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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) FORMULATION OF THE WORKING RULES OF
INDEPENDENT DIRECTORS; AND
(2) PROPOSED AMENDMENTS TO THE DECISION MAKING
PRINCIPLES ON INVESTMENTS**

**FORMULATION OF THE WORKING RULES OF INDEPENDENT
DIRECTORS**

In accordance with the requirements of the Guidelines on the Establishment of Independent Directorship of Listed Companies (Zheng Jian Fa [2001] No. 102) issued by China Securities Regulatory Commission, in order to better define the rights and responsibilities of the independent directors of the Company and give full play to the role of independent directors in the governance of the Company, the Company has made supplementation and improvement to the contents related to the job qualification for and duties and responsibilities of independent directors as stipulated in the Procedural Rules for Meetings of the Board and the Articles of Association of the Company according to the requirements of the Guidelines on the Establishment of Independent Directorship of Listed Companies and formulated the Working Rules of Independent Directors (Draft) of the Company separately.

**PROPOSED AMENDMENTS TO THE DECISION MAKING PRINCIPLES
ON INVESTMENTS**

In order to regulate the assets writing-off management process of the Company, intensify the requirements for the management of its assets and improve the operating quality of its assets, the Company proposes to amend the approval process and mandates for assets writing-off stipulated in the Decision Making Principles on Investments of the Company based on the relevant requirements on listed companies and the actual condition of the business operation and assets writing-off of the Company.

EGM

The EGM will be held for the purposes of, among other things, seeking the Shareholders' approval on (1) the formulation of the Working Rules of Independent Directors and (2) the proposed amendments to the Decision Making Principles on Investments. At the EGM, voting on the proposed ordinary resolutions will be conducted by way of poll.

GENERAL

The notice of the EGM has been despatched to the Shareholders on 5 June 2020. A circular containing, among other things, details of (1) the formulation of the Working Rules of Independent Directors and (2) the proposed amendments to the Decision Making Principles on Investments will be despatched to the Shareholders as soon as practicable.

(1) FORMULATION OF THE WORKING RULES OF INDEPENDENT DIRECTORS

In accordance with the requirements of the Guidelines on the Establishment of Independent Directorship of Listed Companies (Zheng Jian Fa [2001] No. 102) issued by China Securities Regulatory Commission, in order to better define the rights and responsibilities of the independent directors of the Company and give full play to the role of independent directors in the governance of the Company, the Company has made supplementation and improvement to the contents related to the job qualification for and duties and responsibilities of independent directors as stipulated in the Procedural Rules for Meetings of the Board and the Articles of Association of the Company according to the requirements of the Guidelines on the Establishment of Independent Directorship of Listed Companies and formulated the Working Rules of Independent Directors (Draft) of the Company separately. The Working Rules of Independent Directors consists of 29 provisions in 6 chapters, the main contents of which are as follows:

| Chapter | Main contents |
|---------------------------------|---|
| Chapter I General Provisions | <ol style="list-style-type: none">1. Basis of the formulation2. Definition of independent directors3. Basic responsibilities of independent directors |

| Chapter | Main contents |
|--|--|
| Chapter II Qualifications for and Independence of Independent Directors | <ol style="list-style-type: none"> 1. Requirements and qualifications for independent directors 2. Requirements for independence of independent directors |
| Chapter III Nomination, Election and Replacement of Independent Directors | <ol style="list-style-type: none"> 1. The qualification as nominees of independent director candidates and procedures for qualification examination of independent director candidates 2. Reasons and procedures for the resignation and removal of independent directors |
| Chapter IV Rights and Obligations of Independent Directors | <ol style="list-style-type: none"> 1. Power of the independent directors 2. Matters which independent directors shall express independent opinions on 3. Specific requirements for independent directors to express opinions |
| Chapter V Protection for Independent Directors | <ol style="list-style-type: none"> 1. Independent directors have right to information and have the power to request the Company to provide relevant information, and request for postponement of the Board meeting and other powers 2. The Company shall provide independent directors with necessary protection and appropriate allowances, etc |
| Chapter VI Supplementary Provisions | / |

The above contents related to the Working Rules of Independent Directors (Draft) of the Company have been reviewed by Zhong Lun Law Firm, Beijing, the permanent legal advisor of the Company.

The proposal in relation to the formulation of the Working Rules of Independent Directors shall be subject to the consideration and approval of the general meeting of the Company.

(2) PROPOSED AMENDMENTS TO THE DECISION MAKING PRINCIPLES ON INVESTMENTS

In order to regulate the assets writing-off management process of the Company and level up the management of its assets, the Company proposes to amend the approval process and mandates for assets writing-off stipulated in the Decision Making Principles on Investments of the Company based on the current business operation situation of the Company. Details of amendments are set out below:

| Before the Amendment | After the Amendment |
|--|---|
| <p>Article 24 Approval powers and procedures of decision making on writing-off of assets are as follows:</p> <ol style="list-style-type: none"> 1. Any separate writing-off of an amount of not more than RMB10 million with the accumulated amount of writing-off for twelve consecutive months of not more than RMB30 million shall be subject to approval of the general manager office; 2. Any separate writing-off of an amount of more than RMB10 million with the accumulated amount of writing-off for twelve consecutive months of more than RMB30 million but less than RMB100 million shall be submitted to the board for approval after being discussed and passed by the general manager office; 3. Writing-off of assets exceeding the approval powers of the board shall be submitted to the general meeting for approval after being considered and passed by the board. | <p>Article 24 Approval powers and procedures of decision making on writing-off of assets are as follows:</p> <ol style="list-style-type: none"> 1. <u>Any separate writing-off of an original value or amount of not more than RMB30 million (inclusive) with the accumulated amount of writing-off for twelve consecutive months of not more than RMB200 million shall be proposed by relevant asset management departments for write-off plan of loss of assets and submitted to the general manager office of the Company for approval after being considered and passed by relevant asset management departments of the Company;</u> 2. <u>Any separate writing-off of an original value or amount of more than RMB30 million with the accumulated amount of writing-off for twelve consecutive months of more than RMB200 million shall be proposed by relevant asset management departments for write-off plan of loss of assets and submitted to the Board for approval after being discussed and passed by the general manager office upon approval by relevant asset management departments of the Company.</u> |

Saved as disclosed above, other contents remain unchanged.

The proposal in relation to the amendments to the Decision Making Principles on Investments shall be subject to the consideration and approval of the general meeting of the Company.

EGM

The EGM will be held for the purposes of, among other things, seeking the Shareholders' approval on (1) the formulation of the Working Rules of Independent Directors and (2) the proposed amendments to the Decision Making Principles on Investments. At the EGM, voting on the proposed ordinary resolutions will be conducted by way of poll.

GENERAL

The notice of the EGM has been despatched to the Shareholders on 5 June 2020. A circular containing, among other things, details of (1) the formulation of the Working Rules of Independent Directors and (2) the proposed amendments to the Decision Making Principles on Investments will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

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

| | |
|---|---|
| “Articles of Association” | 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 Stock Exchange (Stock Code: 0038) and the Shanghai Stock Exchange (Stock Code: 601038) respectively; |
| “Decision Making Principles on Investments” | the Decision Making Principles on Investments of the Company, as amended from time to time; |
| “Directors” | the directors of the Company, including the independent non-executive directors; |

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| “EGM” | the extraordinary general meeting of the Company to be convened for the purposes of considering and if thought fit, approving, among other things, (1) the formulation of the Working Rules of Independent Directors and (2) the proposed amendments to the Decision Making Principles on Investments; |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC; |
| “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; and |
| “Working Rules of Independent Directors” | the Working Rules of Independent Directors of the Company, as amended from time to time. |

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

Luoyang, the PRC
5 June 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 Ms. Yang Minli, Ms. Wang Yuru and Mr. Edmund Sit as independent non-executive Directors.

* *For identification purposes only*