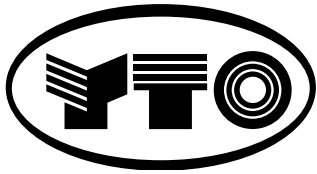


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**第一拖拉机股份有限公司**  
**FIRST TRACTOR COMPANY LIMITED**\*

*(a joint stock company incorporated in the People's Republic of China with limited liability)*

(Stock Code: 0038)

**(1) PROPOSED CHANGES IN FINANCIAL REPORT AUDITORS  
AND INTERNAL CONTROL AUDITORS;  
(2) PROPOSED AMENDMENTS TO ARTICLES OF  
ASSOCIATION;  
AND  
(3) DIRECTORS LIABILITY INSURANCE**

**(1) PROPOSED CHANGES IN FINANCIAL REPORT AUDITORS AND  
INTERNAL CONTROL AUDITORS**

The Board proposes to (1) appoint ShineWing China as the auditors for the Company's financial report for the year 2014 and the internal control auditors of the Company; and (2) cease to appoint Baker Tilly China and Baker Tilly Hong Kong as the PRC financial report auditors and Hong Kong financial report auditors of the Company respectively and cease to appoint Baker Tilly China as the internal control auditors of the Company, in light of the acceptance by the Stock Exchange of the Mainland accounting and auditing standards and Mainland audit firms for Mainland incorporated companies listed in Hong Kong.

**(2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

The Company proposes to, subject to the approval by the Shareholders at the EGM, amend the Articles of Association to reflect the proposed change in the accounting system of the Company.

### **(3) DIRECTORS LIABILITY INSURANCE**

The Company's current directors liability insurance will expire on 20 December 2014. The Company proposes to renew or purchase a new directors liability insurance.

### **EGM**

The EGM will be held for the purposes of seeking Shareholders' approval for, among other things, the Proposed Changes in Financial Report Auditors and Internal Control Auditors, the proposed amendments to the Articles of Association and the purchase of directors liability insurance and authorization to the Board to decide its details. A notice of the EGM will be dispatched to the Shareholders as soon as possible.

The votes to be taken at the EGM in relation to the proposed ordinary resolution(s) and special resolution(s) will be taken by way of poll.

### **GENERAL**

A circular containing, among other things, (i) details of the Proposed Changes in Financial Report Auditors and Internal Control Auditors; (ii) details of the proposed amendments to the Articles of Association; (iii) details of the directors liability insurance; and (iv) a notice of the EGM will be dispatched to the Shareholders as soon as possible.

### **(1) PROPOSED CHANGES IN FINANCIAL REPORT AUDITORS AND INTERNAL CONTROL AUDITORS**

The Board proposes to (1) appoint ShineWing Certified Public Accountants ("**ShineWing China**") as the auditors for the Company's financial report for the year 2014 and the internal control auditors of the Company; and (2) cease to appoint Baker Tilly China Certified Public Accountants ("**Baker Tilly China**") and Baker Tilly Hong Kong Limited ("**Baker Tilly Hong Kong**") as the PRC financial report auditors and Hong Kong financial report auditors of the Company respectively and cease to appoint Baker Tilly China as the internal control auditors of the Company (the "**Proposed Changes in Financial Report Auditors and Internal Control Auditors**"), in light of the acceptance by the Stock Exchange of the Mainland accounting and auditing standards and Mainland audit firms for Mainland incorporated companies listed in Hong Kong.

According to the “Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong” published by the Stock Exchange in December 2010, Mainland incorporated issuers listed in Hong Kong are allowed to prepare their financial statements in accordance with the PRC Accounting Standards for Business Enterprises (the “**PRC Accounting Standards**”), and Mainland audit firms approved by the Ministry of Finance of the PRC (the “**MOF**”) and the China Securities Regulatory Commission (the “**CSRC**”) are allowed to audit these financial statements in accordance with the PRC Accounting Standards.

The Company is aware that ShineWing China is a Mainland audit firm approved by the MOF and the CSRC to provide auditing services in accordance with the PRC Accounting Standards to Mainland incorporated issuers.

In view of the aforesaid change, in order to improve the disclosure efficiency and quality of the Company’s financial information, the Board proposes to amend the Articles of Association to prepare only one set of financial statement in accordance with the PRC Accounting Standards, effective from the date of approval at the EGM. The Articles of Association will be amended accordingly to reflect the proposed change of accounting system, as further discussed below.

In light of the aforesaid, the Board proposes to, subject to the approval by the Shareholders at the EGM in respect of the resolutions of (i) the Proposed Changes in Financial Report Auditors and Internal Control Auditors and (ii) the proposed amendments to the Articles of Association, appoint ShineWing China as the auditors for the Company’s financial report for the year 2014 and the internal control auditors of the Company, and cease the appointment of Baker Tilly China and Baker Tilly Hong Kong as its PRC financial report auditors and Hong Kong financial report auditors respectively and cease the appointment of Baker Tilly China as its internal control auditors, with effect from the date of approval at the EGM, whilst ShineWing China will be the only internal control auditors and financial report auditors auditing the Company’s financial statement for the year ending 31 December 2014 in accordance with the PRC Accounting Standards and undertaking the role of Hong Kong financial report auditors in compliance with the Listing Rules.

Baker Tilly China and Baker Tilly Hong Kong have confirmed that there were no matters regarding the Proposed Changes in Financial Report Auditors and Internal Control Auditors that need to be brought to the attention of the Shareholders. The Board and the audit committee of the Company confirmed that there were no disagreement between the Company, Baker Tilly China and Baker Tilly Hong Kong regarding the Proposed Changes in Financial Report Auditors and Internal Control Auditors.

## **(2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

As mentioned above, the Company proposes to, subject to the approval by the Shareholders at the EGM, amend the Articles of Association to reflect the proposed change of accounting system of the Company. The proposed amendments are as follows:

### **Article 203**

Original Article 203:           The financial statements of the Company shall be prepared not only in accordance with China's accounting standards, laws and regulations but also in accordance with international accounting standards or the accounting standards of the place(s) outside Mainland China where shares of the Company are listed. If there are major differences in the financial statements prepared in accordance with these two sets of accounting standards, such differences shall be stated in notes appended to such financial statements. For purposes of the Company's distribution of after-tax profits in a given fiscal year, the lower after-tax profits shown in the above-mentioned two kinds of financial statement shall be adopted.

Amended Article 203:       The financial statements of the Company shall be prepared in accordance with China's accounting standards, laws and regulations.

## **Article 204**

Original Article 204: Interim results or financial information published or disclosed by the Company shall be prepared in accordance with China's accounting standards, laws and regulations as well as international standards or the accounting standards of the place(s) outside Mainland China where shares of the Company are listed.

Amended Article 204: Interim results or financial information published or disclosed by the Company shall be prepared in accordance with China's accounting standards, laws and regulations.

## **Article 213**

Original Article 213: The Company's profit distribution policy is as follows:

- (1) The Company adopts consistent and stable profit distribution policy, which should emphasize on investors' reasonable investment return while ensuring the Company's continuous development;
- (2) The Company may distribute dividends by way of cash, bonus shares or a combination of both;
- (3) When the condition allows, subject to the authorization at the general meeting, the Board may distribute interim dividends or bonus;
- (4) The annual profits distributed by the Company by way of cash shall not be less than 25% of the profit available for distribution for the year (the lower of those in the financial statements under the PRC accounting standards and the international accounting standards), provided that the capital needs for the Company's normal production and operation are satisfied and there is no such events as material investment plan or material cash expense;

- (5) If the net profit of the Company for the year increases by 20% from last year, the Board of the Company may propose the profit distribution plan for distributing bonus shares.

Amended Article 213: The Company's profit distribution policy is as follows:

- (1) The Company adopts consistent and stable profit distribution policy, which should emphasize on investors' reasonable investment return while ensuring the Company's continuous development;
- (2) The Company may distribute dividends by way of cash, bonus shares or a combination of both;
- (3) When the condition allows, subject to the authorization at the general meeting, the Board may distribute interim dividends or bonus;
- (4) The annual profits distributed by the Company by way of cash shall not be less than 25% of the profit available for distribution for the year, provided that the capital needs for the Company's normal production and operation are satisfied and there is no such events as material investment plan or material cash expense;
- (5) If the net profit of the Company for the year increases by 20% from last year, the Board of the Company may propose the profit distribution plan for distributing bonus shares.

The English version of the above articles is an unofficial translation of its Chinese version. In case of any discrepancy between the two versions, the Chinese version shall prevail.

### **(3) DIRECTORS LIABILITY INSURANCE**

In order to fulfill the requirements of the 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 has purchased directors liability insurance for its Directors, Supervisors and senior management officers.

The Company's current directors liability insurance will expire on 20 December 2014. The Company proposes to renew or purchase a new directors liability insurance.

According to the requirements of the "Rules on Corporate Governance of Listed Companies" issued by the CSRC, the proposed purchase of new 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 details in relation to the purchase of the above directors liability insurance at the EGM.

### **EGM**

The EGM of the Company will be held for the purposes of seeking Shareholders' approval for, among other things, the Proposed Changes in Financial Report Auditors and Internal Control Auditors, the proposed amendments to the Articles of Association and the purchase of directors liability insurance and authorization to the Board to decide its details. A notice of the EGM will be dispatched to the Shareholders as soon as possible.

The votes to be taken at the EGM in relation to the proposed ordinary resolution(s) and special resolution(s) will be taken by way of poll.

### **GENERAL**

A circular containing, among other things, (i) details of the Proposed Changes in Financial Report Auditors and Internal Control Auditors; (ii) details of the proposed amendments to the Articles of Association; (iii) details of the directors liability insurance; and (iv) a notice of the EGM will be dispatched to the Shareholders as soon as possible.

## DEFINITIONS

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

“Articles of Association”	the articles of association of the Company, as amended from time to time
“Board”	the board of Directors
“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 board of the Stock Exchange (Stock Code: 0038) and the Shanghai Stock Exchange (Stock Code: 601038) respectively
“Directors”	the directors of the Company, including the independent non-executive directors
“EGM”	the extraordinary general meeting of the Company to be convened for the purposes of seeking Shareholders’ approval for, among other things, the Proposed Changes in Financial Report Auditors and Internal Control Auditors, the proposed amendments to the Articles of Association and the purchase of directors liability insurance and authorization to the Board to decide its details
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange



“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
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisors”	the supervisors of the Company

By order of the Board  
**First Tractor Company Limited**  
**YU Lina**  
*Company Secretary*

Luoyang, the PRC  
26 August 2014

*As at the date of this announcement, Mr. Zhao Yanshui is the Chairman of the Company and Mr. Wang Erlong is the vice Chairman of the Company. Other members of the Board are six Directors, namely, Mr. Yan Linjiao, Mr. Wu Zongyan, Mr. Wang Kejun, Mr. Guo Zhiqiang, Mr. Liu Jiguo and Mr. Wu Yong; and four independent non-executive Directors, namely, Mr. Hong Xianguo, Mr. Xing Min, Mr. Wu Tak Lung and Mr. Yu Zengbiao.*

\* *For identification purposes only*