors of the Company
“%”	per cent.

By Order of the Board
FIRST TRACTOR COMPANY LIMITED
YU Lina
Company Secretary

Luoyang, the PRC
20 August 2013

As at the date of this announcement, Mr. Zhao Yanshui is the Chairman of the Company and Mr. Su Weike is the vice Chairman of the Company. Other members of the Board are six Directors, namely, Mr. Yan Linjiao, Mr. Guo Zhiqiang, Ms. Dong Jianhong, Mr. Qu Dawei, 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*