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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)

Proposed Amendments to the Management System for Raised Fund of the Company

In order to further regulate the management and use of the raised fund by First Tractor Company Limited (the “**Company**”) and enhance the efficiency of use of the raised fund, and in line with the “Shanghai Stock Exchange Administrative Measures on Raised Fund of Listed Companies (2013 Revision)” of the Shanghai Stock Exchange as newly revised in April 2013, the Company proposes to amend its “Management System for Raised Fund” as follows:

1. The first paragraph of the original Article 6 is amended to read as follows:

“The Company shall, within one month upon receipt of the raised fund, sign a tripartite supervision agreement for the deposits of raised fund in a designated account (hereinafter referred to as the “Supervision Agreement”) with the sponsor and the commercial bank designated for the deposits of raised fund (hereinafter referred to as the “Commercial Bank”), the contents of which shall comply with the requirements of the Shanghai Stock Exchange (hereinafter referred to as the “Shanghai Stock Exchange”) and the Stock Exchange of Hong Kong Limited.”

2. The original Article 8 is amended to read as follows:

“When using the raised fund, the assets management department of the Company shall submit the project fund use plan based on the progress of the investment project funded by the raised fund (hereinafter referred to as the “Raised Fund Investment Project”), and the payment shall be made in accordance with the management procedures for fund use of the Company after the leader in charge and chief accountant of the Company have approved the project fund use plan and the finance department of the Company has reviewed and agreed to each payment.”

3. The original Article 11 is amended to read as follows:

“Where the Company pre-invested in the Raised Fund Investment Projects by using its own fund, it may, within six months upon receipt of the raised fund, replace the said own fund by the raised fund. The replacement shall be subject to the consideration and approval by the Board of the Company, with a verification report to be issued by an accounting firm, and opinions with explicit consent given by the independent directors, supervisory committee and sponsor. The Company shall report to the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited (if applicable) and make an announcement within 2 trading days after the Board meeting.”

4. To add Article 12:

“Article 12 The raised fund which is temporarily idle may be subject to cash management, and the invested products must meet the following conditions: (1) high safety, meeting principal guaranteed requirements, and the issuer of the products can provide principal guaranteed commitment; (2) good liquidity, which shall not affect the smooth progress of the investment plans for the raised fund. The invested products shall not be pledged, and the designated product settlement account (if applicable) shall not be used for the deposit of funds other than the raised fund or for any other purposes, and in case of opening or cancelling the designated product settlement account, the Company shall report to the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited (if applicable) and make an announcement within 2 trading days thereafter.

The investment in products by idle raised fund shall be subject to the consideration and approval by the Board of the Company, with the opinions with explicit consent given by the independent directors, supervisory committee and sponsor. The Company shall, within 2 trading days after the Board meeting, make an announcement in accordance with relevant requirements of the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited (if applicable).”

5. The original Article 12 is amended as Article 13 and reads as follows:

“The idle raised fund may be temporarily used to replenish working capital by the Company, subject to the following requirements:

- (1) there shall not be any disguised change in the proposed use of raised fund and the normal progress of the Raised Fund Investment Projects shall not be affected;
- (2) the raised fund shall be limited to the use in production and operation related to the principal businesses, and shall not be used, directly or indirectly, for the placement or subscription of new shares, or the transactions of stocks and their derivatives, convertible corporate bonds, etc.;
- (3) the replenishment of working capital shall not last for more than 12 months each time;
- (4) the previous temporary allocation of raised fund for replenishment of working capital (if applicable) has been reimbursed upon maturity.

The use of idle raised fund for temporarily replenishing working capital by the Company shall be subject to the consideration and approval by the Board of the Company, with the opinions with explicit consent given by the independent directors, sponsor and supervisory committee. The Company shall report to the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited (if applicable) and make an announcement within 2 trading days after the Board meeting.

The Company shall repay such portion of the replenishing working capital to the designated account for raised fund prior to the due date, and report to the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited (if applicable) and make an announcement within 2 trading days after the repayment of all such funds.”

6. To add Article 14, Article 15 and Article 16:

“Article 14 The excess of the net amount of the funds actually raised by the Company over the amount of the funds planned to raise (hereinafter referred to as the “Over-raised Funds”) may be used to permanently replenish working capital or repay bank loans, provided that the accumulated amount used, for every 12 months, shall not exceed 30% of the total amount of the Over-raised Funds, and the Company shall undertake that it will not make high-risk investments and provide financial assistance for others within 12 months after replenishing the working capital.

Article 15 Where the Over-raised Funds are used to permanently replenish working capital or repay bank loans, such use shall be subject to the consideration and approval by the Board and the Shareholders’ meeting of the Company, with an access of online voting provided to the shareholders, and the opinions with explicit consent given by the independent directors, supervisory committee and sponsor. The Company shall, within 2 trading days after the Board meeting, report to the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited (if applicable) and make an announcement in accordance with relevant requirements.

Article 16 Where the Company applies the Over-raised Funds in projects under construction and new projects (including asset acquisition, etc.), such projects shall fall within the Company’s principal businesses, and the Company shall scientifically and prudently make feasibility analysis on the investment projects, and perform its information disclosure obligations in a timely manner, under the relevant applicable provisions in Articles 21 to 24 hereof.”

7. The first paragraph of the original Article 13 is amended as the first paragraph of Article 17:

“Where any single Raised Fund Investment Project is completed and the Company proposes to use the balance of the raised fund for that project (including interest income) in other Raised Fund Investment Projects, it shall be implemented only after the Board has considered and approved such use and the independent directors, sponsor and supervisory committee have given their opinions on such use. The Company shall report to the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited (if applicable) and make announcement within 2 trading days after the Board meeting.”

8. The original Article 14 is amended as Article 18 and reads as follows:

“Where all Raised Fund Investment Projects are completed and the balance of the raised fund (including interest income) accounts for more than 10% of the net amount of the raised fund, such balance shall be used only after the Board and general meeting have considered and approved such use and the independent directors, sponsor and supervisory committee have given their opinions with explicit consent on such use.

For the balance of the raised fund (including interest income) which is less than 10% of the net amount of raised fund, such balance shall be used only after the Board has considered and approved such use and the independent directors, sponsor and supervisory committee have given their opinions with explicit consent on such use.

For the balance of the raised fund (including interest income) which is less than RMB5 million or 5% of the net amount of raised fund, the Company shall be exempted from following the procedures set out in the preceding paragraphs, and the relevant application of the balance of the raised fund shall be disclosed in the upcoming regular report of the Company.”

9. The first paragraph of the original Article 16 is amended as the first paragraph of Article 20:

“After the Board of the Company has resolved to make changes to the Raised Fund Investment Projects, it shall submit its decision to the general meeting for consideration in accordance with the relevant provisions in the Articles of Association, with the opinions with explicit consent given by the independent directors, sponsor and supervisory committee.”

10. The original Article 21 is amended as Article 25 and reads as follows:

“The Board shall conduct a comprehensive review on the progress of the Raised Fund Investment Projects on a semi-annual basis, and issue a “Special Report on the Deposit and Actual Use of Raised Fund” (hereinafter referred to as “Special Report”) in respect of the deposit and use of raised fund, the format of which shall comply with the requirements of the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited. Where there is any difference between the actual investment progress of the Raised Fund Investment Project and the investment plans, the Company shall provide specific reasons in the Special Report. In case of any use of idle raised fund to invest in products in that current period, the Company shall disclose in the Special Report the information on the gains generated during that current reporting period, and the investment share, contracting parties, products’ names, term, etc as at the end of the period.

The Special Report shall be considered and approved by the Board and supervisory committee, and shall be reported to the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited (if applicable) and announced within 2 trading days after the Board meeting.

During the annual audit, the accounting firm engaged by the Company shall issue a verification report on the deposit and use of the raised fund. After the end of each accounting year, the sponsor shall issue a special examination report on the deposit and use of the raised fund in that year. The Board shall disclose in the Special Report the conclusive opinions of the sponsor’s special examination report and accounting firm’s verification report.”

11. The original Article 22 is amended as Article 26 and reads as follows:

“A certified public accountant may be appointed by the audit committee of the Board, the supervisory committee, or more than one half of the independent directors to issue a verification report on the deposit and use of the raised fund. The Board shall provide active support and the Company shall bear all necessary expenses in this regard.

The Board shall report to the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited (if applicable) and make an announcement within 2 trading days upon receipt of the verification report issued by the certified public accountant. Should the verification report considers that there is any non-compliance with regard to the management of raised fund by the Company, the Board shall also announce the non-compliance in the deposit and use of raised fund, any actual or potential consequences thereof and measures already adopted or proposed to be adopted.”

12. To delete the original Article 23 “The information with respect to the use of the raised fund shall be disclosed by the Board to the public”.
13. The Articles in the whole text are renumbered accordingly.

The English version of the above amendments to the Management System for Raised Fund is an unofficial translation of its Chinese version. In case of any discrepancy between the two versions, the Chinese version shall prevail.

The above amendments to the Management System for Raised Fund shall be subject to the approval at the 2013 second extraordinary general meeting of the Company (the “EGM”) to be held on 19 August 2013.

OPINION OF THE BOARD

Since the above amendments to the Management System for Raised Fund comply with the newly revised laws and regulations, the Board recommends the shareholders of the Company to vote for the related ordinary resolution to be proposed at the EGM.

EGM

The Company will convene the EGM for the purpose of, among other things, seeking the Company's shareholders' approval of the amendments to the Management System for Raised Fund. At the EGM, voting for the proposed ordinary resolution shall be taken by way of poll. A notice of the EGM 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 June 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*