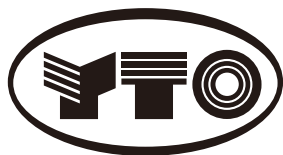


Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 PURCHASE OF WEALTH MANAGEMENT PRODUCTS WITH INTERNAL IDLE FUNDS

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

- Entrusted Party for Entrusted Wealth Management: Financial Institutions
- Entrusted Wealth Management Amount: (1) the total amount of wealth management products purchased by using internal idle funds and held by the Company at any time shall be no more than RMB1.8 billion; and (2) the total amount of wealth management products purchased from a financial institution and held by the Company at any time shall be no more than RMB800 million. Such caps of purchase of wealth management products are revolving in nature during the Effective Term (as defined hereinafter)
- Type of Entrusted Wealth Management Investment: Short-term principal-guaranteed wealth management products
- Term of Entrusted Wealth Management: From the date of approval at the 2016 annual general meeting of the Company to the date of convening the 2017 annual general meeting of the Company

(I) **Basic Information on Purchase of Wealth Management Products with Internal Idle Funds**

1. ***Purposes of Purchase of Wealth Management Products with Internal Idle Funds***

Due to the relatively significant seasonal production and operation in the agricultural machinery industry and for the purposes of enhancing capital usage efficiency and improving capital operating revenue, the Company proposes to reasonably use internal idle funds in phases to purchase short-term principal-guaranteed wealth management products issued by financial institutions, without affecting its normal production and operation.

2. ***Type of Wealth Management Products***

The wealth management products proposed to be purchased by the Company with internal idle funds will mainly be short-term principal-guaranteed wealth management products issued by financial institutions.

3. ***Caps of Purchase of Wealth Management Products***

- (a) It is proposed to approve that the total amount of wealth management products purchased by using internal idle funds and held by the Company at any time shall be no more than RMB1.8 billion (the “**Purchase Cap**”).
- (b) It is also proposed to approve that the total amount of wealth management products purchased from a financial institution with the Purchase Cap and held by the Company at any time shall be no more than RMB800 million (the “**Financial Institution Caps**”).
- (c) The effective term of the Purchase Cap and the Financial Institution Caps is from the date of approval at the 2016 annual general meeting of the Company (the “**AGM**”) to the date of convening the 2017 annual general meeting of the Company (the “**Effective Term**”). The Purchase Cap and the Financial Institution Caps are revolving in nature, and therefore, the Company has the flexibility to purchase and sell wealth management products purchased with its internal idle funds at any time, provided that the total amount of wealth management products held by the Company at any time shall not exceed the Purchase Cap nor the Financial Institution Caps.
- (d) The Purchase Cap and the Financial Institution Caps are subject to approval by the shareholders of the Company (the “**Shareholders**”) at AGM.

(II) Sensitivity Analysis

The purchase of the low-risk short-term principal-guaranteed wealth management products by the Company with its internal idle funds is conditional upon ensuring security of daily operation and fund of the Company. It will not affect capital demand for operation of principal businesses and daily capital flow of the Company, but will increase return for the Company, and thus creating higher investment return for the Company and the Shareholders.

(III) Analysis on Risk Control

Following the principle of safeguarding interests of the Company and its Shareholders, the Company gives priority to risk prevention, imposes stringent control over investment in wealth management products and makes prudent decision. The Company chooses short-term principal-guaranteed wealth management products, in which the principal is protected with low probability in failure in realization of expected return, and thereby basically having no risk.

(IV) Opinion of the Board

Subject to guarantee on liquidity and capital security, the Company invests part of the internal idle funds in the low-risk short-term wealth management products, without affecting development of operation and business of the Company. It will enhance capital usage efficiency and increase investment return of the Company, and is in the interest of the Company and its Shareholders as a whole.

In light of the above, the Board considers that the purchase of wealth management products by the Company with its internal idle funds is fair and reasonable and in the interest of the Company and its Shareholders as a whole. Therefore, the Board recommends the Shareholders to vote in favour of the ordinary resolution(s) in respect of the Purchase Cap and the Financial Institution Caps to be proposed at the AGM.

(V) Other Information

As approved and passed by the then Shareholders at the extraordinary general meeting of the Company held on 13 December 2016, the approved total amount of wealth management products purchased by using internal idle funds and held by the Company at any time was no more than RMB1.8 billion (the “**Existing Cap**”), with a term effective from 13 December 2016 to the date of the AGM.

As the A shares of the Company are also listed on the Shanghai Stock Exchange, the Company is also required to comply with relevant requirements of the Shanghai Stock Exchange Share Listing Rules. Pursuant to the Shanghai Stock Exchange Share Listing Rules, if the accumulated total amount of wealth management products purchased by the Company with internal idle funds within 12 months exceeds 50% of the latest audited net assets of the Company, it is subject to approval by the Shareholders. As at 28 February 2017, the accumulated total amount of wealth management products purchased by the Company within the latest 12 months exceeded the said 50% threshold. As such, the Company proposes that the Purchase Cap and the Financial Institution Caps shall be subject to approval by the Shareholders at the AGM.

If the abovementioned purchase of wealth management products is required to be disclosed or obtain approval from the Shareholders 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.

(VI) AGM

The Company will convene the AGM for the purpose of, among other things, seeking the Shareholders’ approval for the Purchase Cap and the Financial Institution Caps. At the AGM, voting for the proposed ordinary resolution(s) shall be taken by way of poll. A notice of the AGM will be despatched to the Shareholders as soon as possible.

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

Luoyang, the PRC
28 March 2017

As at the date of this announcement, the Board comprises Mr. Zhao Yanshui (Chairman), Mr. Wang Erlong (vice Chairman) and Mr. Wu Yong as executive Directors; Mr. Li Hepeng, Mr. Xie Donggang, Mr. Li Kai and Mr. Yin Dongfang as non-executive Directors; and Ms. Yang Minli, Mr. Xing Min, Mr. Wu Tak Lung and Mr. Yu Zengbiao as independent non-executive Directors.

* For identification purposes only