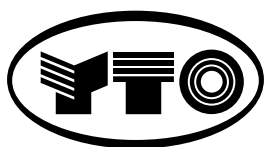

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountants or other professional adviser.

If you have sold or transferred all your shares in First Tractor Company Limited, you should at once hand this circular with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, 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 circular.



第一拖拉机股份有限公司

FIRST TRACTOR COMPANY LIMITED*

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

(Stock Code: 0038)

- (1) PROPOSED ISSUE OF A SHARES;
- (2) DISCLOSEABLE AND CONNECTED TRANSACTIONS:
PROPOSED DISPOSAL OF EQUITY INTEREST IN
YTO B&C MACHINERY AND YTO MACHINERY SALES;
- (3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION;
- (4) PROPOSED ADOPTION OF THE RULES OF PROCEDURES AND
THE INTERNAL RULES; AND
- (5) APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR

Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders of First Tractor Company Limited in respect of
the Connected Transaction



A letter from the Board is set out on pages 1 to 18 of this circular.

A letter from the Independent Board Committee is set out on page 19 of this circular.

A letter from China Merchants Securities (HK) Co., Ltd., the Independent Financial Adviser, containing its recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 20 to 27 of this circular.

The notices for convening the extraordinary general meeting (the “EGM”) and the respective class meetings (the “Class Meetings”) for holders of H shares (“H Shares”) and domestic shares (“Domestic Shares”) of First Tractor Company Limited (the “Company”) to be held at 9:00 a.m., 9:20 a.m. and 9:40 a.m. respectively on Monday, 16 August 2010 at No. 154 Jianshe Road, Luoyang, Henan Province, the People's Republic of China (the “PRC”), are set out on pages 155 to 175 of this circular.

Forms of proxy for use at the EGM and Class Meetings are enclosed. Whether or not you are able to attend the meetings in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon. In case of H Shares, the proxy form shall be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong; and in case of Domestic Shares, the proxy form shall be lodged at the registered address and principal place of business of the Company at No. 154 Jianshe Road, Luoyang, Henan Province, the PRC, as soon as possible and in any event not less than 24 hours before the time scheduled for holding the meetings (or any adjourned meetings thereof). Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the meetings or any adjournment if you so desire.

20 July 2010

* For identification purposes only

CONTENTS

	<i>Pages</i>
Definitions	ii
Letter from the Board	1
Introduction	1
Proposed Issue of A Shares	3
The Disposal	9
Proposed Amendments to the Articles of Association	14
Proposed Adoption of the Rules of Procedures and the Internal Rules	15
Appointment of Independent Non-executive Director	15
EGM and Class Meetings	17
Recommendations	18
Additional information	18
Letter from the Independent Board Committee	19
Letter from China Merchants Securities (HK) Co., Ltd.	20
Appendix I — Amendments to the Articles of Association	28
Appendix II — The Rules of Procedures for General Meetings	65
Appendix III — The Rules of Procedures for the Board Meetings	89
Appendix IV — The Rules of Procedures for the Supervisory Committee	115
Appendix V — Management Principles on External Guarantee	122
Appendix VI — Management Principles on Use of Proceeds	133
Appendix VII — Valuation Report	143
Appendix VIII—General information	151
Notice of EGM	155
Notice of Class Meeting for Holders of H Shares	164
Notice of Class Meeting for Holders of Domestic Shares	170

DEFINITIONS

In this circular, the following expressions shall have the meanings stated below unless the context otherwise requires:

“Articles of Association”	the articles of association of the Company, as amended from time to time
“A Shares”	the ordinary shares of the Company of RMB1.00 each proposed to be allotted, issued and listed on the Shanghai Stock Exchange
“associates”	has the meaning as defined under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day on which banks are generally open for business in the PRC
“Class Meetings”	the class meeting for holders of H Shares to be held immediately after the conclusion of the EGM and the class meeting for holders of Domestic Shares to be held immediately after the conclusion of the said class meeting for holders of H Shares, or any adjournment thereof respectively
“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 of which are listed on the Stock Exchange (Stock Code: 0038)
“Completion”	completion of the Sale and Purchase Agreement
“connected person(s)”	has the meaning as defined under the Listing Rules
“CSRC”	China Securities Regulatory Committee (中國證券監督管理委員會)
“Directors”	the directors of the Company, including the independent non-executive directors
“Disposal”	the disposal of the Selling Interest by the Company to YTO pursuant to the Sale and Purchase Agreement

DEFINITIONS

“Domestic Share(s)”	the ordinary shares of the Company of RMB1.00 each which are subscribed for in Renminbi by PRC nationals and/or PRC incorporated entities, all of which have been allotted and issued and are fully paid up
“EGM”	the extraordinary general meeting of the Company to be convened and held at 9:00 a.m., on Monday, 16 August 2010 at No.154 Jianshe Road, Luoyang, Henan Province, the PRC, for the Shareholders or the Independent Shareholders to consider and, if thought fit, approve, among other things, the Disposal, the Issue of A Shares, the proposed amendments to the Articles of Association, the proposed adoption of the Rules of Procedures and the Internal Rules and the appointment of independent non-executive Director
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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
“Independent Board Committee”	an independent committee of the Board comprising the independent non-executive Directors, namely Mr. Chan Sau Shan, Gary, Mr. Luo Xiwen and Mr. Hong Xianguo
“Independent Financial Adviser”	China Merchants Securities (HK) Co., Ltd., the independent financial adviser to the Independent Board Committee of the Company and the Independent Shareholders in respect of the Disposal, being a licensed corporation licensed by Securities and Futures Commission to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
“Independent Shareholders”	Shareholders other than YTO and its associates

DEFINITIONS

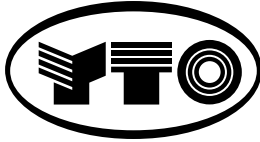
“Issue of A Shares”	the proposed issue of not more than 150,000,000 A Shares to qualified public investors (except those prohibited by the PRC laws and regulations and other regulatory requirements to which the Company is subject)
“Latest Practicable Date”	15 July 2010, being the latest practicable date prior to the printing of this circular for ascertaining information contained herein
“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 circular, excludes Hong Kong and the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Rules of Procedures and the Internal Rules”	the rules of procedures for general meetings, the rules of procedures for the Board meetings, the rules of procedures for the supervisory committee of the Company, management principles on external guarantee and management principles on use of proceeds
“Sale and Purchase Agreement”	a sale and purchase agreement entered into between the Company and YTO on 28 June 2010 whereby the Company has agreed to sell the Selling Interest to YTO
“Selling Companies”	YTO B&C Machinery and YTO Machinery Sales
“Selling Interest”	100% equity interest in YTO B&C Machinery and 100% equity interest in YTO Machinery Sales
“SFO”	Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)
“Shares”	Domestic Shares and H Shares
“Shareholder(s)”	registered holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“substantial shareholder”	has the meaning as defined under the Listing Rules
“Supervisors”	the supervisors of the Company
“YTO”	中國一拖集團有限公司 (YTO Group Corporation*), a limited liability company incorporated in the PRC and the controlling shareholder of the Company, holding approximately 52.48% equity interest in the Company as at the Latest Practicable Date
“YTO B&C Machinery”	一拖(洛陽) 建工機械有限公司 (YTO (Luoyang) Building & Construction Machinery Company Limited*), a limited liability company incorporated in the PRC and a subsidiary of the Company, owned as to 100% by the Company as at the Latest Practicable Date
“YTO Building Machinery”	一拖(洛陽) 建築機械有限公司 (YTO (Luoyang) Building Machinery Company Limited*), a limited liability company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company through YTO Machinery Sales as at the Latest Practicable Date
“YTO Construction Machinery”	一拖(洛陽) 工程機械有限公司 (YTO (Luoyang) Construction Machinery Company Limited*), a limited liability company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company through YTO Machinery Sales as at the Latest Practicable Date
“YTO Machinery Sales”	一拖(洛陽) 工程機械銷售有限公司 (YTO (Luoyang) Construction Machinery Sales Company Limited*), a limited liability company incorporated in the PRC and a subsidiary of the Company, owned as to 100% by the Company as at the Latest Practicable Date
“%”	per cent

For the purpose of this circular, the exchange rate of RMB1.00 = HK\$1.14.

* For identification purposes only



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

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

(Stock Code: 0038)

Board of Directors:

Mr. Liu Dagong (*Chairman*)
Ms. Dong Jianhong
Mr. Qu Dawei
Mr. Li Xibin
Mr. Zhao Yanshui
Mr. Yan Linjiao
Mr. Shao Haichen
Mr. Liu Yongle
Mr. Chan Sau Shan, Gary**
Mr. Luo Xiwen**
Mr. Hong Xianguo**

** *Independent non-executive Director*

Registered and principal office:

No. 154 Jianshe Road
Luoyang, Henan Province
The PRC

20 July 2010

To the Shareholders

Dear Sir or Madam,

- (1) PROPOSED ISSUE OF A SHARES;**
(2) DISCLOSEABLE AND CONNECTED TRANSACTIONS:
PROPOSED DISPOSAL OF EQUITY INTEREST IN
YTO B&C MACHINERY AND YTO MACHINERY SALES;
(3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION;
(4) PROPOSED ADOPTION OF THE RULES OF PROCEDURES AND
THE INTERNAL RULES; AND
(5) APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR

INTRODUCTION

Proposed Issue of A Shares

The Company is prepared to apply to the CSRC and the other relevant regulatory authorities in the PRC for approval of allotment and issue of not more than 150,000,000 A Shares to qualified public investors (except those prohibited by the PRC laws and regulations and other regulatory requirements to which the Company is subject).

* *For identification purposes only*

LETTER FROM THE BOARD

The Disposal

On 28 June 2010, the Company and YTO entered into the Sale and Purchase Agreement, pursuant to which the Company agreed to sell and YTO agreed to purchase (i) 100% equity interest in YTO B&C Machinery and (ii) 100% equity interest in YTO Machinery Sales, at a total consideration in cash of RMB259,805,933 (or approximately HK\$296,178,764) (subject to adjustment).

The Disposal contemplated under the Sale and Purchase Agreement constitutes connected transactions of the Company under Chapter 14A of the Listing Rules. The relevant percentage ratios of the Disposal are more than 5% but less than 25%, however, the consideration of the Disposal is more than HK\$10,000,000. Therefore, the Disposal is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Further, the Disposal constitutes discloseable transactions of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements only under Chapter 14 of the Listing Rules.

Proposed Amendments to the Articles of Association and Proposed Adoption of the Rules of Procedures and the Internal Rules

For the purpose of Issue of A Shares, the Company is also prepared to amend its Articles of Association and adopt the Rules of Procedures and the Internal Rules.

Appointment of Independent Non-executive Director

Pursuant to the Articles of Association, the Board shall comprise 12 Directors. The current Board comprises 11 Directors after the resignation of Mr. Chen Zhi, an independent non-executive Director, on 21 August 2009. Therefore, the Company proposes to appoint Mr. Zhang Qiusheng as the independent non-executive Director, with a term of office from the date of approval of his appointment by the Shareholders at the EGM to 30 June 2012.

General

The purpose of this circular is (i) to provide you with information relating to the Issue of A Shares, the Disposal, the proposed amendments to the Articles of Association, the proposed adoption of the Rules of Procedures and the Internal Rules and the appointment of the independent non-executive Director; (ii) to set out the extract of the valuation reports from China United Assets Appraisal Co., Ltd. in respect of each of the Selling Companies, the letter of advice from the Independent Board Committee and the letter of advice from China Merchants Securities (HK) Co., Ltd., the Independent Financial Adviser, regarding the Disposal; (iii) to give you a notice of the EGM to be convened for the Independent Shareholders to approve the Disposal and for the Shareholders to approve the Issue of A Shares, the proposed amendments to the Articles of Association, the proposed adoption of the Rules of Procedures and the Internal Rules and the appointment of independent non-executive Director; and (iv) to give you notices of the Class Meetings to be convened for the respective holders of H Shares and Domestic Shares to approve the Issue of A Shares.

(1) PROPOSED ISSUE OF A SHARES

The Company is prepared to apply to the CSRC and the other relevant regulatory authorities in the PRC for approval of allotment and issue of not more than 150,000,000 A Shares to qualified public investors (except those prohibited by the PRC laws and regulations and other regulatory requirements to which the Company is subject). Upon obtaining the relevant approvals from the CSRC and the other relevant regulatory authorities in the PRC, the Company will apply to the Shanghai Stock Exchange for the listing and dealings of the A Shares as well as the 443,910,000 Domestic Shares currently held by YTO on the Shanghai Stock Exchange.

The Directors are of the view that the Issue of A Shares will further enhance the Company's financing channels and improve its capital and debt raising capabilities via the booming PRC stock market. The fund raised through the Issue of A Shares will be used by the Company for its intended expansion of business (details of which are set out in the paragraph headed "Use of Proceeds" below), which will further consolidate the Company's leading position and competitiveness in the PRC market. Therefore, the Directors consider that the Issue of A Shares is in the interest of the Group and Shareholders as a whole.

Details of the Proposed Issue of A Shares

The structure of the Issue of A Shares is proposed as follows:

(i) *Class of new Shares to be issued:*

A Shares

(ii) *Nominal value of new Shares to be issued:*

RMB1.00 each

(iii) *Stock exchange for listing:*

Shanghai Stock Exchange

LETTER FROM THE BOARD

(iv) *Number of A Shares to be issued:*

A maximum of 150,000,000 A Shares

Assuming that the total of 150,000,000 A Shares are approved to be issued under the Issue of A Shares, such issued A Shares represent (a) approximately 33.79% of the aggregate Domestic Shares in issue as at the Latest Practicable Date; (b) approximately 25.26% of the aggregate Domestic Shares in issue as enlarged by the Issue of A Shares; (c) approximately 17.73% of the total issued Shares of the Company as at the Latest Practicable Date; and (d) approximately 15.06% of the total issued Shares of the Company as enlarged by the Issue of A Shares.

The final number of A Shares to be issued and the structure of the Issue of A Shares shall be subject to the approval by the CSRC and the other relevant regulatory authorities in the PRC, and subject to adjustment (if any) by the Board as authorised by the Shareholders at the EGM and Class Meetings, and within the range approved by the CSRC having regard to the relevant circumstances.

(v) *Target subscribers:*

Qualified public investors (except those prohibited by the PRC laws and regulations and other regulatory requirements to which the Company is subject).

If any investors are connected persons of the Company, the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules and make further disclosures, when appropriate, according to the Listing Rules.

(vi) *Method of issue:*

The issue will be conducted via offline offering to investors and placement through online subscription at the issue price, or such other method as approved by the CSRC.

LETTER FROM THE BOARD

(vii) *Basis for determining the issue price:*

Upon obtaining approval of the CSRC for the Issue of A Shares, the Company and the lead underwriter shall conduct a preliminary price consultation with selected potential investors in the PRC in order to determine the range of the issue price of the proposed Issue of A Shares, and will thereafter within such price range conduct a further cumulative bidding price consultation in the PRC. The issue price of the proposed Issue of A Shares will be determined by the Board with reference to the results of the cumulative bidding price consultations and the market condition prevailing in the PRC securities market at the time of the Issue of A Shares. However, the issue price will not be lower than 90% of the average closing price of the Company's H Shares on the Stock Exchange for the 20 trading dates preceding to the date of the issue of A Shares prospectus.

The amount of funds to be raised from the proposed Issue of A Shares cannot be confirmed at the Latest Practicable Date.

(viii) *Distribution plan of accumulated undistributed profits before the Issue of A Shares:*

If the Issue of A Shares completes before the publication of the 2010 annual report of the Company, the Company shall declare dividends from the accumulated undistributed profits of the Company as at 30 June 2010 to all Shareholders in accordance with the authorization granted to the Board at the 2009 annual general meeting of the Company and with the decision of the Board in respect of the declaration of the 2010 interim dividends. The Company's accumulated undistributed profits after the distribution of the above dividends and up to the day prior to completion of the Issue of A Shares shall be shared by all new and existing Shareholders of the Company after the Issue of A Shares.

If the Issue of A Shares completes after the publication of the 2010 annual report of the Company, the Company shall declare dividends from the accumulated undistributed profits of the Company as at 31 December 2010 to all Shareholders in accordance with the resolution(s) in respect of declaration of dividends to be proposed and approved at the 2010 annual general meeting to be held in 2011. The Company's accumulated undistributed profits after the distribution of the above dividends and up to the day prior to completion of the Issue of A Shares shall be shared by all new and existing Shareholders of the Company after the Issue of A Shares.

LETTER FROM THE BOARD

(ix) *Use of proceeds:*

The amount of funds to be raised from the proposed Issue of A Shares cannot be confirmed at the Latest Practicable Date. However, the Company intends to apply the raised fund in the following three projects with total estimated investment amount of approximately RMB1,900,000,000:

1. project in respect of upgrading and improvement of the diesel engines (green environmental protection series), which involves upgrading and improvement of equipments, production lines and technology, as well as enhancement of production capability, with an estimated investment amount of approximately RMB900,000,000;
2. project in respect of enhancement of core capability of new wheeled tractors, which involves research and development and production of large horsepower tractors with power shifting transmission, as well as establishment of assembly station in Xinjiang, the PRC, with an estimated investment amount of approximately RMB800,000,000; and
3. project in respect of production of large and high efficiency agricultural machineries and ancillary machineries and tools, which involves development and production of agricultural machineries and tools for ancillary use with all types of large horsepower tractors, with an estimated investment amount of approximately RMB200,000,000.

The proceeds obtained from the Issue of A Shares (after deducting the administrative costs in relation to the Issue of A Shares) shall be used to finance the above projects first. In case that the net proceeds from the Issue of A Shares are higher than the above estimated investment amount, the remaining net proceeds shall be used as general working capital of the Company. If the net proceeds from the Issue of A Shares are not sufficient to finance the above projects, the Company shall source the outstanding balance from other means. Before receipt of the proceeds from the Issue of A Shares, the Company may commence the above three projects by using its internal resources or bank loans. Upon receipt of the proceeds, the Company may repay the said bank loans (if any) in accordance with the requirements of the regulatory authorities in the PRC and after complying with the relevant procedures.

The Board may, subject to the approval and authorization by the Shareholders at the EGM and Class Meetings, modify the investment amount of the abovementioned projects, allocate among such projects the proceeds from the Issue of A Shares by taking into account of the timing, amount and other circumstances of receiving such proceeds and the progress of such projects, and modify the investment plans for the abovementioned projects according to the instructions of the competent regulatory authorities.

LETTER FROM THE BOARD

(x) *Authorization to the Board to process the Issue of A Shares and related matters:*

In order to smooth the process of the Issue of A Shares, the Company would put forward the Issue of A Shares to the EGM and Class Meetings to authorize the Board with full power to take all necessary actions and/or sign any documents in connection with the Issue of A Shares and to do all related matters in accordance with the relevant requirements of the CSRC, Stock Exchange and Shanghai Stock Exchange, and authorize the Board to sub-authorize such authorization (if obtained). The authorization to the Board from the EGM and Class Meetings includes but not limited to:

- (a) to deal with the issue and listing with respect to the Issue of A Shares and other related application procedures and other formalities (including but not limited to the proposed listing of A Shares on the Shanghai Stock Exchange);
- (b) to confirm the appropriate time of issue, manner of issue, target subscribers, and to determine the issue price, par value of A Shares and issue quantity according to the market conditions and in compliance with the relevant regulations;
- (c) to approve the application of the use of the net proceeds from the Issue of A Shares subject to the approval of the CSRC;
- (d) to approve and sign each of the documents and contracts relating to the Issue of A Shares including but not limited to offering circular(s), prospectus, sponsorship agreement, underwriting agreement, listing agreement and various announcements;
- (e) to make appropriate and necessary amendments to the relevant provisions of the Articles of Association and the procedure rules of the Company in connection with the Issue of A Shares;
- (f) to deal with the registration procedures in respect of the change in registered capital and the amendments to the Articles of Association upon completion of the Issue of A Shares; and
- (g) to deal with all procedures relating to the Issue of A Shares according to laws and regulations including all procedures that are required to be followed under the laws, regulations and listing rules of the places of listing of the Domestic Shares and H Shares.

The authorization, if approved by the Shareholders at the EGM and Class Meetings, shall be effective for a period of 12 months from the date on which such approval is obtained.

LETTER FROM THE BOARD

Application to the CSRC and Completion of Issue of A Shares

Application for the Issue of A Shares to the CSRC will be made immediately after obtaining the approval from the Shareholders of the Issue of A Shares at the EGM and Class Meetings. Upon obtaining the approval of the CSRC, the Company will apply to the Shanghai Stock Exchange for the listing of and dealings in the A Shares as well as the 443,910,000 Domestic Shares currently held by YTO on the Shanghai Stock Exchange. The Company intends to complete the Issue of A Shares as soon as possible after all relevant approvals are obtained. However, the exact timing and structure of the Issue of A Shares are still subject to the market condition and other related factors.

Effects of the Issue of A Shares on the Company's Shareholding Structure

Assuming that the total of 150,000,000 A Shares are approved to be issued under the Issue of A Shares and the Company will not issue and allot further Shares before completion of Issue of A Shares, the shareholding structure of the Company as at the Latest Practicable Date and immediately after completion of Issue of A Shares is as follow:

	As at the Latest Practicable Date		Immediately after completion of Issue of A Shares	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Domestic Shares				
YTO <i>(Note)</i>	443,910,000	52.48	428,910,000	43.068
Qualified Public Investors	0	0	150,000,000	15.062
Social Security Fund <i>(Note)</i>	0	0	15,000,000	1.506
H Shares				
Public Investors	401,990,000	47.52	401,990,000	40.364
Total	845,900,000	100	995,900,000	100

Note: According to the "Implementation Measures in respect of the Transfer of Part of State-owned Shares to the State Social Security Fund in the Domestic Security Market (境內證券市場轉持部分國有股充實全國社會保障基金實施辦法)", if any joint stock limited company with state-owned shares conducts initial public offering and listing of its state-owned shares in the domestic security market, part of the state-owned shares (based on 10% of the actual issued shares) of the listed company shall be transferred to the Social Security Fund for holding.

The transfer of the 15,000,000 Domestic Shares from YTO to the Social Security Fund is subject to the approval of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

LETTER FROM THE BOARD

Approval by the Shareholders

The EGM and Class Meetings will be held to consider and, if thought fit, approve, among other things, the Issue of A Shares and the authorization to the Board to determine and implement the Issue of A Shares. It should be noted that the Issue of A Shares, upon approval by the Shareholders at the EGM and Class Meetings, is still subject to the approvals by the CSRC and the other relevant regulatory authorities in the PRC. In addition, examination and approval from the Shanghai Stock Exchange for the listing of and dealings in the A Shares and the 443,910,000 Domestic Shares currently held by YTO on the Shanghai Stock Exchange are also required.

The approval in respect of the Issue of A Shares, if obtained from the Shareholders at the EGM and Class Meetings, shall be effective for a period of 12 months from the date on which such approval is obtained.

The H Shares of the Company are currently listed on the Stock Exchange. There is no fund raising exercise carried out by the Company during the 12 months prior to the Latest Practicable Date. Further announcements will be made by the Company in respect of the issue price, number of A Shares to be issued or other details of the Issue of A Shares as and when appropriate according to the Listing Rules.

(2) THE DISPOSAL

On 28 June 2010, the Company and YTO entered into the Sale and Purchase Agreement, pursuant to which the Company agreed to sell and YTO agreed to purchase (i) 100% equity interest in YTO B&C Machinery and (ii) 100% equity interest in YTO Machinery Sales, at a total consideration in cash of RMB259,805,933 (or approximately HK\$296,178,764) (subject to the final approval of the relevant government authorities and the adjustment as described below).

The Sale and Purchase Agreement

(1) Date

28 June 2010

(2) Parties

Vendor: The Company

Purchaser: YTO, being the controlling shareholder of the Company

LETTER FROM THE BOARD

(3) Details of the transaction

The Company and YTO entered into the Sale and Purchase Agreement on 28 June 2010, pursuant to which the Company will conditionally sell (i) 100% equity interest in YTO B&C Machinery and (ii) 100% equity interest in YTO Machinery Sales to YTO. The sale of the equity interest in the respective Selling Companies by the Company will take place simultaneously.

(4) Consideration

Subject to the final approval of the relevant government authorities and the adjustment as described below, the total consideration in respect of the Selling Interest is RMB259,805,933 (or approximately HK\$296,178,764), which will be settled by YTO in cash. The consideration in respect of the Selling Interest was determined by the Company and YTO after arm's length negotiations with reference to the appraised total net asset value of the Selling Companies, being RMB259,805,933 as at 31 May 2010. The appraisal was conducted by China United Assets Appraisal Co., Ltd. (中聯資產評估有限公司), an independent professional valuer in the PRC, on the basis of the asset based valuation approach, an extract of the valuation reports in respect of each of the Selling Companies is set out in Appendix VII hereto. As compared between the appraised total net asset value and the book value of the total net asset of the Selling Interest as at 31 May 2010, the total consideration of the Selling Interest (assuming that the relevant government authorities having approved the same and no adjustment is occurred) represents a gain of RMB20,882,919 with a premium of 8.74%.

The total consideration in respect of the Selling Interest is subject to the final approval of the relevant government authorities and the adjustment below:

Total Consideration = RMB259,805,933 + (the audited net asset value of the Selling Companies as at the end of the month preceding to the Completion - the audited net asset value of the Selling Companies as at 31 May 2010)

In view of the substantial gain which is expected to be recorded by the Company on Completion of the Disposal as well as the valuation of the Selling Companies was conducted by an independent professional valuer in the PRC, the Directors consider that the consideration in respect of the Selling Interest is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

(5) *Conditions Precedent*

The Sale and Purchase Agreement shall take effect upon fulfillment of the following conditions precedent:

- (i) the Company obtaining the requisite approval from the Independent Shareholders at the EGM in accordance with the Listing Rules;
- (ii) YTO obtaining the approval from its shareholders at general meeting; and
- (iii) the Disposal be approved by China National Machinery Industry Corporation* (中國機械工業集團有限公司) (“**China Machinery**”), the ultimate controlling Shareholder of the Company and the controlling shareholder of YTO.

(6) *Payment terms*

The total consideration of the Selling Interest shall be settled by YTO in cash within 30 Business Days after fulfillment of all the conditions precedent set out above.

(7) *Completion*

Upon fulfillment of the conditions precedent set out above, the following shall be conducted and required to be satisfied before Completion takes place:

- (i) the Selling Companies obtains their respective shareholders’ approvals on the Sale and Purchase Agreement and the sale of the Selling Interest;
- (ii) the articles of association of the Selling Companies are amended legally and appropriately to reflect the sale of the Selling Interest;
- (iii) the consideration of the Selling Interest is settled in full; and
- (iv) the registration procedures relating to the sale of the Selling Interest with Administration for Industry and Commerce are completed.

Completion shall take place upon fulfillment of the above. The sale of the equity interest in the respective Selling Companies by the Company will take place simultaneously. Upon Completion, the Company owns no equity interest in the Selling Companies, and the Selling Companies will cease to be subsidiaries of the Company.

LETTER FROM THE BOARD

Reasons for the Disposal

Owing to the over-diversification of the construction machinery products and the sliding sales of the construction machinery business of the Selling Companies, the operating results of the construction machinery business in recent years are unsatisfactory, and the Selling Companies have recorded losses in recent years. In addition, there is a potential competition between the Company and the subsidiaries of its ultimate controller in part of the construction machinery business. As such, it is proposed to sell the Selling Companies in order to increase the overall profitability of the Group and avoid the competition. Subsequent to the Disposal, two subsidiaries of the Company, namely YTO (Luoyang) Shentong Construction Machinery Co., Ltd. and YTO (Luoyang) Transporter Machinery Co., Ltd., will still engage in the construction machinery business.

The Directors consider that the Disposal by the Company to realise the Selling Interest at a reasonable price will reduce the loss and thereby increase the profits of the Company. Upon Completion of the Disposal, based on both the generally accepted accounting standards in the PRC and the International Financial Reporting Standards, the Company is expected to realize a gain of approximately RMB20,882,919, which is the difference between the total consideration of RMB259,805,933 (assuming that the relevant government authorities having approved the same and no adjustment is occurred) and the book value of the total net asset of the Selling Interest of RMB238,923,014 as at 31 May 2010. The Directors intend to apply the sale proceeds as general working capital of the Company.

The terms of the Sale and Purchase Agreement have been determined after arm's length negotiations and are on normal commercial terms. The Directors consider that the Disposal is in the ordinary course of business and on normal commercial terms and is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Information of the YTO B&C Machinery, YTO Machinery Sales, YTO Building Machinery and YTO Construction Machinery

YTO B&C Machinery is owned as to 100% by the Company and is principally engaged in the manufacture and sale of building machineries, construction machineries such as small road rollers and components.

YTO Machinery Sales is owned as to 100% by the Company and is principally engaged in the sale of construction machineries, building machineries and components. As at the date hereof, YTO Machinery Sales holds 100% of the equity interest in each of YTO Building Machinery and YTO Construction Machinery.

LETTER FROM THE BOARD

YTO Building Machinery is owned as to 100% by YTO Machinery Sales and is principally engaged in the design, manufacture and sale of road rollers and other road construction machineries.

YTO Construction Machinery is owned as to 100% by YTO Machinery Sales and is principally engaged in the design, manufacture and sale of excavators, road rollers, loaders, tractors for specific use, bulldozers, and equipments for bulldozers.

Set out below is the basic financial information of the Selling Companies:

	YTO B&C Machinery	YTO Machinery Sales
Book value of the net asset as at 31 May 2010	RMB6,748,406	RMB232,174,608
Appraised net asset value as at 31 May 2010	RMB32,423,611	RMB227,382,322
Net profits before taxation and extraordinary items for the year ended 31 December 2008 (audited)	RMB-10,607,295	RMB-20,640,796
Net profits after taxation and extraordinary items for the year ended 31 December 2008 (audited)	RMB-10,607,295	RMB-20,641,237
Net profits before taxation and extraordinary items for the year ended 31 December 2009 (audited)	RMB-8,425,849	RMB-20,768
Net profits after taxation and extraordinary items for the year ended 31 December 2009 (audited)	RMB-8,425,849	RMB-20,768

Upon completion of the Disposal, the Company owns no equity interest in each of YTP B&C Machinery, YTO Machinery Sales, YTO Building Machinery and YTO Construction Machinery.

Information of the Group, YTO and China Machinery

The Group is principally engaged in the production and sale of agricultural machineries and construction machineries.

YTO is principally engaged in the production of transportation machineries, casting parts, vehicles products, spare parts and components, etc, and beneficially owns approximately 52.48% of the issued share capital of the Company and is the controlling shareholder of the Company. Thus, YTO and its associates are regarded as connected persons of the Company under the Listing Rules.

LETTER FROM THE BOARD

China Machinery is the ultimate controlling shareholder of the Company and the controlling shareholder of YTO. It is a state-owned group enterprise principally engaging in international trade, scientific research, construction and project contractor business focusing on machinery and electric products, etc.

The Listing Rules Implications

The Disposal contemplated under the Sale and Purchase Agreement constitutes connected transactions of the Company under Chapter 14A of the Listing Rules. The relevant percentage ratios of the Disposal are more than 5% but less than 25%, however, the consideration of the Disposal is more than HK\$10,000,000. Therefore, the Disposal is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Further, the Disposal constitutes discloseable transactions of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements only under Chapter 14 of the Listing Rules. No Directors have material interest in the Disposal and have abstained from voting on the Board resolution approving the Disposal.

(3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

For the purposes of Issue of A Shares and in order to comply with the “Guidelines on Articles of Associations of Listed Companies《上市公司章程指引》” dated 16 March 2006 issued by the CSRC and the “Guidelines on Corporate Governance of Listed Companies《上市公司治理準則》” dated 7 January 2002 jointly issued by the CSRC and the former National Economic and Trade Commission (國家經濟貿易委員會), the Company proposes to make certain amendments to the Articles of Association, including but not limited to amending articles relating to the Shareholders' general meetings and rights and obligations of Shareholders, and making other amendments in relation to the Issue of A Shares as required by the applicable PRC laws and regulations and the relevant rules of the Shanghai Stock Exchange. In case there are discrepancies in the requirements according to the Listing Rules and the listing rules of the Shanghai Stock Exchange, the Company shall apply the stricter articles in the Articles of Association. The proposed amendments to the Articles of Association will improve and enhance the corporate governance structure of the Company and make the Articles of Association complying with the relevant requirements of both the Listing Rules and the listing rules of the Shanghai Stock Exchange.

Details regarding the proposed amendments to the Articles of Association are set out in Appendix I to this circular.

The proposed amendments to the Articles of Association are subject to Shareholders' approval at the EGM and any other approval or endorsement from or registration with the relevant regulatory authorities in the PRC. The amendments to Articles of Association shall come into effect upon approval by the CSRC and completion of the Issue of A Shares.

LETTER FROM THE BOARD

(4) PROPOSED ADOPTION OF THE RULES OF PROCEDURES AND THE INTERNAL RULES

For the purposes of Issue of A Shares, the Company proposes to adopt the Rules of Procedures and the Internal Rules pursuant to the requirements of the applicable PRC laws and regulations and the relevant rules of the Shanghai Stock Exchange.

Details of (i) the rules of procedures for general meetings, (ii) the rules of procedures for the Board meetings, (iii) the rules of procedures for the supervisory committee, (iv) management principles on external guarantee and (v) management principles on use of proceeds are set out in Appendices II to VI to this circular respectively.

The proposed adoption of the Rules of Procedures and the Internal Rules is subject to Shareholders' approval at the EGM. The Rules of Procedures and the Internal Rules shall come into effect at the same time as the above proposed amendments to the Articles of Association coming into effect and upon completion of the Issue of A Shares.

(5) APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR

Pursuant to the Articles of Association, the Board shall comprise 12 Directors. The current Board comprises 11 Directors after the resignation of Mr. Chen Zhi, an independent non-executive Director, on 21 August 2009. Therefore, the Company proposes to appoint Mr. Zhang Qiusheng (張秋生) as the independent non-executive Director, with a term of office from the date of approval of his appointment by the Shareholders at the EGM to 30 June 2012.

Mr. Zhang Qiusheng (張秋生), aged 42

Mr. Zhang Qiusheng was born in Yongchun County, Quanzhou City, Fujian Province, the PRC on 16 August 1968. Mr. Zhang studied at Beijing Jiaotong University from 1983 to 1992 and obtained bachelor and master degrees in accounting and doctorate degree in industrial economics. He qualified as a Chinese Certified Public Accountant (CCPA) in 1995 and a Chinese Certified Tax Agent (CCTA) in 1998.

Mr. Zhang stayed in University of Colorado at Boulder in the United States as a senior visiting scholar in 1996. He has been a professor at Accounting Department of School of Economics and Management at Beijing Jiaotong University since 1999, and an instructor to doctorate candidates majoring in industrial economics, business management and accounting since 2000.

LETTER FROM THE BOARD

From 2008 to 2009, Mr. Zhang took a temporary post as Deputy Mayor of Liuzhou City, Guangxi Zhuang Autonomous Region (廣西壯族自治區) in the PRC. Mr. Zhang has been appointed as an expert consultant to China Accounting Standards Committee (財政部會計準則委員會) in respect of accounting standards, a director of Accounting Society of China (中國會計學會) and a young academic pacemaker at Beijing Higher Education (北京市高等學校).

Mr. Zhang had taken charge of multiple projects by National Social Science Foundation (國家社會科學基金), National Natural Science Foundation (國家自然科學基金), National Software Science Program (國家軟體學計劃) and a series of provincial scientific research projects, and won 4 awards for scientific research at provincial or ministerial level. He has published over a hundred academic theses on corporate mergers and acquisitions as well as financial accounting, and has individually or jointly published 30 works and translation works, including Studies on Mergers and Acquisitions (《併購學》) and Corporate Mergers and Acquisitions (《企業兼併與收購》).

Mr. Zhang provides professional services in financial accounting as well as mergers and acquisitions for the government and enterprises. He is currently the director of China Mergers & Acquisition Research Centre (中國企業兼併重組研究中心). Mr. Zhang currently is also an independent director of Yuyuan Holding Co., Ltd* (玉源控股股份有限公司), Beijing Dinghan Technology Co., Ltd.* (北京鼎漢技術股份有限公司) and Beijing Saidi Media Investment Co., Ltd.* (北京賽迪傳媒投資股份有限公司), all of which are companies listed on the Shenzhen Stock Exchange.

Save as disclosed above, Mr. Zhang Qiusheng does not hold any positions in the Company or any other members of the Company, nor did he hold any directorship in any other listed companies in the last three years.

Length of service and emolument

If Mr. Zhang Qiusheng is appointed as an independent non-executive Director of the Company, he will enter into a service agreement with the Company for a term of office from the date of approval of his appointment by the Shareholders at the EGM to 30 June 2012 and he will receive an annual remuneration of RMB60,000. The remuneration is determined with reference to Mr. Zhang Qiusheng's duties and responsibilities with the Company and the market rate for the position.

Relationships

Mr. Zhang Qiusheng has no relationship with any Directors, Supervisors or the senior management of the Company or with any management Shareholders, substantial Shareholders or controlling Shareholders of the Company.

LETTER FROM THE BOARD

Interests in Shares

So far as the Directors of the Company are aware as at the Latest Practicable Date, Mr. Zhang Qiusheng does not have any interest in the Shares of the Company (within the meaning of Part XV of the SFO).

Matters that need to be brought to the attention of the Shareholders

In relation to the appointment of Mr. Zhang Qiusheng as an independent non-executive Director, there is no information which is discloseable nor is/was he involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there is no matter which needs to be brought to the attention of the Shareholders of the Company.

EGM AND CLASS MEETINGS

The EGM will be held at 9:00 a.m. on Monday, 16 August 2010 at No. 154 Jianshe Road, Luoyang City, Henan Province, the PRC for the Independent Shareholders to approve the Disposal and for the Shareholders to approve the Issue of A Shares, the proposed amendments to the Articles of Association, the proposed adoption of the Rules of Procedures and the Internal Rules and the appointment of independent non-executive Director.

The Class Meetings for the holders of H Shares and Domestic Shares will be held at 9:20 a.m. and 9:40 a.m. on Monday, 16 August 2010 respectively at No. 154 Jianshe Road, Luoyang City, Henan Province, the PRC for the respective holders of H Shares and Domestic Shares to approve the Issue of A Shares.

Notices of the EGM and Class Meetings are set out on pages 155 to 175 of this circular.

Forms of proxy for use at the EGM and Class Meetings are enclosed. Whether or not you are able to attend the meetings in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon. In case of H Shares, the proxy form shall be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong; and in case of Domestic Shares, the proxy form shall be lodged at the registered address and principal place of business of the Company at No. 154 Jianshe Road, Luoyang, Henan Province, the PRC, as soon as possible and in any event not less than 24 hours before the time scheduled for holding the meetings (or any adjourned meetings thereof). Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the meetings or any adjournment if you so desire.

LETTER FROM THE BOARD

YTO and its associates, holding 443,910,000 or 52.48% voting Shares of the Company, will abstain from voting in respect of the resolutions relating to the Disposal. For resolutions relating to the Issue of A Shares, the proposed amendments to the Articles of Association, the proposed adoption of the Rules of Procedures and the Internal Rules and the appointment of independent non-executive Director, no Shareholders are required to abstain from voting. The votes to be taken at the EGM and the respective Class Meetings in relation to the proposed ordinary and special resolutions will be taken by poll.

RECOMMENDATIONS

The Company has appointed China Merchants Securities (HK) Co., Ltd. as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal. The text of the letter of advice from China Merchants Securities (HK) Co., Ltd. to the Independent Board Committee and the Independent Shareholders is set out on pages 20 to 27 of this circular.

The Independent Board Committee comprising all the independent non-executive Directors (namely Mr. Chan Sau Shan, Gary, Mr. Luo Xiwen and Mr. Hong Xianguo) has been established to provide recommendation to the Independent Shareholders in respect of the Disposal. The letter from the Independent Board Committee, which contains its recommendation to the Independent Shareholders in respect of the Disposal, is set out on page 19 of this circular.

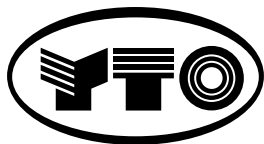
The Board considers that the Issue of A Shares, the Disposal, the proposed amendments to the Articles of Association, the proposed adoption of the Rules of Procedures and the Internal Rules and the appointment of independent non-executive Director are in the interests of the Company and the Shareholders, and with respect to the Disposal, the terms and conditions of the Sale and Purchase Agreement are fair and reasonable so far as the Company and the Shareholders as a whole are concerned. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant ordinary and special resolutions to be proposed at the EGM and Class Meetings as set out in the notices of the EGM and Class Meetings.

ADDITIONAL INFORMATION

Your attention is drawn to the extract of the valuation reports in respect of each of the Selling Companies set out in Appendix VII and the general information set out in Appendix VIII to this circular.

The Issue of A Shares may or may not proceed to completion. Investors and Shareholders are advised to exercise caution in dealings in the H Shares. Further details about the Issue of A Shares will be disclosed by the Company in the PRC in due course and the relevant information will be disclosed in Hong Kong concurrently in accordance with the Listing Rules.

Yours faithfully,
For and on behalf of
First Tractor Company Limited
Liu Dagong
Chairman



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

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

(Stock Code: 0038)

20 July 2010

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION IN RESPECT OF THE DISPOSAL

We have been appointed as members of the Independent Board Committee to give our advice on the Sale and Purchase Agreement, details of which are set out in the letter from the Board included in the circular to the Shareholders dated 20 July 2010 (the “**Circular**”), of which this letter forms a part. Terms used herewith shall have the same meanings as those defined in the Circular unless the context otherwise requires.

China Merchants Securities (HK) Co., Ltd. has been appointed as the Independent Financial Adviser to advise us on the Sale and Purchase Agreement and the Disposal. The letter from China Merchants Securities (HK) Co., Ltd. is set out on pages 20 to 27 of the Circular.

Having considered the terms and conditions of the Sale and Purchase Agreement, the advice given by China Merchants Securities (HK) Co., Ltd. and the principal factors and reasons taken into consideration by them in arriving at their advice, we are of the opinion that the Sale and Purchase Agreement and the Disposal are in the interests of the Company and the Shareholders as a whole, and the terms and conditions of the Sale and Purchase Agreement are fair and reasonable so far as the Company and the Shareholders as a whole are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM for approving the Sale and Purchase Agreement and the Disposal.

Yours faithfully,

Independent Board Committee

Mr. Chan Sau Shan, Gary

*Independent
non-executive Director*

Mr. Luo Xiwen

*Independent
non-executive Director*

Mr. Hong Xianguo

*Independent
non-executive Director*

* For identification purposes only

LETTER FROM CHINA MERCHANTS SECURITIES (HK) CO., LTD.

The following is the text of a letter from China Merchants Securities (HK) Co., Ltd. for the purpose of incorporation in this circular in connection with its advice to the Independent Board Committee and the Independent Shareholders in respect of the Disposal.



48th Floor
One Exchange Square
Central
Hong Kong

20 July 2010

*To the Independent Board Committee and
the Independent Shareholders of First Tractor Company Limited*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTIONS: PROPOSED DISPOSAL OF EQUITY INTEREST IN YTO B&C MACHINERY AND YTO MACHINERY SALES

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal. Details of the Disposal are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 20 July 2010 (the “**Circular**”) issued by the Company to the Shareholders, of which this letter forms part. Terms used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

The Company and YTO entered into the Sale and Purchase Agreement on 28 June 2010, pursuant to which the Company will conditionally sell (i) 100% equity interest in YTO B&C Machinery; and (ii) 100% equity interest in YTO Machinery Sales to YTO for a total consideration of RMB259,805,933 (or approximately HK\$296,178,764) (subject to adjustment). As at the Latest Practicable Date, YTO beneficially owned approximately 52.48% of the issued share capital of the Company and is the controlling shareholder of the Company. Thus, YTO and its associates are regarded as connected persons of the Company under the Listing Rules and will abstain from voting on the relevant resolution(s) regarding the Disposal at the EGM.

The Independent Board Committee comprising all the three independent non-executive Directors, namely Mr. Chan Sau Shan, Gary, Mr. Luo Xiwen and Mr. Hong Xianguo, has been formed to advise the Independent Shareholders in respect of the terms of the Disposal.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and the management of the Group and have assumed that they are true, accurate and complete at the date of the Circular or the Latest Practicable Date (as the case maybe) and will remain so up to the time of the EGM. We have also sought and received confirmation from the Directors and management of the Group that all material relevant information has been supplied to us and that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld. We have performed all necessary steps as required under Rule 13.80 of the Listing Rules, including the notes thereto, to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinions and have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. We have assumed that all representations contained or referred to in the Circular are true as at the date of the Circular or the Latest Practicable Date (as the case may be) and will remain so up to the time of the EGM. We have not, however, conducted any form of in-depth investigation into the business affairs, financial position or future prospects of the Group or YTO nor carried out any independent verification of the information supplied, representations made or opinions expressed by the Company, its Directors and its management.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Disposal, we have considered the following principal factors and reasons:

I. Background and reasons for the Disposal

The Group is principally engaged in the production and sale of agricultural machineries and construction machineries. YTO is principally engaged in the production of transportation machineries, casting parts, vehicles products, spare parts and components, etc. China Machinery is the ultimate controlling shareholder of the Company and the controlling shareholder of YTO. It is a state-owned group enterprise principally engaging in international trade, scientific research, construction and project contractor business focusing on machinery and electric products, etc.

YTO B&C Machinery is owned as to 100% by the Company and is principally engaged in the manufacture and sale of building machineries, construction machineries such as small road rollers and components.

YTO Machinery Sales is owned as to 100% by the Company and is principally engaged in the sale of construction machineries, building machineries and components. As at the date hereof, YTO Machinery Sales holds 100% of the equity interest in each of YTO Building Machinery and YTO Construction Machinery.

LETTER FROM CHINA MERCHANTS SECURITIES (HK) CO., LTD.

The following is a summary of financial information of the Group, YTO B&C Machinery and YTO Machinery Sales for the recent two years ended 31 December 2008 and 2009:

	For the year ended 31 December	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)
The Group		
Revenue	8,971,261	7,933,721
Profit for the year after taxation	273,945	80,879
Net asset value	3,005,594	2,742,437
YTO B&C Machinery		
Revenue	34,046	34,655
Profit for the year after taxation	(8,426)	(10,607)
Net asset value	(35,289)	(26,863)
Unaudited net asset value		
as at 31 May 2010	6,748	
Value as per valuation		
report - 31 May 2010	32,425	
YTO Machinery Sales		
Revenue	11,496	47,500
Profit for the year after taxation	(21)	(20,641)
Net asset value	141	120
Unaudited net asset value		
as at 31 May 2010	232,175	
Value as per valuation		
report - 31 May 2010	227,382	

As shown from the above table, revenue generated by the Selling Companies were insignificant and only accounted for approximately 1% and 0.5% of the Group's turnover in year 2008 and 2009 respectively. Net asset value of the Selling Companies as at 31 December 2009 and 31 May 2010 accounted for less than 1.2% and 7.95% of the Group's audited net asset value as at 31 December 2009.

LETTER FROM CHINA MERCHANTS SECURITIES (HK) CO., LTD.

We note from the Company's 2009 annual report that due to the impact by the global financial crisis, economic recession spread around the world, market demand for construction machinery slid rapidly and export of the construction machinery industry plummeted substantially in year 2009. During the said year, the Group focused on industry features of over-diversification of products and loose array of resources in the construction machinery business, put great efforts in asset restructuring to concentrate on the development of core business.

We also note that during year 2009, the Group sold the equity interest in Zhenjiang Huachen Huatong Road Machinery Co., Ltd., Zhenjiang Huatong Aran Machinery Co., Ltd. and YTO (Luoyang) Lutong Construction Machinery Co., Ltd.

The following is the segmental results of the Group for the two years ended 31 December 2008 and 2009:

	Revenue			Segment results		
	2009	2008	% change	2009	2008	% change
	RMB'000	RMB'000		RMB'000	RMB'000	
Agricultural machinery business	6,811,536	5,572,154	22.24	196,507	83,219	136.13
Construction machinery business	922,508	1,542,220	(40.18)	(68,170)	(83,177)	18.04
Engine machinery business	1,203,963	777,209	54.91	173,213	91,854	88.57
Financial business	33,254	42,138	(21.08)	33,376	40,133	(16.84)
Unallocated and eliminations	—	—	—	23,215	(41,622)	—
Total	<u>8,971,261</u>	<u>7,933,721</u>	<u>13.08</u>	<u>358,141</u>	<u>90,407</u>	<u>296.14</u>

As stated in the Letter from the Board and according to the explanations from Directors, the unsatisfactory performance of the Selling Companies were owing to the over-diversification of the construction machinery products and the sliding sales of the construction machinery business of the Selling Companies, as well as the unsatisfactory operating results of the construction machinery business in recent years. In addition, there is a potential competition between the Group and the subsidiaries of its ultimate controller in part of the construction machinery business. As such, it is proposed to sell the Selling Companies in order to increase the overall profitability of the Group and reduce the potential competition. As advised by the Company, subsequent to the Disposal, two subsidiaries of the Company, namely YTO (Luoyang) Shentong Construction Machinery Co., Ltd. and YTO (Luoyang) Transporter Machinery Co., Ltd., will still engage in the construction machinery business.

Upon Completion and assuming there will be no adjustment to the total consideration, based on both the generally accepted accounting standards in the PRC and the International Financial Reporting Standards, it is estimated that the Group will record a gain of RMB20,882,919 (or approximately HK\$23,806,528) (being the consideration of RMB259,805,933 less the total amount of unaudited net asset value of the Selling Companies as at 31 May 2010 of RMB238,923,014). It is the current intention of the Directors to apply the sale proceeds of approximately RMB259,805,933 (or approximately HK\$296,178,764) as general working capital of the Company.

In light of (i) the gain to be recorded by the Group of approximately RMB21 million upon Completion; (ii) the Group does not have to further finance and/or commit to the development of the Selling Companies; and (iii) the Group will reduce the potential competition between itself and the subsidiaries of its ultimate controller (China Machinery) in part of the construction machinery business and can improve the overall performance of the Group by disposing of the Selling Companies, the Directors are of the view that the terms of the Sale and Purchase Agreement have been determined after arm's length negotiations and are on normal commercial terms and that the Disposal is in the ordinary course of business and on normal commercial terms and is fair and reasonable and in the interests of the Company and its Shareholders as a whole. We concur with the Board's view and consider that the Disposal is in line with the overall business strategy of the Group.

II. BASIS OF CONSIDERATION

As stated in the Letter from the Board, the total consideration in respect of the Selling Interest is RMB259,805,933 (or approximately HK\$296,178,764), which will be settled by YTO in cash within 30 Business Days after fulfillment of all the conditions precedent as set out in the Sale and Purchase Agreement. The consideration in respect of the Selling Interest was determined by the Company and YTO after arm's length negotiations with reference to the appraised total net asset value of the Selling Companies, being RMB259,805,933 (or approximately HK\$296,178,764) as at 31 May 2010. The appraisal was conducted by China United Assets Appraisal Co., Ltd. (中聯資產評估有限公司), an independent professional valuer in the PRC (the "**PRC Valuer**"), on the basis of the asset based valuation approach. As compared between the appraised total net asset value as at 31 May 2010 and the book value of total net asset of the Selling Interest, the total consideration of the Selling Interest (assuming that the relevant government authorities having approved the same and no adjustment is occurred) represents a gain of RMB20,882,919 (or approximately HK\$23,806,528) with a premium of approximately 8.74%.

We have reviewed the valuation of the Selling Companies as prepared by the PRC Valuer.

LETTER FROM CHINA MERCHANTS SECURITIES (HK) CO., LTD.

We understand that the said valuation used the asset based valuation approach as the basis of valuation. Asset based method is used in accordance with the legal regulations and requirements of the PRC and based on the premise that the value of a business can be determined by adding the value of all types of assets and subtracting the liabilities, leaving a net asset valuation. We have discussed with the PRC Valuer and reviewed the valuation methodology and assumptions as set out in its valuation report and are not aware of any reasons to doubt the fairness and appropriateness of the valuation methodology adopted and the assumptions used by the PRC Valuer.

As noted from the Letter from the Board, the difference between the consideration for the Selling Interest of RMB259,805,933 (or approximately HK\$296,178,764) and the unaudited net asset value of the Selling Companies as at 31 May 2010 of approximately RMB238,923,014 (or approximately HK\$272,372,236) is RMB20,882,919, representing approximately 8.74% premium on the unaudited net asset value of the Selling Companies as at 31 May 2010. Given the poor performance of the Selling Companies in recent years and the total consideration of the Selling Interest is based upon the valuation as prepared by an independent professional valuer, we are of the view that the consideration of RMB259,805,933 (or approximately HK\$296,178,764) is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The total consideration in respect of the Selling Interest is subject to the final approval of the relevant government authorities and the adjustment below:

Total consideration	=	RMB259,805,933 + (the audited net asset value of the Selling Companies as at the end of the month preceding to the Completion - the audited net asset value of the Selling Companies as at 31 May 2010)
---------------------	---	---

We have been advised by the Directors that the Company does not expect any significant adjustment will be made to the total consideration.

III. OTHER TERMS OF THE DISPOSAL

As stated in the Letter from the Board, the Sale and Purchase Agreement shall take effect upon fulfillment of the following conditions precedent:

- (i) the Company obtaining the requisite approval from the Independent Shareholders at the EGM in accordance with the Listing Rules;
- (ii) YTO obtaining the approval from its shareholders at general meeting; and
- (iii) the Disposal be approved by China Machinery, the ultimate controlling shareholder of the Company and the controlling shareholder of YTO.

The total consideration of the Selling Interest shall be settled by YTO in cash within 30 Business Days after fulfillment of all the conditions precedent as set out above. We agree with the Directors that other terms of the Sale and Purchase Agreement are on normal commercial terms and fair and reasonable, and the entering into of the Sale and Purchase Agreement is in line with the overall business strategy of the Group and in the interests of the Company and its Shareholders as a whole.

IV. FINANCIAL EFFECTS ON THE GROUP

Earnings

Prior to Completion, the financial results of the Selling Companies were consolidated into the Group's accounts. For the year ended 31 December 2009, the audited aggregate net loss of the Selling Companies amounted to approximately RMB8,447,000. The Directors estimate that the Group will record a gain of RMB20,882,919 (or approximately HK\$23,806,528) as a result of the Disposal, which is expected to be recognized in the Group's consolidated income statement for the year ending 31 December 2010.

The Directors confirm that the Disposal will not have any material adverse impact on the Group's operating profit and believe that the Disposal will enable the Group to streamline and concentrate on the development of its core business and realize the one-off gain resulting from the Disposal.

LETTER FROM CHINA MERCHANTS SECURITIES (HK) CO., LTD.

Net asset value

The audited net asset value of the Group as at 31 December 2009 was approximately RMB3,006 million. On a consolidated basis, the Group's net asset value is expected to increase by RMB20,882,919 (or approximately HK\$23,806,528) (assuming that the relevant government authorities having approved the same and no adjustment to the consideration is occurred) upon Completion due to the one-off gain arising as a result of the Disposal, assuming other things remain constant.

Working capital

As stated in the Letter from the Board, the Directors intend to apply the sale proceeds of RMB259,805,933 (or approximately HK\$296,178,764) as general working capital of the Company.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the terms and conditions of the Disposal are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the proposed resolution(s) in connection with the Disposal at the EGM.

Yours faithfully,

For and on behalf of

China Merchants Securities (HK) Co., Ltd.

Jiang Jun

Executive Director

Investment Banking Department

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

Proposed amendments to the articles of the Articles of Association are set out as follows (appropriate consequential changes to the numbering and sequence of the relevant chapter, article, paragraph and sub-paragraph will be made, if required, which will not be specifically described herein):

1. The first paragraph of the existing Article 1 shall be deleted in its entirety and be replaced by the following:

“First Tractor Company Limited (hereafter as “**this Company**” or “**the Company**”) is a joint stock limited company incorporated in accordance with the Company Law of the People’s Republic of China (hereafter as the “**Company Law**”), the Special Provisions of the State Council concerning the Flotation and Listing Abroad of Shares by Joint Stock Company with Limited Liability (國務院關於股份有限公司境外募集股份及上市的特別規定) (hereafter the “**Special Provisions**”) and other relevant laws and administrative regulations of the People’s Republic of China (hereafter as the “**PRC**”). In order to comply with the Company Law, Special Provisions and Guidelines on Articles of Association of Listed Companies (as amended in 2006) (《上市公司章程指引》(2006年修訂)), the Company convened an extraordinary general meeting on 8 May 1997, an extraordinary general meeting on 18 November 2002, a general meeting on 28 October 2004, a Board meeting on 31 October 2007 (as authorized by the annual general meeting of the Company on 15 June 2007), an extraordinary general meeting on 9 September 2008, the 2008 annual general meeting and an extraordinary general meeting on [•] 2010 to amend its Articles of Association.”

Note: [•] above will be filled in with the date of obtaining the approval from the EGM.

2. The following new provision shall be added as Article 2:

“The overseas listed foreign shares, denominated in foreign currency and listed overseas, were issued to foreign investors by the Company and listed on the Main Board of The Stock Exchange of Hong Kong Limited in 1997. In addition, on [•], the Company was approved by [•] to issue its ordinary shares denominated in RMB to the domestic public for the first time, and they were listed on the Shanghai Stock Exchange.”

Note: [•] above will be filled in with the date of obtaining the approval from the approving authority and the full name of the approving authority respectively.

3. The existing Article 7 (to be re-numbered accordingly as Article 8) shall be deleted in its entirety and replaced by the following:

“These Articles are prepared mainly pursuant to the Company Law, the “Mandatory Provisions for Articles of Association of the Companies to be Listed Overseas” (Zheng Wei Fa [1994] No. 21) (hereafter as the “**Mandatory Provisions**”) issued by the State Council Securities Policy Committee and the State Commission for Restructuring the Economic System on 27 August 1994, “Letter Regarding Opinion on Supplementary Amendments to Articles of Association of Companies to be Listed in Hong Kong” (Zheng Jian Hai Han [1995] No. 1) issued by Overseas Listing Division of China Securities Regulatory Commission and the State Commission for Restructuring the Economic System on 3 April 1995 and Guidelines on Articles of Association of Listed Companies (as amended in 2006) issued by China Securities Regulatory Commission on 16 March 2006. The amendments to the Articles of Association in relation to the Mandatory Provisions shall be made in accordance with Article 253.”

4. The following sentence shall be added as the last sentence of the existing Article 12 (to be re-numbered accordingly as Article 13):

“Unless stipulated by laws otherwise, the Company shall not be a capital contributor with joint liability to such enterprise(s) for their liabilities.”

5. The existing Article 13 shall be deleted in its entirety.

6. The following phrase shall be added at the beginning of the second paragraph of the existing Article 15:

“Upon registration as stipulated by laws,”

7. The phrase “(involving management of quota permit and specifically regulated products shall follow the relevant requirements of the State)” in the last sentence of the existing Article 15 shall be deleted.

8. The following sentence shall be added as the second sentence of the existing Article 17:

“The ordinary shares issued by the Company shall include domestic shares and foreign shares.”

9. The following sentence shall be added as the first sentence of the existing Article 18:

“The shares issued by the Company shall be in the form of share certificates.”

10. The existing Article 20 shall be deleted in its entirety and be replaced by the following:

“Shares which are issued by the Company to the domestic investors and subscribed for in Renminbi are called domestic shares. The domestic shares which are listed domestically shall be known as domestically listed Renminbi ordinary shares. Shares which are issued by the Company to foreign investors and subscribed for in foreign currencies are called foreign shares. Foreign shares which are listed overseas are known as overseas listed foreign shares. Both the domestic shareholders and foreign shareholders are ordinary shareholders and have the same rights and responsibilities.”

11. The existing Article 21 shall be deleted in its entirety and be replaced by the following:

“Domestic shares may, upon passing of an appropriate resolution at a shareholders’ meeting, application for approval by the Board to the relevant governmental authorities and approval of such authorities, be listed on stock exchanges in the PRC and shall be collectively known as A shares after listing on stock exchanges in the PRC. Overseas listed foreign shares may be listed on the Hong Kong Stock Exchange upon passing of an appropriate resolution at a shareholders’ meeting and approval of the relevant governmental authorities, and shall be collectively known as H shares after listing on the Hong Kong Stock Exchange.”

12. The table in the existing Article 22 shall be deleted in its entirety and be replaced by the following:

Founder	Nature of Shares	Way of Contribution	Time of Contribution	Number of Shares (0'000 shares)	Percentage of Shareholding (%)
YTO	State-owned legal entity shares	Real assets and cash	1997.1.1	45,000	100
Total Share Capital				45,000	100

13. The following new provision shall be added as Article 25:

“On [•], upon approval of China Securities Regulatory Commission through the “Approval Regarding [•] (No.[•])”, the Company launched the initial offering of domestically listed domestic shares. Upon completion of the issuance, the shareholding structure of the Company is as follows:

Name of Shareholders	Nature of Shares	Number of Shares (0'000 shares)	Percentage of Shareholding (%)
YTO	State-owned legal entity shares (subject to trading moratorium)	[•]	[•]
Holders of H Shares	Listed circulating shares	40,199	[•]
Holders of A Shares	Listed circulating shares	[•]	[•]
Total Share Capital		[•]	100

Note: [•] above will be filled in with the date of obtaining the approval from China Securities Regulatory Commission, the full name of the permit and the number of the permit granted respectively. The [•] in the table above will be filled in with the following figures: the third column will be filled in with the number of shares held by YTO after reduction in shareholding, the number of the A Shares being issued and the total Shares respectively; and the fourth column will be filled in with the shareholding percentage of YTO, holders of H Shares and holders of A Shares respectively.

14. The existing Article 26 (to be re-numbered accordingly as Article 27) shall be deleted in its entirety and be replaced by the following:

“The registered capital and the total share capital of the Company are RMB [•] and [•] shares, respectively. The adjustment of the Company’s registered capital has to be registered with the administration department of industry and commerce and be processed in accordance with the procedures stipulated under relevant laws and administrative regulations of the State.”

Note: [•] above will be filled in with the issued share capital of the Company after A Shares being issued and the total Shares respectively.

15. The following new clause shall be added as clause (4) of the existing Article 27 (to be re-numbered accordingly as Article 28):

“Convert capital reserve into additional share capital;”

16. The following new provision shall be added as the last paragraph of the existing Article 31 (to be re-numbered accordingly as Article 32):

“Any reduction in the registered capital of the Company shall be registered with the Company’s registration authorities as stipulated by laws.”

17. The following new provisions shall be added as the second and third paragraphs of the existing Article 32 (to be re-numbered accordingly as Article 33):

“Any acquisition of its own shares by the Company for the reasons under clauses (1) to (3) of this Article shall be resolved at general meeting.

Any shares of the Company so acquired by the Company in accordance with clause (1) shall be cancelled within 10 days from the date of acquisition. In the event of the circumstances set forth in clauses (2) and (4), the shares so acquired shall be transferred or cancelled within 6 months.”

18. The following new clause shall be added as clause (4) of the existing Article 33 (to be re-numbered accordingly as Article 34):

“Other methods as stipulated by the laws, the administrative regulatory provisions and the securities regulatory authorities of the State Council.”

19. The following new provision shall be added as Article 43:

“Shares of the Company can be transferred in accordance with laws. The shares of the Company held by the promoters cannot be transferred within one year since the incorporation of the Company. The promoters’ shares issued prior to the domestic initial public offering of shares of the Company are not transferable within one year from the date of listing and trading of the Company’s shares on a domestic stock exchange.

The Directors, supervisors, general managers and other Senior Management of the Company shall report to the Company the number of the Company’s shares held by them and any changes thereof. No more than 25% of the total number of shares of the Company held by them shall be transferred each year during their term of office. Shares of the company held by the aforesaid staff are not transferable within one year from the date of listing of the Company’s shares on a domestic stock exchange. Shares of the Company held by them are not transferable within the first half year of their cessation of employment with the Company.”

20. The following new provision shall be added as Article 44:

“If the Directors, supervisors, general managers, other Senior Management of the Company and shareholders of more than 5% of the Company’s shares (except shareholders of H shares) sell their shares within six months from the date of acquisition, or make further acquisition within six months from the date of sale, the profits so generated shall belong to the Company and the Board of Directors of the Company will call back the gain so generated.

If the Board of Directors of the Company fails to act according to the above paragraph, the shareholders shall be entitled to request the Board to act within 30 days. If the Board of Directors of the Company fails to act within the prescribed period stated above, the shareholders shall be entitled to bring an action to the People’s Court directly in their own names in order to protect the interests in the Company.

If the Board of Directors of the Company fails to act according to the first paragraph of this Article, the responsible Directors shall be jointly liable as stipulated by law.”

21. The phrase “stipulated as higher” in sub-clause (2)(i) of the existing Article 46 (to be re-numbered accordingly as Article 49) shall be amended to “as stipulated from time to time”.
22. The following new provision shall be added as paragraph 2 of the existing Article 47 (to be re-numbered accordingly as Article 50):

“The provision aforementioned only applies to the shareholders of overseas listed foreign shares listed on the Hong Kong Stock Exchange. Registration of any changes made to the register of the shareholders of A shares is subject to the applicable domestic laws and regulations. The interval between the date of book closure for the shareholders of A shares and the date of the general meeting shall not be more than 7 working days. Once the date of book closure for the general meeting is determined, it shall not be changed.”

23. The clause (2) of the existing Article 55 (to be re-numbered accordingly as Article 58) shall be deleted in its entirety and be replaced by the following:

“request, call, host, participate in a general meeting or appoint their proxies to attend such meeting pursuant to the laws, and exercise their voting rights according to the ratio of shares held by them;”

24. The clause (4) of the existing Article 55 (to be re-numbered accordingly as Article 58) shall be deleted in its entirety and be replaced by the following:

“transfer, grant or pledge their shares pursuant to the provisions of the laws, administrative regulations and the Articles of Association;”

25. The following shall be added as clauses (7) and (8) of the existing Article 55 (to be re-numbered accordingly as Article 58):

“(7) bring an action to the People’s Court pursuant to the Company Law or other laws and administrative regulations against any acts that impair the interests of the Company or the statutory interests of the shareholders, and to assert the relevant rights;

(8) with respect to shareholders who vote against any resolution adopted at general meeting on merger or division of the Company, the right to demand the Company to acquire the shares held by them;”

26. The following new provision shall be added as Article 59:

“Shareholders demanding inspection of the relevant information or copies of the materials mentioned in clause (5) in the preceding Article shall provide to the Company written documents evidencing the class and number of shares of the Company they hold. After confirming the shareholders’ identity, the Company shall provide such information according to the shareholders’ request.”

27. The following new provision shall be added as Article 60:

“If a resolution of the Company’s general meeting or Board meeting violates the laws or administrative regulations, the shareholders shall have the right to submit a petition to the People’s Court to hold the same as invalid.

If the procedures for convening a meeting of, or the method of voting at, a general meeting or Board meeting violate the laws, administrative regulations or the Articles of Association, or the content of a resolution violates the Articles of Association, shareholders shall be entitled to submit a petition to the People’s Court to rescind such resolutions within 60 days from the date on which such resolution is adopted.”

28. The following new provision shall be added as Article 61:

“If the Directors, general managers or other Senior Management of the Company violate the provisions of the laws, administrative regulations or the Articles of Association in the course of performing their duties, and such violation results in losses to the Company, the shareholders of the Company who individually or jointly hold more than 1% of the Company’s shares for a continuous period of over 180 days shall have the right to make a written request demanding the supervisory committee to bring an action to the People’s Court. If the supervisory committee violates the provisions of the laws, administrative regulations or the Articles of Association in the course of performing its duties, and such violation results in losses to the Company, the shareholders shall have the right to make a written request demanding the Board to bring an action to the People’s Court.

In the event that the supervisory committee or the Board refuses to bring an action after receipt of a written request from the shareholders in accordance with the provisions set out in the preceding paragraph, or fails to bring an action within 30 days from the receipt of such request, or in an emergency where failure to bring an action immediately will cause harm beyond remedy to the Company's interests, the shareholders stipulated in the preceding paragraph shall have the right to directly bring an action to the People's Court in their own names for the benefit of the Company.

If the Company's lawful interests are infringed by other people that results in losses to the Company, the shareholders mentioned in the first paragraph of this Article (those who individually or jointly hold more than 1% of the Company's shares for a period of over 180 days) may bring an action to the People's Court pursuant to the above two paragraphs."

29. The following new provision shall be added as Article 62:

"Shareholders may commence legal actions against the Directors, general managers or any other Senior Management who were in breach of the provisions of law, administrative regulations or the Articles of Association, or acting against the interest of the shareholders."

30. The following new clauses shall be added as clauses (3) and (4) of the existing Article 56 (to be re-numbered accordingly as Article 63):

"(3) shall not cease to be a shareholder unless otherwise provided by laws and regulations;

(4) shall not impair the interests of the Company or other shareholders by abusing their rights as shareholders; shall not impair the interests of the Company's creditors by abusing the Company's status as an independent legal person or the shareholders' limited liabilities. If the Company and other shareholders suffer losses as a result of the abuse of shareholders rights by a shareholder of the Company, such shareholder shall be liable to indemnify the Company or other shareholders against such losses pursuant to the laws. If the Company's shareholders evade debts by abusing the Company's status as an independent legal person and the shareholders' limited liabilities, and such acts seriously affect the interests of the Company's creditors, such shareholders shall be jointly liable for the Company's debts;"

31. The following new provision shall be added as Article 64:

"If a shareholder who holds more than 5% of the voting rights in the Company (except the shareholders of H shares) creates a charge on its shares, it shall report to the Company in writing on the date of creation of the charge."

32. The following new provision shall be added as Article 66:

“The Company’s controlling shareholders and people with de facto control may not impair the Company’s interests by virtue of their connected relationship. In the event of any loss to the Company arising from the violation of the relevant requirements, they shall be liable for compensation.

The Company’s controlling shareholders and people with de facto control owe fiduciary duties to the Company. The controlling shareholders shall strictly exercise their rights as capital contributors, and may not impair the lawful interests of the Company and shareholders of public shares by way of profit distribution, asset reorganisation, foreign investment, appropriation of capital, provision of guarantee for loans etc. They shall not impair the lawful interests of the Company and shareholders of public shares by virtue of their controlling status.”

33. The phrase “the stock exchange(s) where the shares of the Company are listed” in the first paragraph of the existing Article 58 (to be re-numbered accordingly as Article 67) shall be deleted.

34. The following new clauses shall be added as clauses (13) to (17) of the existing Article 61 (to be re-numbered accordingly as Article 70):

“(13) to examine proposals raised by the shareholders individually or jointly holding more than 3% of the Company’s shares;

(14) to pass resolutions on transactions in respect of any acquisition or disposal of significant assets with amounts exceeding 30% of the latest audited total assets of the Company within one year;

(15) to pass resolutions on external guarantees which, according to the laws, regulations and the Articles of Association, shall be considered and approved by general meetings;

(16) to consider and approve changes in the use of proceeds raised;

(17) to consider and approve share option incentive scheme;”

35. The following new provision shall be added as Article 71:

“The provision of external guarantee by the Company shall be considered and approved by the Board. The following guarantees shall be considered by the Board and submitted to general meeting for consideration and approval:

- (1) any provision of guarantee when the aggregate amount of the guarantees provided by the Company and its controlling subsidiaries reaches or exceeds 50% of the latest audited net assets of the Company;
- (2) the provision of guarantee to a debtor whose asset to liability ratio exceeds 70%;
- (3) the amount of any single guarantee exceeds 10% of the latest audited net assets of the Company;
- (4) the guarantee provided to shareholders, de facto controller and their associates;
- (5) any provision of guarantee when the aggregate amount of the external guarantees provided by the Company reaches or exceeds 30% of the latest audited total assets of the Company;
- (6) other guarantees that shall be submitted to a general meeting for consideration and approval under the laws, regulations and the Articles of Association.

If the Directors, general managers and other Senior Management violate the provisions of the laws, administrative regulations or the Articles of Association governing the scope of authorization and the approval procedures for providing external guarantee, and such violation causes damage to the Company, they shall be liable for compensation. The Company may also bring an action against them pursuant to the laws.”

36. The following phrase shall be added as the first sentence of the existing Article 62 (to be re-numbered accordingly as Article 72):

“Save for the special circumstances under which the Company is in a crisis,”

37. The following sentences shall be added at the end of the existing Article 63 (to be re-numbered accordingly as Article 73):

“The Company shall convene general meetings either at its domicile or at such other venue as specified by the Board. General meetings will set meeting venue and be convened by way of on-site meetings. Facilities may be provided to allow shareholders to attend the meeting through the internet or other channels as and when necessary. Shareholders who attend a meeting by the said means are deemed to be present at such meeting.”

38. The phrase “or when proposed by the supervisory committee” in clause (4) of the existing Article 63 (to be re-numbered accordingly as Article 74) shall be deleted.

39. The clause (5) of the existing Article 63 (to be re-numbered accordingly as Article 74) shall be deleted in its entirety and be replaced by the following:

“(5) when proposed by the supervisory committee; or

(6) other circumstances prescribed by the laws, regulations or the Articles of Association.”

40. The following new provision shall be added as Article 75:

“In the event of holding a general meeting, the Company shall appoint a legal advisor to provide legal opinion on the following issues and make an announcement:

(1) whether the convening and holding of a meeting comply with the laws, administrative regulations and the Articles of Association;

(2) the qualifications of those who are present at the meeting, and the validity of the convener’s qualifications;

(3) the legality and validity of the voting procedure and results at the meeting;

(4) the issue of legal opinion on any other matters at the Company’s request.”

41. The following sentence shall be added as the last sentence of the existing Article 64 (to be re-numbered accordingly as Article 76):

“Where there are domestic regulations or rules of procedures for general meetings governing the book closure date for shareholders of A shares to attend a general meeting and the date for giving a written reply by the shareholders of A shares in respect of attending the meeting, those regulations and rules shall be followed.”

42. The existing Article 65 (to be re-numbered accordingly as Article 78) shall be deleted in its entirety and be replaced by the following:

“When the Company convenes a general meeting, the Board, supervisory committee and shareholder(s) individually or jointly holding more than 3% of the Company’s shares shall have the right to submit new proposals to the Company.

Shareholders individually or jointly holding more than 3% of the Company’s shares may raise a provisional proposal and submit to the Board in writing 10 days prior to the date of the general meeting. The Board shall issue a supplemental notice of general meeting announcing the contents of the provisional proposals within 2 days upon receipt of the proposals.

Save and except for the circumstances referred to in the preceding paragraphs, after the Board issues the notice of a general meeting, no change shall be made to the proposals stated in the notice and no new proposals shall be added.

The Board shall review the contents of the provisional proposals submitted by the shareholders to confirm if they fall within the terms of reference of general meetings, if they have definite topics to discuss and specific matters to resolve, if they comply with the relevant provisions of the laws, administrative regulations and the Articles of Association. If proposals submitted by the shareholders fail to satisfy the above principles, the Board may not submit such proposals at the general meeting for voting, provided that reasons and explanations shall be made at the general meeting.

When the Board does not include the provisional proposal raised by shareholders in the agenda of a general meeting and such shareholders concerned have objections, they may convene a separate extraordinary general meeting in accordance with the relevant provisions, procedures and requirements of the Articles of Association.”

43. The phrase “extraordinary” shall be deleted in the second paragraph of the existing Article 66 (to be re-numbered accordingly as Article 80).

44. The following new provision shall be added as Article 81:

“Matters to be discussed and decided at general meetings shall be determined in compliance with requirements of the Company Law, the Listing Rules and the Articles of Association. General meetings are entitled to make decisions on any matters as stipulated in the Articles of Association.

The shareholders may not vote or resolve on any matters in respect of those not set out in the notice issued pursuant to Articles 78 and 83 or any proposal inconsistent with the provision of Article 78 of the Articles of Association.”

45. The following new provision shall be added as Article 82:

“Proposals put forward at a general meeting shall be specific and related to the matters to be considered at a general meeting. Proposals raised at a general meeting shall satisfy the following requirements:

- (1) It shall be free of conflicts with the provisions of laws, administrative regulations and the Articles of Association, and fall into the business scope of the Company and the terms of reference of the general meetings;
- (2) It shall have definite topics to discuss and specific matters to resolve;
- (3) It shall be submitted in writing or served to the convener.”

46. The clause (3) of the existing Article 67 (to be re-numbered accordingly as Article 83) shall be deleted in its entirety and be replaced by the following:

“set out the matters and proposals to be considered at the meeting;”

47. The following new clauses shall be added as clauses (9) and (10) of the existing Article 67 (to be re-numbered accordingly as Article 83):

“(9) specify the book closure date for shareholders who are entitled to attend the general meeting;

(10) provide name and telephone number of the contact person.”

48. The phrase “stock exchange(s)” in the third paragraph of the existing Article 68 (to be re-numbered accordingly as Article 84) shall be deleted.

49. The following new provision shall be added as Article 86:

“Once the notice of a general meeting is issued, the meeting shall not be postponed or cancelled and resolutions contained in the notice shall not be withdrawn without proper reasons. In the event of postponement or cancellation, the convener shall make announcement to state the reasons at least 2 working days prior to the original date of the meeting.”

50. The clause (2) of the existing Article 70 (to be re-numbered accordingly as Article 87) shall be deleted in its entirety and be replaced by the following:

“to exercise its voting rights by poll.”

51. The clause (3) of the existing Article 70 (to be re-numbered accordingly as Article 87) shall be deleted in its entirety.

52. The following new provision shall be added as the second paragraph of the existing Article 71 (to be re-numbered accordingly as Article 88).

“Where the proxy form is signed by an attorney duly authorised by the appointor, the power of attorney or other authorisation document shall be notarised.”

53. The following new provision shall be added as Article 90:

“Individual shareholders attending the general meeting in person shall produce their identity cards, or valid certificates or certifications or stock account cards which can prove their capacities; while proxies shall produce their identity cards and power of attorney.

A corporate shareholder shall be represented by its legal representative or a proxy appointed by the legal representative at the meeting. Legal representatives shall present their identity cards and valid proofs of their legal representative identity when they attend the meeting. In the case that a proxy is appointed, the proxy shall present his own identity card and the power of attorney in writing issued by the legal representative of the corporate shareholder as stipulated by laws.”

54. The following new provision shall be added as Article 91:

“Proxy forms issued by the shareholders appointing other persons to attend general meetings and those issued by the Board of Directors of the Company to shareholders for the purpose of appointing other persons to attend general meetings should include the following information:

- (1) the name of the proxy;
- (2) whether the proxy has the voting right;
- (3) instructions for voting in favour or against or abstaining from each resolution to be considered at the general meeting;
- (4) the issue date and validity period of the proxy form;

- (5) signature (or seal) of the appointor. If the appointor is a legal person shareholder, it should be affixed with the seal of the legal person entity or signed by its director or a proxy duly appointed by the director.

Such proxy form shall contain a statement that in the absence of specific instructions from the shareholder, the proxy may vote at his discretion.”

55. The following new provision shall be added as Article 92:

“The register of attendees of the general meeting shall be prepared by the Company. Such register of the meeting shall specify information including the name, identity card number, residential address, number of the voting shares held or represented by the persons (or units) attending the meeting, name of the shareholders or proxies (or units).”

56. The following new provision shall be added as Article 95:

“When issues about connected transactions are considered at a general meeting, the connected shareholders shall not participate in the voting of the resolution, and the shares with voting rights of such shareholders shall not be counted as valid votes. The announcement of a resolution passed at a general meeting shall disclose sufficient details of voting of the non-connected shareholders.

The above connected shareholders refer to the following shareholders: a connected party, or (if not a connected party) an individual or its associates who have substantial interests in the transaction to be voted pursuant to the Listing Rules as may be amended from time to time.”

57. The following new provision shall be added as Article 96:

“The Board, Independent Directors and those shareholders who have met the relevant requirements (to be determined by the standards promulgated by the competent regulatory authorities from time to time) may collect their voting rights at the general meeting from the Company’s shareholders. If the collector openly collects the voting rights of the Company’s shareholders, the collector shall comply with the requirements of the relevant regulatory authorities and the stock exchange(s) on which the Company’s shares are listed.”

58. The first paragraph of the existing Article 76 (to be re-numbered accordingly as Article 98) shall be deleted in its entirety and be replaced by the following:

“When the shareholders (including proxies) vote at a general meeting, they shall exercise their voting rights based on the number of shares with voting rights held by them. Save for the provisions of Article 101 in the Articles of Association concerning the adoption of a cumulative voting system for election of the Directors, each share carries one vote. The shares held by the Company itself do not attach any voting right, and such shares shall not be counted as part of the total shares with voting rights of those shareholders who attend the meeting.”

59. The existing Article 77 shall be deleted in its entirety.

60. The existing Article 78 shall be deleted in its entirety.

61. The phrase “whether resolved by shows of hands or by poll,” in the existing Article 80 (to be re-numbered accordingly as Article 100) shall be deleted.

62. The following new provision shall be added as Article 101:

“Except for the cumulative voting system, all proposals at the general meeting shall be voted one by one. In case of different proposals for the same matter, the proposals shall be voted according to the chronological order of these proposals proposed. Except in the event of force majeure or other special reasons which result in the interruption of the general meeting or make it impossible to come to resolution, no proposal shall be set aside or rejected for voting at the general meeting.”

63. The following new provision shall be added as Article 102:

“When a proposal is considered at the general meeting, no change shall be made thereto; otherwise, the relevant change shall be treated as a new proposal which shall not be voted at the then general meeting.”

64. The following new provision shall be added as Article 103:

“The same voting right shall only be exercised by one of the voting means including on-site, via internet or by other means. In the event that the same voting right has been exercised repeatedly, the results of the first voting shall prevail.”

65. The following new provision shall be added as Article 104:

“Voting at the general meeting shall be conducted by way of poll in registered form.”

66. The following new provision shall be added as Article 105:

“Before a proposal is put forward for voting at a general meeting, 2 shareholders’ representatives shall be nominated to participate in vote taking and act as scrutineers. If a shareholder is interested in the matter to be considered, the shareholder and his proxy shall not participate in vote taking or act as scrutineer.

When a proposal is put forward for voting at the general meeting, the lawyers, shareholders’ representatives, supervisors’ representatives and persons designated by the stock exchange(s) where the shares of the Company are listed (or stipulated by the Listing Rules) shall jointly participate in vote taking and act as scrutineers, and announce the voting results there and then. The voting results of the resolutions shall be recorded in the minutes of the meeting.

Shareholders of the Company or his proxy who vote via the internet or by other means are entitled to check and inspect their voting results through the relevant voting system.”

67. The following new provision shall be added as Article 106:

“The on-site general meeting shall not end earlier than those held by online means or other means. The chairman of the meeting shall announce the votings and results of each of the proposals, and announce whether the proposals have been passed according to the voting results.

Prior to the formal announcement of the voting results, the related parties involved in the on-site general meeting, online and other means of voting, such as the listed company, vote counters, scrutineers, major shareholders and network service provider, shall undertake the obligations of confidentiality for the voting results.”

68. The following new provision shall be added as Article 107:

“Shareholders attending the general meeting shall submit their voting in respect of the proposals put forward in the following ways: “for”, “against” or “abstain”.

Voting papers that are left blank, unduly completed or illegible or that have not been used are deemed as votes to mean that the voter has waived his voting rights, and the voting results corresponding to the shares in his possession shall be treated as “abstain from voting”.

69. The clause (4) of the existing Article 81 (to be re-numbered accordingly as Article 108) shall be deleted in its entirety and be replaced by the following:

“The annual budget, accounting report, annual report, balance sheet, income statement and other financial statements of the Company;”

70. The following new clauses shall be added as clauses (5) and (6) of the existing 82 (to be re-numbered accordingly as Article 109):

“(5) The Company’s acquisition and disposal of major assets or provision of guarantees within one year with an amount exceeding 30% of the latest audited total assets of the Company;

(6) share incentive schemes; and”

71. The existing Article 83 (to be re-numbered accordingly as Article 110) shall be deleted in its entirety and be replaced by the following:

“The Independent Directors, supervisory committee and shareholders individually or jointly holding more than 10% of the shares of the Company requesting the convening of an extraordinary general meeting or a class meeting shall proceed in accordance with the procedures set forth below:

- (1) Sign one or more written requests in identical form and content requesting the Board to convene an extraordinary general meeting or a class meeting and stating the agenda of the meeting. The Board shall make a written response of agreeing or disagreeing to convene the extraordinary general meeting or the class meeting within 10 days of receipt of the abovementioned written request.
- (2) Where the Board agrees to convene an extraordinary general meeting or a class meeting, a notice of the general meeting shall be dispatched within 5 days of the resolution of the Board. Consent from the original proposer shall be obtained for any change in the original proposal stated in the notice.
- (3) Where the Board disagrees with the proposal of the Independent Directors to convene an extraordinary general meeting or a class meeting, it shall state the reasons and make an announcement.
- (4) Where the Board disagrees with the proposal of the supervisory committee to convene an extraordinary general meeting or a class meeting, or fails to make a response within 10 days of receipt of the request, the Board shall be considered as if it cannot or fails to perform its duties of convening a general meeting. The supervisory committee may convene and preside over such meeting. The procedures for convening shall be identical, to the extent possible, to those procedures adopted by the Board in convening a general meeting.

- (5) Where the Board disagrees with the proposal of shareholders to convene an extraordinary general meeting or a class meeting, or fails to make a response within 10 days of receipt of the request, shareholders individually or jointly holding more than 10% of the shares of the Company shall request the supervisory committee in writing to convene an extraordinary general meeting or a class meeting.
 - (6) Where the supervisory committee agrees to convene an extraordinary general meeting or a class meeting at the shareholders' request, a notice of the general meeting or the class meeting shall be dispatched within 5 days of receipt of the request. Consent from the original proposer shall be obtained for any change in the original proposal stated in the notice.
 - (7) Where the supervisory committee fails to dispatch a notice of general meeting within the prescribed period, it shall be considered as the supervisory committee will not convene or preside over a general meeting. Shareholders individually or jointly holding more than 10% of the shares for a consecutive period of over 90 days may convene and preside over a general meeting (the shareholding percentage of the shareholders convening the meeting shall not be less than 10% prior to the announcement of the resolutions of the general meeting). The procedures for convening shall be identical, to the extent possible, to those procedures adopted by the Board in convening a general meeting.
 - (8) Where the general meeting is convened and held by the supervisory committee or the shareholders in accordance with the previous paragraphs, the Board shall be duly informed in writing and the filing procedures shall be completed with the relevant competent authorities in accordance with the applicable requirements. The convening shareholders shall submit relevant evidences to the relevant regulatory authorities in accordance with applicable requirements when dispatching the notice of general meeting and announcing the resolutions of such meeting. The Board and the secretary to the Board shall be cooperative with respect to the meeting and the Board shall provide the register of members as at the book closure date. Any reasonable expenses incurred from the meeting shall be borne by the Company and shall be deducted from the sums owed by the Company to the negligent Directors.”
72. The following new provisions shall be added at the end of the existing Article 84 (to be re-numbered accordingly as Article 111):
- “The chairman of the supervisory committee shall preside over a general meeting convened by the supervisory committee. Where the chairman of the supervisory committee cannot or fails to perform his duties, a majority of the supervisors may jointly nominate a supervisor to preside over the meeting as chairman.

The convenor of a general meeting convened by the shareholders shall nominate a representative to preside over the meeting.

Where a general meeting is unable to continue due to the breach of the rules of procedures by the chairman, a person may be nominated to preside over and continue the meeting with the agreement of a majority of the shareholders with voting rights present at the general meeting.”

73. The second paragraph of the existing Article 87 (to be re-numbered accordingly as Article 114) shall be deleted in its entirety and be replaced by the following:

“The convener shall ensure the truthfulness, accuracy and completeness of the minutes. The minutes of the meeting shall be signed by the chairman (chairman of the meeting) and Directors, supervisors, secretary to the Board, the convener or their representatives attending the meeting.

Summary of the meeting shall be made for the resolutions passed at general meeting. Minutes and summaries of the meeting shall be recorded in Chinese. The minutes of the meeting and the attendance records signed by the attending shareholders and the proxy forms of proxies shall be kept at the Company’s domicile.”

74. The following new provision shall be added as Article 105:

“The secretary to the Board shall be responsible for the minutes of the meeting which shall contain the following contents:

- (1) the time, place, agenda and name or alias of the convenor of the meeting;
- (2) the names of the chairman of the meeting and the Directors, supervisors, general managers and other Senior Management attending the meeting;
- (3) the number of shareholders and proxies attending the meeting, the total number of shares with voting rights held by them and as a percentage to the total number of shares of the Company;
- (4) the total number of shares with voting rights held by the respective shareholders of A shares (including proxies) and overseas listed foreign shareholders (including proxies) attending the meeting, and their respective percentages to the total number of shares of the Company;
- (5) the process of discussion, main points of speakers and voting result of each motion and details of the voting by shareholders of A shares and shareholders of foreign listed foreign shares of each resolution;

- (6) the queries or recommendations of the shareholders and corresponding replies and explanations;
- (7) the names of the lawyers, counters and scrutineers;
- (8) other contents which shall be recorded in the minutes of the meeting in accordance with the provisions of the Articles of Association.”

75. The existing Article 98 (to be re-numbered accordingly as Article 126) shall be deleted in its entirety and be replaced by the following:

“The Company shall establish its Board and the Directors shall be natural persons. The Board shall comprise 12 Directors, with one chairman and 1 vice chairman.

No less than half of the members of the Board shall be the external Directors (refer to Directors who do not take any positions in the Company). The external Directors shall have sufficient time and necessary knowledge and ability to perform their duties. The external Directors shall be provided with necessary information by the Company in performing their duties. The external Directors shall include the Independent Directors of not less than one-third of the total number of the Directors, and at least one of the Independent Directors must possess appropriate professional qualifications or accounting or related financial management expertise (Independent Directors shall mean the Directors who are independent of the shareholders of the Company and do not hold any internal positions in the Company and the same shall apply to the Articles below).”

76. The first paragraph of clause (1) of the existing Article 100 (to be re-numbered accordingly as Article 128) shall be deleted in its entirety and be replaced by the following:

“The Directors shall be elected at general meetings, with a term of office of 3 years. At the expiry of a Director’s term of office, the term is renewable upon re-election, but any Independent Director cannot serve as the Company’s Independent Director for a consecutive period of over 6 years. Prior to the expiry of his term of office, a Director shall not be removed without reasons from his office by the general meeting.

The term of office of the Directors commences from the date of election up to the expiry of the term of office of the Board. In the event that the terms of the Directors fall upon maturity whereas new members of the Board are not re-elected in time, the existing Directors shall continue to perform their duties in accordance with laws, administrative regulations and rules from regulatory authorities and the Articles of Association until the re-elected Directors assume their office.”

77. The following new provisions shall be added as clause (2) of the existing Article 100 (to be re-numbered accordingly as Article 128):

“The Independent Directors of the Company shall be elected in accordance with the following method:

- a. the Board, the supervisory committee of the Company and shareholders who individually or jointly holding more than 1% of the issued shares of the Company shall have the right to nominate candidates for the Independent Directors, who shall become the Independent Directors by election at a general meeting;
- b. the nominator of the Independent Directors shall obtain consent from the proposed candidate before nomination. The nominator shall have adequate knowledge of the profession, education, professional title and detailed work experience of the nominee as well as status of all his part-time jobs. The nominator shall also comment on the qualification and independence of the nominee as an Independent Director. The nominee shall make a public statement disclaiming any relationship between him and the Company that will affect his independent judgment;
- c. before the general meeting for the election of the Independent Directors, the Company’s Board of Directors shall announce the above information in accordance with the relevant provisions (including but not limited to the Listing Rules);
- d. provided where Renminbi denominated ordinary shares are issued by the Company and are listed on the domestic stock exchange, before convening the general meeting for the election of the Independent Directors, the Company shall submit relevant materials of all the nominees to China Securities Regulatory Commission and its local office in the place where the Company is located as well as the stock exchange(s) on which the Company’s shares are listed. Where the Board of Directors of the Company dissents from the relevant information with regard to the nominees, a written opinion from the Board shall also be submitted.”

78. The following new provision shall be added as Article 129:

“The Company shall disclose personal particulars of the Director candidates prior to the general meeting, so that the shareholders can acquire adequate knowledge of the candidates upon votings.

Prior to the general meeting, the Director candidates shall give a written undertaking of their consent to the nomination and the information disclosed to the public being authentic and complete, and that they will exercise in due diligence the duties of the Directors when they are elected.”

79. The following new provision shall be added as Article 130:

“The Directors may be elected at the general meeting by way of cumulative voting. Where election of more than two Directors by way of cumulative voting, the number of votes held by each shareholder shall equal to the product of the number of his votes held multiplied by the number of Directors he is entitled to elect. Each shareholder has the right to cast all his votes to one, two or more Director candidates, or to all Director candidates at his discretion. The candidate(s) with the most votes shall be elected as Director(s).”

80. The following new provision shall be added as Article 131:

“Should the proposal for election of the Directors and supervisors be passed at the general meeting, the new Directors and supervisors shall assume office on the date as determined at the general meetings.”

81. The following new provision shall be added as Article 132:

“In the absence of special reasons, the Directors and Chairman shall not change their positions randomly and shall maintain rather stable. Any position changes shall go through the statutory procedures and formalities (including relevant requirements under the Listing Rules) and shall be disclosed to the public and filed with China Securities Regulatory Commission.

The Directors may resign prior to the expiration of their term of office. A resigning Director shall submit a written report of resignation to the Board. Should other Directors think the resignation of such Director prior to the expiration of his term of office prejudices the interests of the Company, the Board may conduct a vote regarding whether to consent to the resignation and the resigning Director shall be abstain from voting. In case that the Board dissents from his resignation, such Director shall continue to perform his duties until the expiration of his term of office. In the event that such Director leaves the position without permission, the Company shall have the right to take legal action against him.”

82. The following new clauses shall be added as clauses (14) to (17) of the existing Article 101 (to be re-numbered accordingly as Article 133):

“(14) to make decision on external guarantee matters other than those requiring resolutions of the shareholders at general meetings according to the provisions of laws, administrative regulations and the Articles of Association;

(15) to determine the external investment, acquisition and disposal of assets, pledge of assets, designated financial management and connected transactions of the Company within the authorisation of the general meeting;

(16) to manage the information disclosure of the Company;

(17) to propose at general meetings for the appointment or change of auditors;”

83. The second paragraph of the existing Article 101 (to be re-numbered accordingly as Article 133) shall be deleted in its entirety and be replaced by the following:

“Except for the resolutions of the Board in respect of the matters specified in clauses (6), (7), (11), (12) and (14) of the preceding Article which shall be passed by two-thirds or more of the Directors, the resolutions of the Directors in respect of all other matters may be passed by more than one half of the Directors.

If any Director of the Company is associated with the enterprises that are involved in the matters to be resolved at the Board meetings, he shall not exercise his voting rights for such matters, nor shall such Director exercise voting rights on behalf of other Directors. Such Board meetings shall be convened by a majority of the Directors present thereat who are not connected. Resolutions made at the Board meetings shall be passed by more than half of the Directors that are not connected. The matters referred to above to be passed by two-thirds or more of the Directors shall be passed by votes of more than two-thirds of the Directors that are not connected. If the number of the non-connected Directors attending the Board meetings is less than three, such matters shall be submitted to the general meeting of the Company for consideration.

The resolutions made by the Board in relation to connected transactions shall not become effective until being signed by the Independent Directors.”

84. The following new provision shall be added as the sixth paragraph of the existing Article 101 (to be re-numbered accordingly as Article 133):

“In performing the aforesaid powers, the Board shall comply with relevant laws, regulations, the Listing Rules and other applicable Hong Kong laws, regulations and codes.”

85. The following new provision shall be added as Article 135:

“Unless otherwise provided in the applicable laws and regulations and/or Listing Rules, the Board shall have the right to make decisions on investment (including venture investment) or acquisition projects within the authorisation of the shareholders. For major investments or acquisitions beyond the authorisation to the Board, the Board shall engage relevant experts and professionals to appraise and propose it to the general meeting for approval.”

86. The words “10 days” in the first paragraph of the existing Article 104 (to be re-numbered accordingly as Article 137) shall be amended to “14 days”.

87. The following sentence shall be added as the last sentence of the second paragraph of the existing Article 104 (to be re-numbered accordingly as Article 137):

“The Chairman shall convene and preside over a Board meeting within 10 days after receiving such proposal.”

88. The second sentence of clause (1) of the existing Article 105 (to be re-numbered accordingly as Article 138) shall be deleted in its entirety and be replaced by the following:

“If the time and location of Board meetings have not been specified by the Board in advance, the Chairman shall order the secretary to the Board to notify the all Directors and supervisors the meeting time and venue by way of telex, telegraph, fax, courier, registered mail, email or in person no less than 14 days and no more than 30 days prior to such meeting”

89. The clause (2) of the existing Article 105 (to be re-numbered accordingly as Article 138) shall be deleted in its entirety and be replaced by the following:

“When convening an extraordinary Board meeting in emergency, the Chairman shall authorize the secretary to the Board to notify all Directors and supervisors the meeting time, venue and means by way of telex, telegraph, email or in person no less than 2 days and no more than 10 days prior to such meeting.”

90. The first paragraph of the existing Article 106 (to be re-numbered accordingly as Article 139) shall be deleted in its entirety and be replaced by the following:

“The convening of a Board meeting is subject to the attendance by more than half of the Directors (including Directors who appoint other Directors in writing to attend the Board meeting on his or her behalf as stipulated in the Articles of Association). Each Director has one vote. Without prejudice to paragraph 2 of Article 133, resolutions of the Board shall be passed by more than half of all Directors.”

91. The following new clause shall be added as clause (2) of the existing Article 108 (to be re-numbered accordingly as Article 141):

“A Director shall be deemed to have failed to perform his duties if he fails to attend the Board meetings in person twice consecutively nor appointed other Directors to attend the meetings on his behalf. The Board shall make recommendations to general meetings to replace such Director.”

92. The existing Article 110 (to be re-numbered accordingly as Article 143) shall be deleted in its entirety and be replaced by the following:

“The Board shall keep minutes of all the decisions on the matters considered at the meetings, opinions of the Independent Directors and written proposals. The minutes shall be signed by the Directors attending the meeting and the person taking the minutes. The minutes of the Board meeting shall be kept at the domicile of the Company in China and the complete copy of the minutes shall be promptly sent to each Director. The minutes shall be kept for at least 10 years.”

93. The following new provision shall be added as Article 145:

“The Directors may resign before expiry of their terms. The Directors shall submit to the Board a written report in relation to their resignations, and the Independent Directors shall state any situation relating to their resignations or which they consider to be necessary to draw to the attention of the shareholders and creditors of the Company.

In case that the number of the Directors falls short of the statutory quorum of the Board as a result of the resignation of the Directors, the resignation of the said Director shall not become effective until the vacancy resulting from his resignation is filled up by the succeeding Director. The remaining Directors shall convene an extraordinary general meeting as early as possible to elect the Director and fill up the vacancy resulting from the said resignation. Prior to any resolutions made on the election of Directors at the general meeting, powers of the resigning Director and the remaining Board shall be subject to reasonable restraints.

Should the resignation of the Independent Directors result in the proportion of the Independent Directors in the Board of Directors of the Company falling below the minimum requirement as required by the relevant regulatory authorities or the Listing Rules, the resignation report of the said Independent Director shall not become effective until the vacancy resulting from his resignation is filled up by the succeeding Independent Director.

Save for the circumstances referred to in the preceding paragraphs, the resignation of a Director shall become effective upon submission of his resignation report to the Board.”

94. The first sentence of the existing Article 113 (to be re-numbered accordingly as Article 148) shall be deleted and be replaced by the following:

“The Company shall have a secretary to the Board (“**Company Secretary**”) who shall be appointed by the Board.”

95. The word “3” in the first sentence of the second paragraph of the existing Article 117 (to be re-numbered accordingly as Article 152) shall be amended to “certain”.

96. The following new provision shall be added as the third paragraph of the existing Article 117 (to be re-numbered accordingly as Article 152):

“The Directors may hold the position of general manager, deputy general manager or other Senior Management, but the number of the Directors holding such positions shall not exceed half of the total number of the Directors.”

97. The following new provision shall be added as Article 153:

“The term of appointment of the general managers shall be 3 years and may be reappointed.”

98. The following new provision shall be added as Article 155:

“The general managers shall report to the Board and the supervisory committee at their requests on the signing and implementation of material contracts, application of funds and loss to the Company. The general managers shall ensure the truthfulness of the report.”

99. The following new provision shall be added as Article 156:

“The general managers shall formulate work regulations for managers, which shall be submitted to the Board for approval before implementation.”

100. The following new provision shall be added as Article 157:

“General managers may resign prior to the expiration of their terms of office. The procedure and manner of the resignations of the general managers shall be governed by the employment contracts between the general managers and the Company.”

101. The following sentence shall be added as the last sentence of the second paragraph of the existing Article 121 (to be re-numbered accordingly as Article 160):

“The supervisors shall ensure that the information disclosed by the Company is true, accurate and complete.”

102. The existing Article 125 (to be re-numbered accordingly as Article 164) shall be deleted in its entirety and be replaced by the following:

“Meetings of the supervisory committee shall be held at least once every six months and shall be convened and presided over by the chairman of the supervisory committee. Where the chairman of the supervisory committee cannot or fails to perform his duties, a majority of the supervisors may jointly designate a supervisor to convene and preside over the meeting of the supervisory committee. Notice of a meeting of the supervisory committee shall be delivered to all supervisors 10 days prior to the meeting. The notice of meeting of the supervisory committee shall include the following contents:

- (1) the date, venue and duration of the meeting;
- (2) the reasons for and the agenda of the meeting;
- (3) the date of dispatching the notice.”

103. The following new provision shall be added as Article 165:

“Where a replacement supervisor is not elected timely upon expiration of the term of a supervisor or the resignation of a supervisor during his term resulting in the supervisory committee having less than the minimum number of supervisors required by law, that supervisor must continue to perform his duties pursuant to the laws, administrative regulations and the provisions of the Articles of Association until the replacement supervisor takes office.”

104. The following new provision shall be added as Article 168:

“The supervisory committee shall take minutes of the resolutions of the meetings. Supervisors attending the meeting and the person taking the minutes shall sign the minutes. Supervisors shall have the right to request an explanatory statement of their speeches made during the meeting be recorded in the minutes. Minutes of the meetings of the supervisory committee shall be kept as the Company’s files for at least over 10 years.”

105. The following new provision shall be added as Article 171:

“Supervisors shall not exploit their connected relationship with the Company to prejudice the interests of the Company. Where they violate such provision thereby causing damages to the Company, they shall be liable for compensation.”

106. The following new clause shall be added as clause (10) of the existing Article 131 (to be re-numbered accordingly as Article 173):

“any person confirmed by the securities regulatory authorities of the State Council as forbidden to enter the market and such restriction has not been removed.”

107. The following new provision shall be added as the second paragraph of the existing Article 131 (to be re-numbered accordingly as Article 173):

“A person holding other duties other than directorship in any entity of the Company’s controlling shareholders and de facto controllers shall not hold the office of a Senior Management of the Company.”

108. The following new provision shall be added as Article 174:

“No Director of the Company shall act in his own name on behalf of the Company or the Board unless pursuant to the provisions of the Articles of Association or with the legal authorisation of the Board. In the course of acting in his own name, a Director shall state his position and identity insofar as a third party may reasonably believe that such Director is acting on behalf of the Company or the Board.”

109. The first paragraph of the existing Article 133 (to be re-numbered accordingly as Article 176) shall be deleted in its entirety and be replaced by the following:

“In addition to the obligations stipulated by the laws, administrative regulations or the Listing Rules, a person holding other duties other than directorship in any entity of the Company’s controlling shareholders and de facto controllers shall not hold the office of a Senior Management of the Company. The Directors, supervisors, the general managers or other Senior Management of the Company shall, in the exercise of the functions and powers of the Company entrusted to them, be obligated to bear the following duties towards each shareholder:”

110. The first sentence of clause (11) of the existing Article 135 (to be re-numbered accordingly as Article 178) shall be deleted and be replaced by the following:

“Without the consent from the general meetings or the Board,”

111. The following new provision shall be added as Article 179:

“The Company’s Directors, supervisors, general managers and other Senior Management shall perform their due diligence obligations towards the Company in pursuance to the laws, administrative regulations, Listing Rules and the Articles of Association as follows:

- (1) to exercise the rights accredited by the Company in a cautious, serious and due diligent manner so as to ensure the commercial behaviors of the Company shall be in compliance with the requirements of the laws, administrative regulations of the State and every national economic policy in the State, and the commercial activities shall not exceed the scope of business stipulated in the business license;
- (2) to treat all shareholders fairly;
- (3) to keep informed of the operation and management position of the Company on a timely basis;
- (4) to sign on the Company’s regular reports for written confirmation in order to ensure the truthfulness, accuracy and completeness of the information disclosed by the Company;
- (5) to provide true information and data to the supervisory committee, and not to interfere with the supervisory committee or supervisors in the exercise of their functions and powers;
- (6) to perform other due diligence obligations imposed by the laws, administrative regulations, departmental rules and the Articles of Association.”

112. The following new provision shall be added as Article 180:

“The Directors, supervisors, general managers, deputy general manager and other Senior Management shall attend general meetings as requested by the shareholders and give explanations in respect of the shareholder’s enquiries and suggestions.”

113. The word “do” in the first paragraph of the existing Article 136 (to be re-numbered accordingly as Article 181) shall be amended to “make”.

114. The following new provision shall be added as Article 184:

“Any Directors, supervisors, general managers and other Senior Management of the Company who are in breach of laws, administrative regulations, departmental rules or the provisions of the Articles of Association in carrying the duties to the Company and thereby causing losses to the Company, shall bear the responsibility for compensation.

Any Directors, supervisors, general managers and other Senior Management whose terms of office are not yet expired shall bear the responsibility for compensating the losses to the Company caused by their desertion of duties.”

115. The following sentence shall be added as the last sentence of the first paragraph of the existing Article 158 (to be re-numbered accordingly as Article 204):

“Assets of the Company shall not be deposited in any account under the name of an individual.”

116. The following new provision shall be added as the second paragraph of the existing Article 159 (to be re-numbered accordingly as Article 205):

“Within 4 months from the date of the expiration of each fiscal year, an annual financial and accounting report shall be submitted to China Securities Regulatory Commission and the stock exchange(s) respectively. Within 2 months after the first 6 months of each fiscal year, an interim financial and accounting report shall be submitted to the agency of China Securities Regulatory Commission and the stock exchange(s) respectively. Within 1 month after the first 3 and 9 months of each fiscal year, a quarterly financial and accounting report shall be submitted to the agency of China Securities Regulatory Commission and the stock exchange(s) respectively.”

117. The following sentence shall be added at the end of the existing Article 161 (to be re-numbered accordingly as Article 207):

“If the provision of this paragraph that profits are distributed to the shareholders before offsetting losses to the Company and allocating to its statutory surplus reserve is breached at a general meeting, the profits so distributed shall be returned to the Company.”

118. The following new provision shall be added as the second paragraph of the existing Article 162 (to be re-numbered accordingly as Article 208):

“Where the statutory reserve fund is insufficient to cover the Company’s loss from the previous year, the profits for that year shall be used to cover such loss before allocation is made to the statutory reserve fund pursuant to the preceding paragraph.

Subsequent to the allocation of profit after tax to the statutory reserve fund by the Company, and as resolved at the general meeting, allocation may be made to the discretionary reserve fund.

Subsequent to the making up for the losses and allocations to the reserves funds, the balance of the profit shall be distributed to the shareholders in proportion to their shareholdings. Profit shall not be distributed in respect of the Company’s shares held by the Company.”

119. The existing Article 163 shall be deleted in its entirety.

120. The following new provision shall be added as Article 211:

“Subsequent to the passing of the resolution in respect of a profit distribution plan at general meeting, the Board of Directors of the Company shall complete the distribution of dividends (or shares) within two months from the date of the general meeting.”

121. The following new provision shall be added as Article 218:

“The Company shall establish an internal audit system by employing professional audit staff, who shall conduct internal audit and control over the financial incomes and expenses and the economic activities of the Company.

The Company’s internal audit system and the responsibilities of the audit personnel shall become effective after the approval of the Board. The person in charge of the audit shall be accountable and report to the Board.”

122. The first paragraph of the existing Article 173 (to be re-numbered accordingly as Article 220) shall be deleted in its entirety and be replaced by the following:

“The appointment of the accounting firm engaged by the Company shall be decided by the general meeting, the Board shall not engage any accounting firm prior to the decision of the general meeting.

The Company shall appoint an independent accounting firm which is qualified under the relevant regulations of the State with “qualifications to practise in securities related business” to audit the Company’s annual reports and review the Company’s other accounting reports.”

123. The following sentence shall be added at the end of the existing Article 174 (to be re-numbered accordingly as Article 221):

“The engagement may be renewed upon expiry.”

124. The following new provision shall be added as Article 222:

“The Company shall warrant to provide true and complete accounting evidence, books, financial and accounting reports and other accounting information to the accounting firm it engages and shall not refuse, hide such information or provide false information.”

125. The following new clause shall be added as clause (2) of the existing Article 197 (to be re-numbered accordingly as Article 245):

“social insurance premium and statutory compensation fund;”

126. The following new provision shall be added as the last paragraph of the existing Article 197 (to be re-numbered accordingly as Article 245):

“During the period of liquidation, the Company continues to exist, but it shall not carry out any business activities which are irrelevant with the liquidation. The Company’s property shall not be allocated to the shareholders before repayment has been made according to the preceding paragraph.”

127. The following new provision shall be added as Article 249:

“If the Company is declared to be wound up in accordance with the laws, it shall be liquidated in accordance with the relevant laws of enterprise liquidation.”

128. The following new provision shall be added as Article 251:

“The Board shall amend the Articles of Association in accordance with the resolution of general meeting and the opinion of the relevant regulatory authorities.”

129. The following new provisions shall be added as Article 252:

“The Company shall amend the Articles of Association under any of the following circumstances:

- (1) Subsequent to the amendments to the Company Law, Listing Rules or the relevant laws and administrative regulations, the matters provided for in the Articles of Association are in conflict with the provisions of the amended laws and administrative regulations;
- (2) Changes in the state of affairs of the Company are inconsistent with the matters provided for in the Articles of Association;
- (3) The general meeting has decided to amend the Articles of Association.”

130. The following new provision shall be added as Article 254:

“In the event that the amendments to the Articles of Association concern disclosable information in accordance with the laws, administrative rules and Listing Rules, they shall be announced to the public as required.”

131. The title of Chapter 23 shall be deleted in its entirety and be replaced by the following:

“NOTICE AND ANNOUNCEMENT”

132. The following new provision shall be added as Article 255:

“Notices of the Company shall be issued by the following means:

- (1) in person;
- (2) by post;
- (3) by way of public announcement;
- (4) other means provided for in the Articles of Association.”

133. The existing Article 203 (to be re-numbered accordingly as Article 256) shall be deleted in its entirety and be replaced by the following:

“Subject to the compliance with all applicable laws and regulations and the Listing Rules of the place(s) where the Company’s shares are listed and the Articles of Association, the Company may send, mail, dispatch, issue, publish or otherwise make available any corporate communication by sending or otherwise making available the corporate communication using electronic means, including but not limited to electronic mails, compact disks, or the website of the Company and the website of the stock exchange(s) of the place(s) where the Company’s shares are listed, to the shareholders of H shares.”

134. The following sentence shall be added at the beginning of the existing Article 205 (to be re-numbered accordingly as Article 258):

“If the notice of the Company is given in person, the recipient shall sign (or seal) on the acknowledgement slip, which date shall be deemed to be the date of delivery; if the notice of the Company is issued by way of public announcement, the date of the first public announcement shall be deemed to be the date of delivery;”

135. The following new provision shall be added as Article 260:

“The China Securities designated by the Company and/or other national newspapers and magazines designated by the administrative authorities of securities of the State Council and other newspapers and magazines and websites designated by the Board shall be the media for publication of the Company’s announcement and disclosure of information otherwise required.”

136. The following new definitions shall be added into the existing Article 209 (to be re-numbered accordingly as Article 263):

“Listing Rules”	the rules governing the listing of securities on the stock exchange(s) in the place(s) where the Company’s shares are listed
“domestic shareholders”	has the same meaning as shareholders of A shares within the Articles of Association
“foreign shareholders”	has the same meaning as shareholders of H shares within the Articles of Association
“Independent Directors”	the Directors who do not hold any position in the Company other than the Directors, and have no relationship with the listed companies and their respective major shareholders that may hinder such Directors’ ability to make independent and objective judgments, and comply with the requirements on independence as stipulated in the relevant rules of the stock exchange(s) on which the Company’s shares are listed”

137. The sub-paragraph (f) of the definition of “corporate communication” in the existing Article 209 (to be re-numbered accordingly as Article 263) shall be deleted in its entirety and be replaced by the following:

“(f)the proxy form (has the meaning ascribed to it under the Listing Rules)”

138. The following new provision shall be added as Article 265:

“The Board may formulate rules and principles in accordance with the Articles of Association. Such rules and principles shall not be in conflict with the provisions in the Articles of Association.”

139. The following new provision shall be added as Article 266:

“For the purposes of the Articles of Association, the term “not less than”, “within”, “not more than” are all inclusive terms while “not exceeding”, “above”, “less than”, “more than” and “exceeding” are exclusive terms.”

140. The following new provision shall be added as Article 267:

“The Board of Directors of the Company shall be responsible for the interpretation of the Articles of Association.”

141. The following new provision shall be added as Article 268:

“The Articles of Association includes the rules for procedures for the general meetings, the rules of procedures for the Board meetings and rules of procedure for the supervisory committee.”

142. The punctuations “〔” and “〕” in the Articles of Association shall be amended to ““” and “”” respectively.

143. The articles of the Articles of Association shall be and are hereby re-numbered accordingly, if necessary.

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

The contents of the Rules of Procedures for General Meetings are set out as follows:

Chapter 1 General Provisions

Article 1 These rules are formulated in accordance with relevant laws and regulations such as the Company Law of the People's Republic of China (the "**Company Law**"), the Securities Law of the People's Republic of China (the "**Securities Law**"), the Rules Governing the General Meetings of Companies (the "**General Meeting Rules**") and the relevant requirements of the Shanghai Stock Exchange and the Hong Kong Stock Exchange as well as the Articles of Association of First Tractor Company Limited (the "**Articles of Association**"), to regulate the activities of First Tractor Company Limited (the "**Company**"), safeguard the shareholders to exercise of their rights under the laws, ensure general meetings to operate in a standardized and efficient manner and make scientific decisions as well as improve the corporate governance structure.

Article 2 The Company shall convene general meetings in strict accordance with the laws and regulations, the listing rules, these Rules and the Articles of Association so as to ensure that its shareholders can exercise their rights under the laws.

The Board of Directors of the Company shall earnestly perform its duties and organise general meetings in a careful and timely manner. All the Directors of the Company shall perform their due diligence obligations to ensure that the general meetings are duly held and its powers are exercised in accordance with the laws.

Chapter 2 Functions and Powers of the General Meetings

Article 3 As the organ of authority of the Company, the general meeting exercises its powers in accordance with the laws.

Article 4 The powers exercisable by the general meeting are as follows:

- (1) to decide the Company's management policy and investment plans;
- (2) to elect and re-elect the Directors and to decide on matters relating to their remunerations;
- (3) to elect and replace supervisors who are representatives of shareholders and decide on matters relating to the remunerations of supervisors;

- (4) to consider and approve the reports of the Board;
- (5) to consider and approve the reports of the supervisory committee;
- (6) to consider and approve the Company's annual preliminary and final financial budgets;
- (7) to consider and approve the Company's profit distribution plan and plan to cover deficit;
- (8) to resolve on increase or reduction in the Company's registered capital;
- (9) to resolve on merger, division, dissolution, liquidation or change of legal form of the Company;
- (10) to resolve on issue of debentures by the Company;
- (11) to resolve on engagement, dismissal or discontinuation of appointment of the Company's accounting firms;
- (12) to amend the Articles of Association;
- (13) to consider provisional proposals raised by shareholder(s) who individually or jointly represent(s) more than 3% of the Company's shares;
- (14) to resolve on any purchase or disposal of material assets by the Company within one year, the amount of which exceeds 30% of its latest audited total assets;
- (15) to resolve on the Company's external guarantees which shall be approved by general meeting as required under laws, regulations and the Articles of Association;
- (16) to consider and approve any change in the use of proceeds from fund raising;
- (17) to consider share incentive schemes;
- (18) to determine any other matters which shall be resolved by the general meeting as required by the laws, administrative regulations, departmental rules and the Articles of Association.

On the premise of compliance with relevant laws and regulations, the listing rules and the Articles of Association, the shareholders' rights and obligations shall be determined by the general meeting in the case that the Company issues preference shares.

Article 5 The following guarantees provided by the Company shall be approved by the general meeting after being considered by the Board:

- (1) any guarantee provided after the total amount of external guarantees of the Company and its holding subsidiaries reaches or exceeds 50% of the Company's latest audited net assets;
- (2) provision of guarantee for an object whose assets to liabilities ratio exceeds 70%;
- (3) a single guarantee, the amount of which exceeds the Company's 10% of its latest audited net assets;
- (4) the guarantee provided for any shareholder, de facto controller of the Company or their respective connected parties;
- (5) any guarantee provided after the total amount of guarantees provided by the Company reaches or exceeds the Company's 30% of the latest audited total assets;
- (6) other guarantees subject to approval of general meeting as stipulated by other laws and regulations and the Articles of Association.

Article 6 Matters which, in accordance with the provisions of the laws, administrative regulations, the listing rules and the Articles of Association, are required to be approved by the general meetings, shall be considered at the general meetings so as to protect the decision-making power of the shareholders of the Company on such matters. Under necessary and reasonable circumstances, the general meeting may authorize the Board to determine, within the scope of authorization granted by such general meeting, specific issues relating to matters which shall be resolved but can not be decided upon immediately at such general meeting.

An authorization to the Board by general meeting in relation to matters to be decided by ordinary resolutions shall be passed by shareholders (including their proxies) representing more than half of the voting rights present at the general meeting to authorise the Board to make relevant decisions; an authorization to the Board in relation to matters to be decided by special resolutions shall be passed by shareholders (including their proxies) representing more than two-thirds of the voting rights present at the general meeting. The contents of the authorization shall be clear and specific.

Article 7 Except in special circumstances such as when the Company is in a situation of crisis, the Company shall not enter into any contract with any party other than the Directors, supervisors, managers and other Senior Management without the prior approval of the general meeting, pursuant to which such party shall be in charge of management of the whole or any substantial part of the Company's business.

Chapter 3 Timing for Convening General Meetings

Article 8 A general meeting shall either be an annual general meeting or an extraordinary general meeting.

Article 9 Annual general meetings shall be convened once a year within six months after the end of the preceding accounting year.

Article 10 The Company shall convene general meetings either at its residence or such other venue as specified by the Board. General meetings will set meeting venue and be convened by way of on-site meetings. Facilities may be provided to allow shareholders to attend the meeting through the internet or other channels as and when necessary and shareholders who attend a meeting by the said means are deemed to be present at such meeting.

Article 11 The Board shall convene an extraordinary general meeting within two months upon occurrence of any one of the following circumstances:

- (1) the number of the Directors falls short of the quorum required by the Company Law or two-thirds of the number required under the Articles of Association;
- (2) the uncovered deficit of the Company amounts to one-third of its total paid-up share capital;
- (3) shareholder(s) individually or jointly holding 10% or more voting rights of the Company request(s) in writing the convening of an extraordinary general meeting;
- (4) whenever it is deemed necessary by the Board;
- (5) the supervisory committee so proposes; or
- (6) any other circumstances so specified in laws, administrative regulations, departmental rules or the Articles of Association.

Should the Company fail to convene a general meeting within the period as specified above, it shall report to the relevant regulatory authorities and the stock exchange(s) where its shares are listed, explain the reason and make an announcement (if necessary) pursuant to relevant laws and regulations and the listing rules.

Chapter 4 Convening of General Meetings

Article 12 The Board shall convene annual general meetings and extraordinary general meetings within the period as stipulated in the Articles 9 and 11 set out herein on a timely basis.

Article 13 The Independent Director(s), the supervisory committee and any shareholder(s) individually or jointly holding more than 10% of the Company's shares are entitled to request the convening of an extraordinary general meeting or a class meeting, subject to the following procedures:

- (1) To sign one or more written requisition(s) with identical form and content requiring the Board to convene an extraordinary general meeting or a class meeting and stating the agenda of the meeting. The Board shall furnish a written reply stating its agreement or disagreement to the convening of an extraordinary general meeting or a class meeting within ten days upon receipt of such requisition(s).
- (2) In the event that the Board agrees to convene an extraordinary general meeting or a class meeting, notice of the general meeting shall be issued within five days after the passing of the relevant resolution of the Board. Any change in the original proposal(s) made in the notice shall require prior approval of the original proposer(s).
- (3) In the event that the Board does not agree with the Independent Director's request to convene an extraordinary general meeting or a class meeting, reasons for such disagreement shall be given and an announcement shall be made accordingly.
- (4) In the event that the Board does not agree with the supervisory committee's request to convene an extraordinary general meeting or a class meeting or does not furnish any reply within ten days upon receipt of relevant requisition(s), the Board shall be deemed as unable or failing to perform its duties of convening a general meeting, and the supervisory committee may convene and preside over such meeting by itself. And the convening procedure shall be the same as those convened by the Board as far as possible.

- (5) In the event that the Board does not agree with the request of the shareholders to convene an extraordinary general meeting or a class meeting or does not furnish any reply within ten days upon receipt of relevant requisition(s), shareholder(s) individually or jointly holding more than 10% of the Company's shares shall make a written proposal to the supervisory committee for convening an extraordinary general meeting or a class meeting.
- (6) In the event that the supervisory committee agrees to convene an extraordinary general meeting or a class meeting, the notice of the general meeting or the class meeting shall be issued within five days after receiving such request. Any changes in the original proposal(s) made in the notice shall require prior approval of the original proposer(s).
- (7) Failure of the supervisory committee to issue the notice of the general meeting within the specified period shall be deemed as failure on the part of the supervisory committee to convene and preside over such general meeting, and shareholder(s) individually or jointly holding more than 10% of the Company's shares for more than 90 consecutive days may convene and preside over the meeting by himself/themselves (the shareholding of the convening shareholders shall not be less than 10% before the announcement of the resolutions of the general meeting). And the convening procedures shall be the same as those convened by the Board as far as possible.

Article 14 Where the supervisory committee or shareholder(s) convene(s) an extraordinary general meeting by itself/themselves in accordance with Article 13 set out herein, it/they shall despatch a written notice to the Board and file the same with relevant supervisory authorities (including but not limited to the local agency of the CSRC and the stock exchange(s) where the Company's shares are listed) according to the applicable provisions. The Board and the secretary to the Board shall facilitate such meeting and the Board shall provide the register of members of the Company. In the event that the Board fails to provide the register of members of the Company, the convenor may apply to the securities registration and clearing institution of the Company for the register of members with the relevant announcement on the notice of convening of the general meeting. The register of members of the Company obtained by the convenor shall not be used for purposes other than the convening of such general meeting. Any reasonable expenses incurred for the meeting shall be borne by the Company and shall be deducted from any sums due to the Directors in default by the Company.

The shareholding of the convening shareholders shall not be lower than 10% prior to the announcement of the resolutions of the general meeting.

The supervisory committee and the convening shareholder(s) shall submit relevant evidence to relevant supervisory authorities (including but not limited to the regulatory authorities of the Company and the stock exchange(s) where the Company's shares are listed) according to the applicable provisions upon the issuance of the notice of the general meeting and the publication of the announcement of the resolutions of the general meeting.

Chapter 5 Proposals and Notice of General Meetings

Article 15 Matters to be discussed and decided at general meetings shall be determined in compliance with requirements of the Company Law, the listing rules and the Articles of Association. General meetings are entitled to make decisions on any matters as stipulated in the Articles of Association.

Article 16 Proposals put forward at general meetings shall specifically relate to the matters to be considered thereat. Proposals raised at general meetings shall satisfy the following requirements:

- (1) They shall be free of conflicts with the provisions of laws, administrative regulations and the Articles of Association, and fall into the business scope of the Company and the terms of reference of the general meetings;
- (2) They shall have definite topics to discuss and specific matters to resolve;
- (3) They shall be submitted in writing or served to the convenor.

Article 17 When the Company convenes a general meeting, the Board, the supervisory committee or shareholder(s) individually or jointly holding more than 3% of the Company's shares has the right to submit proposals.

Shareholder(s) individually or jointly holding 3% or more of the Company's shares has/have the right to propose and submit in writing a provisional proposal 10 days before a general meeting and to the Board. The Board shall issue a supplemental notice of the general meeting announcing the contents of such provisional proposal within two days upon receipt of the same.

Other than the circumstances referred to in the preceding paragraph, after the Board issued the notice of a general meeting, no changes shall be made to the proposals stated in the notice and no new proposals shall be added .

The general meeting shall not vote or resolve on the proposals which are not stated in the notice of the general meeting or which are in violation of the requirements set out in Article 19 of these Rules and this Article.

The Board shall review the provisional proposals submitted by the shareholders pursuant to their contents to confirm if they fall within the terms of reference of general meetings, if they have definite topics to discuss and specific matters to resolve, if they comply with the relevant provisions of the laws, administrative regulations and the Articles of Association and if they are in the best interest of the Company and its shareholders as a whole. If the proposals submitted by the shareholders fail to satisfy the above requirements, the Board may not submit such proposals at the general meeting for voting, provided that explanations are to be made at the general meeting.

Shareholders who have objections to the Board's decision of exclusion of their proposals from the agenda of the general meeting are entitled to otherwise request an extraordinary general meeting pursuant to the procedures and requirements of these Rules and the Articles of Association.

Article 18 Notice of a general meeting shall be given by way of announcement or by any other means as provided in the Articles of Association (if necessary) within forty-five days to sixty days before the date of the meeting to notify all of the shareholders whose names appear on the register of members of the Company the matters to be considered, the date and the venue of the meeting. Any shareholder intends to attend the general meeting shall serve a written reply of attendance to the Company not less than twenty days before the date of the meeting. If the regulatory rules in PRC and these Rules otherwise stipulate the book closure date for holders of A shares to attend a general meeting and the date on which the written reply of attendance shall be served, such stipulations shall prevail.

The period of the delivery of the notice shall exclude the date on which the notice is dispatched and the date for convening the meeting . For notices despatched by the Company to holders of the overseas-listed foreign shares, the despatch date shall be the date on which such notices are served on the post office by the Company or the share registrar engaged by the Company.

Article 19 Notice of a general meeting shall:

- (1) be given by way of announcement or by any other means as provided in the Articles of Association (if necessary);
- (2) specify the venue, date and time of the meeting;
- (3) set out the matters and proposals to be considered at the meeting;
- (4) provide such information and explanation as are necessary for the shareholders to make an informed judgment on the matters to be considered. Without limiting the generality of the foregoing, where a proposal is made to amalgamate the Company with another, to repurchase shares, to reorganize the share capital, or to restructure the Company in any other way, the actual conditions and the agreement (if any) of the proposed transaction shall be provided, and the cause and effect of such proposal shall be properly explained;
- (5) disclose the nature and degree of the material interest of any Director, supervisor, general manager or other Senior Management in the matters to be discussed. In case that the impact of the matters to be considered on such Director, supervisor, general manager and other Senior Management as a shareholder is different from that on other shareholders of the same class, the difference shall be stated;
- (6) set out the full text of any special resolution proposed to be passed at the meeting;
- (7) contain a clear written statement that a shareholder eligible for attending and voting is entitled to appoint one or more proxies to attend and vote on his behalf and that such proxy need not be a shareholder;
- (8) specify the time and place for lodging proxy forms for voting at the relevant meeting;
- (9) specify the book closure date for shareholders who are entitled to attend the general meeting;
- (10) provide name and telephone number of the standing contact person for committee administration.

Article 20 The notice of the general meeting and the supplemental notice of the general meeting shall fully and completely disclose the specific content of the proposals and all the information and explanations necessary for the shareholders' reasonable judgment for the matters to be discussed. In the event that advice from the Independent Directors is needed for the matters to be discussed, the advice and reasons of the Independent Directors shall be disclosed when the notice of the general meeting or supplementary notice is issued.

Notice of general meeting shall set out the time and venue of the meeting, and specify the book closure date. The interval between the book closure date and the date of the meeting shall not exceed seven working days (such limitation is not applicable for holders of H shares). Once determined, the book closure date shall not be changed.

Article 21 Where the elections of Directors and supervisors will be discussed at a general meeting, the notice of such meeting shall fully disclose and include as required by the listing rules the detailed information of the candidates for the Directors and supervisors, which shall include but not limited to the following:

- (1) personal particulars such as education background, working experience and any part-time positions;
- (2) whether they have any connected relationship with the Company or its controlling shareholder(s) or de facto controller(s);
- (3) disclosure of their shareholdings in the Company;
- (4) whether or not they have been subject to any punishment by the CSRC or other related authorities or the stock exchanges.

Except for the election of the Directors by cumulative voting, the election of each Director shall be proposed by separate resolution.

Article 22 Notice of a general meeting shall be served on each shareholder (whether or not such shareholder is entitled to vote at the meeting), by personal delivery or prepaid airmail to the address of the shareholder as shown in the register of members. Apart from the above, notice of a general meeting may also be made in other manners as stipulated in the Articles of Association.

For holders of A shares, notice of a general meeting may be given by way of announcement. The aforesaid announcement shall be published in one or more newspapers designated by the securities regulatory authority of the State Council forty-five days to sixty days prior to the date of the meeting. All holders of A shares shall be deemed as having received the notice of the relevant general meeting upon publication of the announcement.

For holders of H shares, notice of a general meeting may also be given by way of announcement in accordance with the relevant provisions of the listing rules and the Articles of Association.

Article 23 Once the notice of a general meeting is issued, the meeting shall not be postponed or cancelled and proposals contained in the notice shall not be withdrawn without proper reasons. In the event of postponement or cancellation, the convener shall make announcement and state the reasons at least two working days prior to the original date of meeting.

Article 24 The Company shall, based on the written replies received from the shareholders twenty days prior to the date of the general meeting, calculate the number of voting shares held by shareholders intending to attend the meeting. When the number of such shares amounts to more than half of the total voting shares of the Company, the Company may convene the meeting. Otherwise, the Company shall, within five days, once again inform the shareholders of the matters to be considered, and the time and venue of the meeting through public announcement. Once such announcement has been so made, the Company may convene the meeting.

Chapter 6 Verification and Registration of Shareholders Attending General Meetings

Article 25 All shareholders whose names appear on the register of members of the Company on the book closure date or their proxies are entitled to attend the relevant general meeting, which shall not be declined by the Company and the convenor for any reason. However, person(s) who directly or indirectly acquire(s) or control(s) the Company's shares in contravention of the laws and regulations, regulatory rules and the Articles of Association and fail(s) to perform the disclosure obligation prior to the book closure date are not entitled to attend and vote at a general meeting until such person(s) make(s) disclosure in respect of such shares held by him/them in accordance with relevant laws.

Article 26 Shareholders may attend and vote at a general meeting in person or appoint a proxy to attend and vote on their behalf within the power of attorney.

Article 27 Any shareholder entitled to attend and vote at a general meeting shall be entitled to appoint one or more persons (such persons need not be shareholders) as his proxies to attend and vote on his behalf, and such proxies so appointed may:

(1) exercise such shareholder's right to speak at the meeting;

(2) exercise such shareholder's voting rights by poll.

Article 28 A shareholder shall appoint his proxy in writing, and the proxy form shall be signed by him or his attorney duly authorised in writing. In case of the principal being a corporate, the proxy form shall bear its corporate seal and be signed by its director(s) or a proxy formally authorised. In case of the principal being a recognised clearing house, the proxy form shall bear its corporate seal and be signed by its director(s) or an officer internally authorised or a proxy formally authorised.

Article 29 The proxy form shall be deposited at the residence of the Company or such other place as specified in the notice of the meeting not less than 24 hours prior to the scheduled time for the holding of the relevant meeting for which the proxy form is concerned or 24 hours prior to the scheduled time for voting. Where the proxy form is signed by a person authorised by the principal, the power of attorney or other authorisation instruments shall be notarised. The notarised power of attorney or other authorisation instruments together with the proxy form shall be lodged with the Company's residence or such other place as specified in the notice of convening the meeting within the prescribed period.

In the case of the principal being a corporate, the legal representative or any person authorised by the board of directors or other decision-making authority of that corporation shall attend the Company's general meeting for and on behalf of that corporation. For holders of overseas listed foreign shares, where the relevant shareholder is a recognised clearing house, it may authorise such person or persons as it thinks fit to act as its representative at any general meeting or any class meeting provided that, if more than one person is so authorised, the power of attorney must specify the number and class of shares in respect of which each such person is so authorised. The person(s) so authorised will be entitled to exercise the same power on behalf of the recognised clearing house as if it were a shareholder of the Company.

Article 30 Any format of the proxy form issued to a shareholder by the Board for appointing a proxy shall be such as to enable the shareholder, according to his intention, to instruct the proxy to vote in favour of, against or abstain from and give instructions for the voting matters for each resolution to be discussed at the meeting. Such proxy form shall contain a statement that where there are no instructions given, the proxy may vote as he thinks fit.

Article 31 A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or loss of capacity of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given before voting, provided that no notice in writing of such death, incapability, revocation or transfer as aforesaid has been received by the Company before the commencement of the meeting at which the proxy is used.

Article 32 Individual shareholders attending the general meeting in person shall produce their identity cards, or valid certificates or certifications which can prove their capacities and stock account cards; while proxies shall produce their valid identity cards and power of attorney.

A corporate shareholder shall be represented by its legal representative or a proxy appointed by the legal representative to attend the meeting. Legal representatives shall present their identity cards and valid proofs of their legal representative capacity when they attend the meeting. In the case that a proxy is appointed, the proxy shall present his own identity card and the power of attorney in writing issued by the legal representative of the corporate shareholder.

Article 33 The Board, Independent Directors and certain qualifying shareholders (as determined under the standards issued by the competent regulatory authorities from time to time) may collect voting rights from the shareholders of the Company at a general meeting. Public collection of the voting rights of shareholders by a collector shall be made in accordance with the regulations of relevant regulatory authorities and the stock exchange(s) on which the Company's shares are listed.

Article 34 The convener and relevant legal advisers shall jointly verify the legal eligibility of the shareholders based on the register of members provided by the securities registration and clearing institution and shall register the names of the shareholders together with the numbers of voting shares in their possession. Before the chairman of the meeting declares the number of shareholders attending the meeting in person or by proxy and the total number of voting shares in their possession, the relevant registration for the meeting shall be concluded.

Chapter 7 Holding of General Meetings

Article 35 The Company shall hold a general meeting at its residence or such other place as required by the Articles of Association.

Article 36 The Board and other conveners shall take such necessary measures to ensure the normal order of the general meeting. Measures shall be taken to prevent any disturbance to the order of the meeting and any acts infringing the lawful interests of the shareholders, and such matters shall be reported to the relevant departments timely.

Article 37 When the Company convenes a general meeting, all the Directors, supervisors and the secretary to the Board shall attend the meeting while managers and other Senior Management shall attend the meeting as non-voting attendees.

Article 38 A general meeting shall be convened and chaired by the Chairman. If the Chairman is unable or fails to perform his duties, the vice chairman shall preside over and chair the general meeting. In the event that both the Chairman and the vice chairman are unable or fail to discharge their duties, a Director elected by more than half of the Directors shall preside over and act as the chairman of the meeting. Shareholders attending the meeting may elect one person to chair the meeting in the case that no chairperson is appointed, and if such shareholders fail to do so for any reasons, the shareholder (including his proxy) who holds the most voting shares among the shareholders present shall preside over the meeting.

A general meeting convened by the supervisory committee shall be presided over by the chairman of the supervisory committee. If the chairman of the supervisory committee is unable or fails to perform his duties, a supervisor elected by more than one-half of the supervisors shall preside over the meeting.

A general meeting convened by the shareholders shall be chaired by a representative proposed by the convener.

In a general meeting, where the chairman violates the rules of procedures of the meeting causing the meeting unable to proceed, a person may be elected as the chairman of the meeting by more than one-half of voting rights of the shareholders present so as to carry on with the meeting.

- Article 39 At annual general meetings, the Board and the supervisory committee shall report to the shareholders in respect of their work done over the previous year, and each Independent Director shall also submit his report of performance.
- Article 40 The Directors, supervisors and Senior Management shall provide explanations and interpretations in response to the enquiries made by the shareholders at a general meeting.
- Article 41 When convening a general meeting, the Company shall engage a lawyer to issue legal opinions and publish an announcement in respect of the following issues:
- (1) whether the convening of the general meeting and its procedures are in compliance with provisions of the laws, administrative regulations, these Rules and the Articles of Association;
 - (2) whether the eligibility of the attendees and the convener are lawful and valid;
 - (3) whether the procedures and results of voting at the meeting are lawful and valid;
 - (4) legal opinions on other matters as requested by the Company.

Chapter 8 Types of Resolutions of General Meetings

- Article 42 Resolutions of general meetings are classified as ordinary resolutions and special resolutions.
- An ordinary resolution shall be approved by more than one half of the voting rights represented by the shareholders (including proxies) present at the meeting.
- A special resolution shall be approved by more than two-thirds of the voting rights represented by the shareholders (including proxies) present at the meeting, save as otherwise provided by the Articles of Association.
- Article 43 The following matters shall be resolved by ordinary resolutions at a general meeting:
- (1) work reports of the Board and the supervisory committee;
 - (2) plans formulated by the Board for distribution of profits and for covering deficit;

- (3) appointment or removal of members of the Board and the supervisory committee, their remunerations and method of payment;
- (4) annual preliminary and final budgets, annual reports, balance sheets and income statements and other financial statements of the Company;
- (5) matters other than those required by the laws and administrative regulations or by the Articles of Association to be adopted by special resolutions.

Article 44 The following matters shall be resolved by special resolutions at a general meeting:

- (1) increase or reduction in the share capital and issue of shares of any class, warrants or other similar securities by the Company;
- (2) issue of corporate bonds;
- (3) division, merge, dissolution, liquidation or change of form of the Company;
- (4) amendments to the Articles of Association;
- (5) acquisition or disposal of material assets, or provision of guarantee within one year, the amount of which exceeds 30% of the latest audited total assets of the Company;
- (6) share incentive schemes; and
- (7) any other matters approved by an ordinary resolution at a general meeting which is considered to have material impact on the Company and is required to be approved by a special resolution.

Chapter 9 Voting at and Minutes of General Meetings

Article 45 The chairman of the meeting shall, prior to voting, announce the number of the attending shareholders and proxies as well as the total number of the voting shares represented by them, which shall be subject to the numbers stated in the attendance record of the meeting.

Article 46 Shareholders (including their proxies) shall exercise the voting rights in accordance with those voting shares represented by him. Each share is entitled to one vote, except for the adoption of the accumulative voting system for election of the Directors as stipulated in Article 101 of the Articles of Association. The shares held by the Company carry no voting rights and shall not be counted into the total number of voting shares held by the shareholders attending the meeting.

Pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, where any shareholder is required to abstain from voting in respect of certain resolutions or is restricted by relevant provisions to vote only for or only against certain resolutions, any vote cast by or on behalf of such shareholder in contravention to such requirements or restrictions shall not be counted in the voting results of such resolutions when considering whether the required quorum or number of votes is satisfied to pass a resolution. Relevant voting shall be taken in compliance with any existing privileges or restrictions imposed on the voting rights of any class of shares at the time of voting as well as applicable laws, regulations and the Articles of Association.

Article 47 For connected transactions to be considered at a general meeting, the connected shareholders shall abstain from voting on such connected transactions, and the number of voting shares they represent shall not be counted into the valid quorum to vote. The announcements of resolutions passed at the general meeting shall fully disclose the voting of the non-connected shareholders.

The aforesaid connected shareholders refer to the following shareholders: who are connected parties or, though not connected parties, persons having material interests in the transactions to be voted or are associates of such persons under the listing rules as amended from time to time.

Article 48 The Directors may be elected at a general meeting by means of cumulative voting. In the event that cumulative voting is adopted, when two or more Directors are elected, the number of votes held by each shareholder shall be equal to the product of the number of his shares multiplied by the number of the Directors he is entitled to elect. Each shareholder has the right to cast all his votes to one Director candidate, or to all the Director candidates at his discretion. The candidates with the most votes shall be elected as Directors.

Article 49 Except for accumulative voting system, all the proposals shall be voted item by item at the general meeting, and different proposals concerning the same matter shall be voted in chronological order of their respective dates of submission. Unless a general meeting is suspended or no resolution can be adopted due to force majeure or other special reasons, no proposal shall be set aside or rejected for voting at the general meeting.

Article 50 At general meetings, voting shall be conducted by way of poll in registered form.

Article 51 Before a resolution is put to vote at a general meeting, two shareholders shall be nominated as representatives to participate in vote counting and scrutinizing. If a shareholder is connected with the matter under consideration, such shareholder or his proxy shall not participate in vote counting or scrutinizing.

When the shareholders are voting on the proposals, lawyers, shareholder representatives, supervisor representatives and the person(s) specified by the stock exchange(s) on which the Company's shares are listed (or the listing rules thereof) shall count and scrutinize the votes jointly.

Article 52 On a vote taking, a shareholder (including proxy) entitled to two or more votes need not cast all his votes in the same way.

Shareholders (including proxies) attending a general meeting shall submit their voting in the following ways: "for", "against" or "abstention".

Any vote paper which is not completed or is wrongly completed or is illegible shall be deemed to be a waiver by the voter of his voting right, and the voting result of the number of shares held by the voter shall be counted as "abstention".

Article 53 In the case of equivalency between the dissenting votes and affirmative votes, the chairman of the meeting shall be entitled to an additional vote.

Article 54 The chairman of the meeting shall be responsible for the determination of whether a resolution is passed. His decision, which is final and conclusive, shall be announced at the meeting and recorded in the meeting minutes.

Article 55 If the chairman of the meeting has any doubt as to the result of a resolution put to the vote of the meeting, he may have the votes counted. If the chairman of the meeting fails to have the votes counted, any shareholder who is present in person or by proxy and who objects to the result announced by the chairman of the meeting may demand that the votes be counted immediately after the announcement of the result, and the chairman of the meeting shall have the votes counted immediately.

Article 56 Providing that the votes are counted at the general meeting, the counting results shall be recorded into the minutes of the meeting.

The minutes of the meeting shall be signed by the chairperson (chairman of the meeting), Directors, supervisors, the secretary to the Board, the convener or their representatives present at the meeting.

Resolutions passed at a general meeting shall be incorporated into the memorandum of the meeting. The minutes and memorandum of the meeting shall be made in Chinese. The minutes together with the signatures of shareholders present at the meeting and proxy forms shall be kept at the residence of the Company for a term not less than 10 years.

Article 57 The minutes of a meeting shall include the following:

- (1) time, venue, agenda of the meeting and the name or alias of the convener;
- (2) names of the chairperson of the meeting, the Directors, supervisors, general managers and other Senior Management present at or participating in the meeting;
- (3) number of shareholders and proxies present at the meeting, total number of voting shares held by them, and the percentage of voting shares held by them to the total number of shares of the Company;
- (4) respective percentages of the voting shares held by holders of A shares (including proxies) and holders of overseas listed foreign shares (including proxies) present at the meeting to the total number of shares of the Company;
- (5) the consideration procedures, the recap of speeches and voting results of each proposal, as well as the voting results of each proposal by the holders of A shares and holders of overseas listed foreign shares;
- (6) reply and explanation to shareholders' inquiries or recommendations;
- (7) names of the lawyer(s), the counter(s) and the scrutinizer(s);
- (8) other matters which shall be recorded in the meeting minutes pursuant to the Articles of Association.

Article 58 Copies of the meeting minutes of any general meeting shall, during business hours of the Company, be open for inspection by any shareholder without charge. If a shareholder demands from the Company a copy of such minutes, the Company shall send a copy to such shareholder within seven days after the receipt of reasonable charges.

Chapter 10 Resolution and Announcement of General Meetings

Article 59 Resolutions of a general meeting shall be announced timely, and the announcement shall contain the number of shareholders and proxies present, the total number of voting shares held by them and its percentage to the total voting shares of the Company, means of voting, the voting result for each proposal and the details of each resolutions passed in accordance with the listing rules.

The attendance and voting results of the holders of domestic shares and foreign shares shall be respectively counted and published in the announcement.

Article 60 If a proposal is not passed, or if a resolution of the previous general meeting is changed by the present general meeting, special notes in connection therewith shall be made in the announcement of the resolutions of the general meeting.

Article 61 The convener shall ensure that the meeting proceeds continuously until decisions are made. Where special reasons such as force majeure have led to the suspension of the meeting or failure to pass the resolution, necessary measures shall be taken to resume the meeting as soon as possible, or to end the meeting directly and make an announcement timely. Meanwhile, the convenor shall report to the relevant regulatory authorities and the stock exchange(s) where the Company's shares are listed.

Article 62 Should a general meeting pass any proposals regarding cash distribution, bonus issue or transfer of surplus reserve into share capital, the specific plans shall be implemented within two months after the close of the general meeting.

Article 63 The resolutions passed at the general meeting are invalid should they be in violation of any laws, administrative regulations or listing rules.

Should the procedures for convening a general meeting or the way of voting be in violation of any laws, administrative regulations, the listing rules or the Articles of Association, or the contents of a resolution be in violation of the Articles of Association, the shareholders may, within sixty days from the day when the resolution is made, request the People's Court to revoke it.

Chapter 11 Special Procedures for Voting by Classified Shareholders

Article 64 Shareholders holding different classes of shares are referred to as classified shareholders.

Classified shareholders shall, in accordance with laws, administrative regulations and the Articles of Association, enjoy rights and assume obligations.

Article 65 Rights conferred on classified shareholders may not be varied or abrogated unless approved by a special resolution at a general meeting and by a meeting convened by the classified shareholders who are affected in accordance with Articles 67 to 71 stipulated herein.

Article 66 The following circumstances shall be deemed to be a variation or abrogation of the rights of certain type of classified shareholders:

- (1) to increase or decrease the number of shares of such class, or to increase or decrease the number of shares of other class(es) having voting rights, distribution rights or other privileges equal or superior to those of the shares of such class;
- (2) to effect an exchange of all or part of the shares of such class into those of another class or to effect an exchange or create a right of exchange of all or part of the shares of another class into those of such class;
- (3) to abrogate or reduce the rights to accrued dividends or to cumulative dividends attached to shares of such class;
- (4) to reduce or cancel a preferential right for profit distribution or a preferential right for distribution of property in liquidation attached to the shares of such class;
- (5) to add, cancel or reduce conversion, options, voting, transfer or pre-emptive rights or rights to acquire securities of the Company attached to the shares of such class;
- (6) to cancel or reduce rights attached to shares of such class to collect account receivables in any particular currency from the Company;
- (7) to create a new class of shares with voting or distribution rights or other privileges equal or superior to those of the shares of such class;
- (8) to restrict the transfer or ownership of shares of such class or impose additional restrictions thereto;

- (9) to grant subscription right or conversion right attached to the shares of such or another class;
- (10) to increase the rights or privileges of shares of another class;
- (11) the reorganisation plan of the Company would result in different classes of shareholders assuming liabilities on a non pro rata basis in such reorganisation;
- (12) to vary or abrogate the provisions of the Articles of Association.

Article 67 Shareholders of the affected class, whether or not otherwise entitled to vote at general meetings, shall nevertheless be entitled to vote at class meetings in respect of matters concerning clauses (2) to (8), (11) and (12) of Article 66 set out above, but the interested shareholder(s) shall not be entitled to vote at class meetings.

For the purposes of the preceding paragraph, an “interested shareholder” is:

- (1) in the case of an offer to repurchase shares on a pro rata basis to all shareholders or to repurchase one’s own shares through public dealing on a stock exchange under Article 34 of the Articles of Association, a “controlling shareholder” within the meaning of Article 68 of the Articles of Association;
- (2) in the case of a repurchase of one’s own shares by an off-exchange agreement under Article 34 of the Articles of Association, a shareholder who is related to that agreement;
- (3) in the case of a reorganisation plan of the Company, a shareholder within a class who assumes less liabilities than a proportionate burden imposed on the shareholders of that class or who has an interest different from the interests of the other shareholders of that class.

Article 68 Resolutions of a class meeting shall be passed by more than two-thirds of classified shareholders present with voting rights.

Where any shareholder is, under the listing rules as amended from time to time, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution at a class meeting, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

Article 69 Notice of a class meeting shall be given by way of announcement or by any other manner as provided in the Articles of Association (if necessary) forty-five days before the date of such meeting to notify all of the registered shareholders of that class of the matters to be considered at such meeting and the date and the venue of the such meeting. The shareholders who intend to attend the meeting shall serve a written reply to the Company twenty days prior to the date of such meeting.

The Company shall calculate the number of voting shares represented by the shareholders who intend to attend the meeting based on the written reply slips received twenty days prior to the date of the meeting. If such number of shares represents more than half of the Company's total voting shares of such class, the Company may hold a class meeting, otherwise the Company shall make an announcement within five days, notifying once again the shareholders of the matters to be considered and the date and venue of the meeting. Once an announcement has been so made, the Company may hold the class meeting.

Article 70 Notice of a class meeting only need to be served on the shareholders entitled to vote thereat.

A class meeting shall be conducted as similar as possible as a general meeting. The provisions of the Articles of Associations which relate to the convening of general meetings shall apply to class meetings.

Article 71 Apart from holders of other classes of shares, holders of domestic shares and overseas listed foreign shares are deemed to be shareholders of different classes. The special voting procedures for class meetings shall not apply to the following situations:

- (1) where the Company issues, upon the approval by a special resolution of its shareholders at a general meeting, either separately or concurrently once every twelve months, domestic shares and overseas-listed foreign shares, and the amount of the domestic shares and overseas-listed foreign shares intended to be issued does not exceed 20 percent of its existing issued domestic shares and overseas-listed foreign shares respectively;
- (2) where the Company's plan to issue domestic shares and overseas-listed foreign shares at the time of its establishment is carried out within fifteen (15) months from the date of approval by the CSRC.

Chapter 12 Supplementary Provisions

- Article 72 These Rules shall come into effect upon approval by general meeting of the Company.
- Article 73 Unless otherwise stated, the terms used in these Rules shall have the same meaning as those used in the Articles of Association and be construed according to the definitions and interpretation in the Articles of Association.
- Article 74 Matters not included in the these Rules are subject to the regulations of the Company Law, Securities Law, General Meetings Rules and other relevant laws and regulations, relevant requirements from Shanghai Stock Exchange and the Hong Kong Stock Exchange, other applicable laws, rules or codes of Hong Kong, and the Articles of Association.
- Article 75 Should there be any discrepancy between these Rules and the Articles of Association, the latter shall prevail.
- Article 76 In case of any discrepancy between these Rules or the Articles of Association and the Company Law, the Securities Law, the General Meeting Rules and the relevant requirements of the Shanghai stock exchange and the Hong Kong Stock Exchange, the latter documents shall prevail.
- Article 77 The Company shall amend these Rules under situations as follows:
- (1) matters stipulated in these Rules are in conflict with the amended Company Law, Securities Law, General Meeting Rules, relevant requirements from Shanghai Stock Exchange and the Hong Kong Stock Exchange or the Articles of Association;
 - (2) a general meeting resolves to amend these Rules.
- Article 78 These Rules shall be submitted to the general meeting for consideration and approval and shall be effective upon obtaining the approval from the CSRC in respect of listing of the A shares of the Company and the completion of the issue of A shares. Any amendment to these Rules shall be resolved at a general meeting. Draft amendments shall be made by the Board within the authority granted by such general meeting and shall come into effect upon approval of such general meeting.
- Article 79 The power of interpretation of these Rules shall be vested on the Board.

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

The contents of the Rules of Procedures for the Board Meetings are set out as follows:

Chapter 1 General Provisions

Article 1 These Rules are formulated in accordance with the Company Law of the People's Republic of China ("**Company Law**"), the Securities Law of the People's Republic of China ("**Securities Law**"), the Guidelines on Corporate Governance of Listed Companies ("**Corporate Governance Guidelines**") and the Articles of Association of First Tractor Company Limited ("**Articles of Association**") and other relevant laws and regulations to further regulate the discussion methods and decision-making procedures of the Board of Directors of the Company, to procure effective performance of the duties of the Directors and the Board, and to improve the standards of regulated operation and scientific decision-making of the Board.

Chapter 2 Composition and Establishment of the Board

Article 2 The Company shall establish the Board comprising 12 Directors, with one chairman and 1 vice chairman.

No less than half of the members of the Board shall be external Directors (the Directors who do not take positions in the Company). External Directors shall have sufficient time and necessary knowledge and ability to perform their duties. The external Directors shall be provided with necessary information by the Company in performing their duties. External Directors shall include Independent Directors of not less than one-third of the total number of the Directors, and at least one of the Independent Directors shall possess appropriate professional qualifications or accounting or related financial management expertise (Independent Directors shall mean Directors who are independent of the shareholders of the Company and do not hold any internal positions in the Company; the same shall apply to the Articles below).

Article 3 The office under the Board handles the daily affairs of the Board and keeps the seals and stamps of the Board.

Article 4 Directors shall be elected at general meeting with a term of office of three (3) years. The term is renewable upon expiry of a Director's term of office and re-election; whereas Independent Directors cannot serve for a consecutive period of over six years.

Any written notice by the shareholders to the Company in accordance with the provisions of the Articles of Associations regarding his intention to nominate a candidate for election of Directors and the written consent of the candidate to accept such nomination shall be given to the Company not less than 7 days. Such time limit shall commence from 1 day (the next day) after the despatch of the notice convening the general meeting (no earlier than that), and until at least 7 days before the date of such general meeting.

The number of the Directors for rotation each year shall not exceed one-third of the number of the Board unless the term of that session of the Board or the relevant Directors expires or the relevant Directors resign or as required by laws and regulations, and the listing rule(s) of the place(s) where the shares of the Company are listed.

The Board shall be entitled to examine the qualifications of Directors and shall by simple resolution to pass any resolutions in respect of the qualifications of Directors.

The Chairman shall be elected and removed by simple resolution. The term of office of the Chairman and vice-chairman is three (3) years, renewable upon re-election.

The general meeting may by ordinary resolution remove any Director before the expiration of his term of office (but without prejudice to such Director's rights to claim damages based on any contract) in accordance with the relevant laws, administrative regulations and Listing Rules, unless otherwise provided by the relevant laws and regulations, Listing Rules and the Articles of Association.

The removal of the Chairman, vice-chairman and Directors in violation of Article 67 of the Articles of Association shall be void.

Directors may assume the position as general managers or other Senior Management of the Company (other than supervisors). The Directors are not required to hold shares of the Company.

Article 5 The Company shall disclose personal particulars of the Director candidates prior to the convening of the general meeting, so that the shareholders can acquire enough knowledge of the candidates before voting.

Prior to the convening of the general meeting, the Director candidates shall give a written undertaking of their consent with the nomination and the information disclosed to the public being authentic and complete, and that they will duly exercise the duties of Directors when they are elected.

Article 6 The Directors may be elected at general meeting by way of cumulative voting. Upon election of more than 2 Directors, the number of votes held by each shareholder shall be equal to the product of the number of his shares held and the number of Directors he is entitled to elect. Each shareholder has right to cast all his votes to one, two or more Director candidates, or to all Director candidates at his discretion. The candidate(s) with the most votes shall be elected as Director(s).

Article 7 The appointment of new Directors, upon passing the resolutions thereof, shall be effective on the time as directed at the general meeting.

Chapter 3 Resignation of Directors

Article 8 Directors may resign prior to the expiry of their term of office. Directors shall submit to the Board a written report in relation to their resignation, whereas Independent Directors shall also state any circumstance relating to their resignations or which they consider to be necessary to draw to the attention of the shareholders and creditors of the Company.

In case where the number of Directors falls short of the quorum of the Board as a result of the resignation of the Director, the resignation report of the said Director shall not become effective until the vacancy resulting from his resignation is filled up by succeeding Director. The remaining Directors shall convene an extraordinary general meeting as early as possible to elect the Director and fill up the vacancy resulting from the said resignation. Prior to any resolutions passed for the election of the Director at general meeting, powers of the resigning Director and the remaining Directors shall be subject to reasonable restraints.

Should the resignation of Independent Director result in the proportion of Independent Directors in the Board of Directors of the Company falling below the minimum requirement as required by the relevant regulatory authorities or the Listing Rules, the resignation report of the said Independent Director shall not become effective until the vacancy resulting from his resignation is filled up by succeeding Independent Director.

Other than the circumstances referred to in the preceding paragraphs, resignation of a Director shall become effective upon submission of his resignation report to the Board.

Chapter 4 Duties of Directors and Powers of the Board

Article 9 The Directors have the duty to act in good faith and due diligence towards the Company and all shareholders of the Company. A Director shall diligently perform his duties to protect the Company's interests as a whole especially safeguarding the legal interests of minority shareholders from damage in accordance with the requirements of the relevant laws and regulations, the Listing Rules and the Articles of Association.

A Director shall perform his duties independently and not be affected by the Company's substantial shareholders, de facto controllers or other entities or individuals that have interests in the Company.

Article 10 In the absence of special reasons, Directors and Chairman shall not change randomly during their terms as required under the Articles of Association and shall maintain relatively stable. Any change shall be in compliant with the statutory procedures and formalities (including relevant requirements under the Listing Rules) and shall be disclosed to the public and filed with the CSRC.

Directors may resign prior to the expiry of their terms of office. A resigning Director shall submit a written resignation report to the Board. Should other Directors think the resignation of such Director prior to the expiry of his term of office prejudices the interests of the Company, the Board may conduct a vote regarding whether to consent to the resignation and the resigning Director shall be abstain from voting. In case that the Board dissents his resignation, such Director shall continue to perform his duties until expiry of his term of office. In the event that such Director leaves his office without permission, the Company shall have the right to take legal action against him.

Article 11 The Chairman is entitled to the following powers:

- (1) to preside over general meetings and to convene and preside over the Board meetings;
- (2) to check the implementation of resolutions of the Board;
- (3) to sign the securities issued by the Company;
- (4) to exercise other powers conferred by the Board;
- (5) to sign the securities issued by the Company and other important documents or power of attorney to authorize one or more Directors to sign other important documents of the Company.

Article 12 The Board is responsible to general meetings and exercises the following powers:

- (1) to convene general meetings and report its work at general meetings;
- (2) to implement the resolutions of the general meetings;
- (3) to decide the Company's business plans and investment proposals;
- (4) to formulate the Company's annual preliminary and final financial budgets;
- (5) to formulate the Company's profit distribution proposals and loss recovery proposals;
- (6) to formulate proposals for increase or reduction in the Company's registered capital and the issue of debentures;
- (7) to draw up proposals for merger, division, dissolution or change the form of the Company;
- (8) to decide the establishment of the Company's internal management structure;
- (9) to decide any appointment or dismissal of the Company's general managers and their remunerations; and pursuant to the nominations by the general managers to decide the appointment or dismissal of the deputy general managers and financial controller of the Company and fix their remunerations;
- (10) to formulate the Company's basic management system;

- (11) to formulate proposals for amendment to the Articles of Association;
- (12) to draw up proposals for material acquisition or disposal of the Company;
- (13) subject to in compliance with the relevant laws, regulations, the Articles of Association and the relevant rules, to exercise the power to raise funds and to borrow for the Company as well as to exercise the power to determine mortgage, leasing, subcontracting or transfer of the important assets of the Company and to authorise the general managers to exercise such power to some extent;
- (14) to decide matters of external guarantees other than those requiring resolutions of the shareholders at general meetings pursuant to the relevant laws, administrative regulations and provisions of the Articles of Association;
- (15) to determine matters including external investment, acquisition and disposal of assets, pledge of assets, designated financial management and connected transactions of the Company, etc, within the authorisation of the general meeting;
- (16) to manage the matters of information disclosure of the Company;
- (17) to submit to general meeting regarding appointment or change of accountant firms;
- (18) to exercise other powers conferred by the general meeting and the Articles of Association.

Except for the Board's resolutions in respect of the matters specified in clauses (6), (7), (11), (12) and (14) of this Article which shall be passed by more than two-thirds of the Directors, other resolutions of the Board may be passed by more than one-half of the Directors.

If any Director of the Company is connected with the enterprises that are involved in the matters to be resolved by the Board meetings, he shall not exercise his voting rights for such matters, nor shall such Director exercise voting rights on behalf of other Directors. Such Board meetings shall be convened by a majority of non-connected Directors present thereat. Resolutions made at the Board meetings shall be passed by more than half of the non-connected Directors. The matters referred to above to be passed by more than two-thirds of the Directors shall be passed by votes of more than two-thirds of the non-connected Directors. If the number of non-connected Directors attending the Board meetings is less than three, such matters shall be submitted to general meeting of the Company for consideration.

The resolutions made by the Board in relation to connected transactions shall not become effective until being signed by the Independent Directors.

The Board shall exercise any power not required to be exercised by the general meeting under the Articles of Association. The Board shall comply with the stipulations of the Articles of Association and the regulations formulated by the general meetings from time to time; however, the regulations formulated by the general meetings of the Company shall not invalidate the actions of the Board conducted effectively prior to such regulations.

In performing the aforesaid powers, the Board shall comply with the relevant laws, regulations, the Listing Rules and the provisions of other applicable Hong Kong Laws, regulations and codes.

Article 13 In case that the Board disposes of fixed assets, and the sum of the expected value of fixed assets proposed to be disposed of and the total value of disposed fixed assets within four months before the disposal proposal exceeds 33% of fixed assets value of the Company set out in the latest balance sheet reviewed by the general meetings, the Board shall not dispose of or consent to dispose of such fixed assets until approved by the general meeting.

The term of “disposal of fixed assets” referred to in this Article includes acts transferring interests in certain assets, not including provision of guarantees with the fixed assets.

Validity of transactions regarding fixed assets disposal by the Company shall not be affected due to any breach of the first paragraph of this Article.

Article 14 Unless otherwise provided in the applicable laws and regulations and/or the Listing Rules, the Board has the right to make decisions on investment (including venture investment) or acquisition projects within the authorisation of the shareholders. For major investment or acquisition projects beyond the authorisation to the Board, the Board shall engage relevant experts and professionals to conduct appraisal and propose it to general meeting for approval.

Article 15 In the event that the Company is acquired, for safeguarding the stable development of the Company and the interests of the shareholders as a whole, the Board shall engage the professional institutions including independent financial advisers to analyse the financial condition of the Company and give opinions on matters such as the fairness and reasonableness of the terms and conditions of the offer for acquisition and the potential impact of the acquisition on the Company and to publish announcement. Should the Board identify the acquisition as hostile, the Board may, in accordance with the professional opinion of the professional institutions and/or the authorization by the general meeting, implement reasonable measures of reverse takeover.

The Board may report to the relevant supervisory authorities or commence a legal action at court when the acquirer is in breach of the relevant disclosure obligations as required by the Administrative Method on Acquisition of Listed Companies (《上市公司收購管理辦法》) or other relevant laws and regulations, including the Listing Rules and other applicable Hong Kong laws, regulations and codes.

In the event that the Company is acquired or merged or made any material adjustments by the acquirer to the Company's management, the Board shall seek and take advice from the labour union and the staff representatives' meeting of the Company.

For matters referred to in this Article, the Company shall comply with relevant provisions of the Listing Rules and other applicable Hong Kong laws, regulations and codes.

Chapter 5 Timing for Holding Board Meeting

Article 16 The Board shall hold at least four meetings every year, which shall be convened by the Chairman. Notice of the meeting shall be served on all of the Directors and supervisors fourteen (14) days before the date of the meeting.

Article 17 Extraordinary meetings of the Board shall be convened by the Chairman within 10 days upon any of the following circumstances and shall not be subject to the aforesaid limitation on the notice period of meetings:

- (1) when proposed by any shareholder representing more than 10% of voting rights;
- (2) when proposed jointly by more than one-third of the Directors;
- (3) when proposed by the supervisory committee.
- (4) considered as necessary by the Chairman;

- (5) proposed by more than one half of the Independent Directors;
- (6) proposed by the general managers.

Chapter 6 Convening and Presiding over the Board Meetings

Article 18 The Board meeting shall be convened and presided over by the Chairman. In the event that the Chairman is unable to perform his duties, the Chairman may designate the vice-chairman to perform such functions and powers on the Chairman's behalf. In the event that the Chairman fails to perform his duties, a vice-chairman elected by more than half of the Directors shall exercise such duties on the Chairman's behalf. If a vice-chairman is unable or fails to perform his duties, a Director jointly elected by more than half of the Directors shall perform such duties.

Chapter 7 Proposal and Notice of the Board Meeting

Article 19 Before dispatching the notice on convening the regular Board meetings, the Board office shall thoroughly seek all Directors' opinions and submit to the Chairman to decide after preliminarily formulating the meeting proposals.

General managers may be nominated by the Chairman or the Nomination Committee. The Nomination Committee shall conduct the qualification examination and shall prepare the proposal for appointing general managers.

Article 20 If an extraordinary meeting of the Board is proposed to be held in accordance with Article 17 of these Rules, a written proposal signed (sealed) by the proponent shall be through the Board office or directly submitted to the Chairman. The written proposal shall include:

- (1) name or alias of the proponent;
- (2) reasons for or objective facts on which the proposal for convening the extraordinary meeting is based;
- (3) the date or duration, venue and means of the proposed meeting;
- (4) the definite and specific proposal;
- (5) the proponent's contact methods and proposal date, etc.

Content of the proposal shall fall within the scope of the power of the Board as stipulated by the Articles of Association, and shall be submitted together with the relevant materials of the proposal.

The Board office shall pass the above written proposal and relevant materials above to the Chairman on the same day upon receipt. The Chairman may require the proponent to revise or supplement if the content of the proposal is considered as not clear or not specific or relevant materials are not adequate.

Article 21 The notification method, notification time and convening means of the Board meetings (including the extraordinary Board meetings) shall comply with the requirements as follows:

- (1) If the time and location of a regular Board meeting have been specified by the Board in advance, it can be convened without notice. If the time and location of a Board meeting have not been specified by the Board in advance, the Chairman shall order the secretary to the Board to notify all Directors and supervisors the time and location of the meeting by way of telex, telegraph, fax, courier, registered mail or in person not less than 14 days and not more than 30 days prior to such meeting, unless otherwise provided in the Articles of Association.
- (2) When convening an extraordinary Board meeting for emergencies, the Chairman shall authorize the Company Secretary to notify all Directors and supervisors the time, venue and means of the meeting by way of telex, telegraph or in person not less than 2 days and not more than 10 days prior to the extraordinary Board meeting.
- (3) The notice shall be in Chinese and shall include the agenda and topics of the meeting. English translation thereof may be enclosed if necessary.
- (4) Should a Director attend the meeting, and have no dispute relating to non-receipt of notice of the meeting prior to or at the meeting, such notice shall be deemed as having been sent to him.
- (5) Directors may attend the regular or extraordinary Board meeting by telephone or other telecommunication devices. As long as all the attendees are able to hear the speeches of other participants and can have conversations or communicate with each other by such devices, the Directors shall be deemed to have attended the meeting in person.

- (6) The Board meetings may also be convened by way of written resolutions, which means a resolution will be passed through delivering or circulating a pending resolution separately. A Director shall indicate clearly his approval of, abstaining from or objection to the resolution. Such written resolution may consist of several counterparts. If the counterparts are, signed by one or more Directors or other authorized Directors and reach the minimum number of Directors required for passing a resolution according to the Articles of Association, the written resolution shall be deemed as legal and effective. A resolution signed by a Director or his authorised Director and delivered by way of telex, telegraph or fax shall be deemed as signed by such Director.

In the event that the Board consider the issues specified in the clauses (3), (4), (5) and (7) of Article 12 of these Rules concerning the powers of the Board, Directors shall not attend the meeting by telephone or other communication devices.

Article 22 The written notice of the meeting shall at least include the following content:

- (1) the time and venue of the meeting;
- (2) mode through which the meeting is held;
- (3) matters to be considered (draft resolutions for the meeting);
- (4) convener and chairman of the meeting, the proponent of the extraordinary meeting and his written proposal;
- (5) meeting materials necessary for the Directors' voting;
- (6) the requirement that a Director shall attend the meeting in person or shall appoint other Directors to attend the meeting on his behalf;
- (7) the contact person and contact method.

The oral notice of the meeting shall, at least, include content of the above clauses (1) and (2) and the explanation for holding the extraordinary meeting of the Board as soon as possible in case of emergency.

Article 23 If it is necessary to change the time and venue or add, change and cancel the draft resolutions for the meeting after dispatching the written notice of a regular meeting of the Board, the written notice for the change shall be dispatched three days before the original date of the meeting to explain the circumstance and relevant contents and relevant materials of the new proposals. If the written notice is dispatched less than three days before the original date of the meeting, the meeting shall be postponed accordingly, or held as scheduled after obtaining the approval of all the Directors present at the meeting.

If it is necessary to change the time and venue of the meeting or add, change and cancel the draft resolutions for the meeting after dispatching the written notice of an extraordinary meeting of the Board, the approval of all the Directors present at the meeting shall be obtained beforehand and relevant records shall be made.

Article 24 All executive Directors and external Directors must be informed of any significant matters required to be decided by the Board within the time stipulated in Article 16 and Article 17 of these Rules and be provided with sufficient information at the same time in strict compliance with the stipulated procedures. Directors may request for provision of supplementary information. Where more than one-fourth of the Directors or more than two external Directors are of the opinion that the information is inadequate or the proof is indefinite, they may jointly propose a delay in convening the meeting of the Board or discussing the matters to be presented at the meeting, and the Board shall accept such proposal.

Chapter 8 Eligibility for Attendance and Expenses of the Board Meetings

Article 25 A Director shall attend Board meetings in person, Where a Director is unable to be present, he may appoint in writing other Director to attend the meeting on his behalf. The power of attorney shall set out:

- (1) names of the appointer and the proxy;
- (2) brief opinions on every proposal made by the appointer;
- (3) authorisation scope and directions for voting intent on the proposals of the appointer;
- (4) signature of the appointer and date.

The Director who appoints other Directors to sign the written confirmation opinions for regular reports on his behalf shall make a special authorisation in the power of attorney.

The proxy Director shall submit the written power of attorney to the convener of the Board meeting and state the attendance of proxy on the attendance list of the Board meeting.

Article 26 Appointment of proxy for attending the Board meeting shall comply with the following principles:

- (1) non-connected Directors shall not appoint connected Directors to attend the meeting when considering connected transactions. Connected Directors shall not accept the appointment by the non-connected Directors;
- (2) any Independent Director shall not appoint other non-Independent Directors to attend the meeting on his behalf and a non-Independent Director shall not accept the Independent Directors' appointment;
- (3) Directors shall not grant an appointment of full power without giving his personal opinion and voting intent for the proposals, and the relevant Directors shall not accept the appointment of full power and the appointment without clear authorization;
- (4) any Director shall not accept over two Directors' appointment, and shall not appoint any Director that has accepted the other two Directors' appointment either.

Article 27 A Director will be deemed to be unable to perform his duties if he fails to attend the Board meetings in person twice consecutively or he fails to appoint other Directors to attend the meetings on his behalf. The Board shall make recommendations to general meetings to replace such Director.

The Director attending the meeting on behalf of the entrusting Director shall only exercise the rights within the power of attorney. Should a Director fail to attend a Board meeting or fail to appoint another Director to attend on his behalf, the said Director shall be deemed as waiving his voting rights at that meeting.

Article 28 Costs reasonably incurred by the Directors for attending the Board meeting shall be borne by the Company. Such expenses include transportation fee covering distance from the location of the Directors to the venue of the meeting (if different from the location of the Directors), accommodation expenses, rental for the venue of the meeting and local transportation fee.

Article 29 Supervisors may attend the Board meeting as non-voting participants. The general managers and secretary to the Board who do not act as directors concurrently shall attend the Board meeting as non-voting participants. The convener may notify other relevant persons to attend the Board meeting if he thinks necessary.

Chapter 9 Voting, Resolutions and Minutes of the Board Meeting

Article 30 The Board meeting shall be convened with attendance of more than half of Directors (including Directors appointed in writing to attend the Board meeting on behalf of other Directors as provided in Article 25 of these Rules). If the relevant Directors refuse to attend the Board meeting or ignore participation, which results in the number of participating Directors falling below the quorum, the Chairman and secretary to the Board shall report to the regulatory authorities promptly.

Article 31 Voting at Board meetings shall be taken by show of hands. Each Director is entitled to one vote. Without prejudice to clause 2 of Article 133 of the Articles of Association, resolutions of the Board shall be passed by more than half of all Directors. In case of equivalency between the dissenting votes and affirmative votes, the Chairman shall have the right to cast one more vote.

Article 32 The Directors' voting intents are classified as for, against or abstaining. The Directors present at the meeting shall select one from the intents above and the chairman of the meeting shall ask those who fail to select any or simultaneously select more than two intents to reselect and those who refuse to select shall be deemed as abstaining; those who leave the meeting halfway without returning and without selecting any intents shall be deemed as abstaining.

Article 33 If the meeting is convened on site, the chairman of the meeting shall announce the voting results then and there.

If the Directors vote after announcement of the voting results by the chairman of the meeting or after conclusion of the specified voting time, their votes shall not be counted.

Article 34 Except for the Board's resolutions in respect of the matters specified in clauses (6), (7), (11), (12) and (14) of Article 12 which shall be passed by more than two-thirds of the Directors, other resolutions of the Board may be passed by more than one-half of the Directors.

If any Director of the Company is connected with the enterprises that are involved in the matters to be resolved by the Board meetings, he shall not exercise his voting rights for such matters, nor shall such Director exercise voting rights on behalf of other Directors. Such Board meetings shall be convened by a majority of the non-connected Directors present thereat. Resolutions made at the Board meetings shall be passed by more than half of the non-connected Directors. The matters referred to above to be passed by more than two-thirds of the Directors shall be passed by votes of more than two-thirds of the non-connected Directors. If the number of non-connected Directors attending the Board meetings is less than three, such matters shall be submitted to the general meeting of the Company for consideration.

The resolutions made by the Board in relation to connected transactions shall not become effective until being signed by the Independent Directors.

Except for obtaining the unanimous consent from all the Directors present at the meeting, any proposal not set out in the meeting notice shall not be voted at the Board meeting. Directors who accept other Directors' appointment to attend the meeting on their behalf shall not vote on the proposals not set out in the meeting notice on the behalf of other Directors.

Article 35 In the event that certain Director has interests in the matters to be resolved at the Board meeting (such interests include but not limited to the relationship of interests with the shareholder unit of the previous employment or shareholder unit providing employment after the proposed resignation or its controller), such Director shall abstain from voting on such matters (including whether the Board agrees to his resignation or not). In case that more than half of all Directors shall abstain from voting whereby resolutions cannot be made according to Article 112 of the Company Law, Directors abstaining from voting may participate in the vote after making a fairness statement which shall be recorded in the resolutions of the Board. The aforesaid matters, if otherwise required by laws and regulations (including the Listing Rules), shall be implemented according to such requirements.

Article 36 The Board shall keep minutes of all the decisions on the matters considered at Board meetings, opinions of the Independent Directors and written proposals. The minutes shall be signed by the Directors attending the meeting and the person taking the minutes. Minutes for each Board meeting shall be reviewed by all Directors as soon as possible, and Directors who would like to make amendment to the minutes shall report their comments for amendment in writing to the Chairman within one week upon receipt of the minutes. The minutes of the Board meeting shall be maintained at office of the Company in China and a complete copy of the minutes shall be promptly sent to each Director. The meeting minutes shall be kept for at least 10 years.

Article 37 The minutes of the meeting shall include the following:

- (1) the session, time, venue and mode of the meeting;
- (2) the despatch of the meeting notice;
- (3) the convener and chairman of the meeting;
- (4) the situation that the Directors attend the meeting in person/by proxy;
- (5) the proposals considered at the meeting, the gist of every Director's speech and main opinions in respect of relevant matters and voting intents for the proposals;
- (6) the voting method and voting results in relation to each proposal (with respective number of votes cast "for", "against" and "abstain");
- (7) other matters the Directors present at the meeting consider that should be recorded.

Article 38 The Directors shall be liable for the resolutions of the Board. If a resolution of the Board violates the laws, administrative regulations or the Articles of Association and results in the Company sustaining serious loss, the Directors voting for the resolution shall assume direct liabilities. But if it is proved that a Director voting against the resolution has stated his objection at the time the vote was taken and a record thereof has been made in the minutes of the meeting, that Director shall be relieved from liability. A Director who abstains from voting at the meeting, or a Director who neither attends the meeting nor entrusts others to attend the meeting on his behalf shall not be exempted from liabilities; a Director who explicitly expresses his objection in the course of discussion but fails to cast an objection vote shall not be exempted from liability.

Chapter 10 Announcement and Implementation of Board Resolutions

Article 39 Resolutions of the Board shall be announced and disclosed by the secretary to the Board in accordance with relevant laws and regulations, Listing Rules and the Articles of Association. The participating Directors, persons present as non-voting participants, recording and serving personal shall have the obligation to keep the content of resolutions confidential before disclosure of the announcement of the resolutions.

Article 40 The Chairman shall urge relevant persons to implement the resolutions of the Board meeting, check the implementation of the resolutions, and declare the execution of the effected resolutions at subsequent Board meetings.

Chapter 11 Independent Director System

Article 41 The Company shall establish a system of Independent Directors.

Article 42 Independent Directors are Directors holding no posts other than as Director in the Company, as well as having no relationship with the Company and major shareholders of the Company which may hinder his independent and objective judgement, and in compliance with the provisions of the listing rules of the stock exchange(s) where the securities of the Company are listed as to independence.

Article 43 An Independent Director shall perform his duties independently and shall not be affected by the substantial shareholders, de facto controllers of the Company or other entities or individuals that have interests in the Company. Independent Directors shall not hold concurrent post of independent directors in more than 5 listed companies, and shall ensure that they have enough time and energy to effectively perform their duties as Independent Directors .

Article 44 An Independent Director shall meet the following conditions:

- (1) to be qualified as a director of a listed company as specified in laws, administrative regulations, Listing Rules and other relevant regulations;
- (2) to be independent;
- (3) to be in command of the basic knowledge of the operation of a listed company, and familiar with relevant laws, administrative regulations, and rules and regulations;
- (4) having more than five years of work experiences in legal matters, economic matters and other experiences indispensable for performing the duties of an Independent Director;
- (5) other conditions as specified in the Articles of Association or the general meeting.

Article 45 Independent Directors shall be independent. The following persons shall not serve as Independent Directors:

- (1) a person employed by the Company or its affiliated enterprises and the lineal family members and key relatives of such person (lineal family members shall mean, among others, spouse, parents and children; key relatives shall mean, among others, brothers and sisters, fathers-in-law, mothers-in-law, daughters-in-law, sons-in-law, spouses of brothers and sisters, and brothers and sisters of spouse);
- (2) the natural person shareholders directly or indirectly holding more than 1% of the issued shares of the Company or being one of the ten largest shareholders of the Company and their lineal relatives;
- (3) the shareholder unit directly or indirectly holding more than 5% of the issued shares of the Company or being one of the five largest shareholders of the Company and their lineal relatives;
- (4) persons falling within any of the abovementioned three conditions in the recent one year;
- (5) persons providing financial, legal and consulting services to the Company or its affiliated enterprises;
- (6) other persons as specified under the Listing Rules and the Article of Association;
- (7) other persons as stipulated by the CSRC.

Article 46 The Company shall go through the reviewing and filing procedures in respect of the Independent Directors with the relevant regulatory authorities in accordance with laws.

Article 47 The Board, supervisory committee, or shareholders individually or jointly holding more than 1% of the issued shares of the Company are entitled to nominate candidates for Independent Directors to be considered and approved by the Board and elected at general meetings.

Article 48 Nominator(s) of Independent Directors shall obtain the consent from the nominee prior to any nomination. The nominator shall acquire all the personal particulars of his nominee as to his profession, education, academic title, detailed work experiences, and all part time jobs, and shall comment on his qualification and independence for acting as an Independent Director. The nominee shall make a public statement that he has no relationship with the Company which may hinder his independent and objective judgement. Prior to the general meeting for the election of Independent Directors, the Board of Directors of the Company shall make announcement regarding the above matters in accordance with the Listing Rules and other applicable regulations.

Article 49 Should an Independent Director fail to attend in person the Board meetings for three times consecutively, the Board may propose to the general meeting for replacing such Directors.

Except for the above circumstances and the circumstances that a person cannot serve as a Director as stipulated in the Listing Rules and Company Law, Independent Directors shall not be dismissed without any reason before expiry of their terms. If an Independent Director is removed before expiry of his term of office, the Company shall disclose this as a special disclosure and comply with the relevant requirements under the Listing Rules. The Independent Director so removed may make a public statement if he believes the reason for his removal is unjustified.

Article 50 Apart from the powers granted to a director by the Company Law, the Articles of Association and other relevant laws and regulations, the Company further grants an Independent Director the following special powers:

- (1) transactions entered into between the Company and its connected parties at a total amount of more than RMB3,000,000 or more than 5% of the latest audited net asset value of Company are subject to approval of Independent Directors before submission to the Board for consideration. Prior to the judgement by the Independent Directors, they may appoint intermediaries to issue an independent financial advising report as the basis for their judgment;
- (2) to propose to the Board for the appointment or dismissal of accounting firms;
- (3) to propose to the Board to convene an extraordinary general meeting;
- (4) to propose to hold a Board meeting;
- (5) to independently engage external auditing institutions and consulting institutions.

To exercise any of the abovementioned powers, the Independent Director(s) shall obtain the consent of more than half of the Independent Directors.

The Board of Directors of the Company shall establish Remuneration Committee, Audit Committee and Nomination Committee. The Independent Directors of the Company shall represent more than one half in such committees.

Article 51 Apart from the above duties, the Independent Directors shall give their independent opinions to the Board or the general meetings in respect of the following matters:

- (1) nomination, appointment and dismissal of Directors;
- (2) appointment or dismissal of Senior Management;
- (3) remunerations of the Directors and Senior Management;
- (4) any borrowings or other capital transfers, existing or newly occurred, made between the Company and the shareholders, de facto controllers of the Company and their connected enterprises involving a total amount of more than RMB3 million or more than 5% of the latest audited net assets value of the Company; and whether the Company shall adopt any effective measures to recover the arrears;
- (5) matters considered by the Independent Directors as possibly infringing the rights and interests of minority shareholders of the Company;
- (6) other matters as specified under the Listing Rules and the Articles of Association.

The Independent Directors shall give their opinions in respect to the abovementioned matters in the following categories: approval; qualified opinion and the reasons thereto; dissenting opinion and the reasons thereto; unable to present opinion and the obstacles thereto.

Should the matters be discloseable under the Listing Rules and other applicable laws and regulations, the Company shall publish an announcement in relation to the opinions of the Independent Directors in accordance with the above requirements. Should there be discrepancy among the opinions from the Independent Directors and no consensus can be reached, the Board shall disclose the opinions from each of the Independent Directors individually (and shall comply with the Listing Rules, if applicable).

Article 52 For the purpose of effective performance of the functions and powers of the Independent Directors, the Company shall provide the Independent Directors with the following conditions:

- (1) The Company shall ensure that the Independent Directors will enjoy the same right to information as other Directors. For the matters subject to decisions by the Board, the Company shall, in accordance with the statutory provisions, inform the Independent Directors in advance and provide them with adequate information. If the Independent Directors consider the said information being inadequate, they may request for supplementary information. Where two or more Independent Directors hold that the information is inadequate or the proofs are indefinite, they may jointly propose in writing to the Board to postpone the Board meeting or postpone the consideration of the matters in question, and the Board shall accept such proposal.

The Company shall keep any information it provides to the Independent Directors and the Independent Directors shall keep such information for a period no less than five (5) years.

- (2) The Company shall provide the Independent Directors with the means and measures to perform their duties. The secretary to the Board of Directors of the Company shall actively assist the Independent Directors in performing their duties such as briefing and providing materials. In the event that the independent opinion, proposal and written statement from the Independent Directors are required to be announced pursuant to the Listing Rules, the secretary to the Board shall make such announcement at the stock exchange(s) where the securities of the Company are listed and other necessary matters in due course.
- (3) When the Independent Directors perform their functions and powers, the employees of the Company shall assist by all means and shall not refuse, obstruct, or conceal, or interfere with their independent exercise of functions and powers.
- (4) The expenditures of engaging intermediaries by the Independent Directors or other expenditures required for performing their functions and powers shall be borne by the Company.
- (5) The Company shall pay the Independent Directors subsidies of appropriate sums. The standards of the said subsidies shall be formulated and proposed by the Board in general meeting for consideration and approval and shall be disclosed in the annual report of the Company.

Apart from the abovementioned subsidies, the Independent Directors shall not acquire other additional and undisclosed interests from the Company, its major shareholders or institutions and persons of interests with the Company.

- (6) The Company may establish a requisite insurance mechanism for Independent Directors to minimize the risks possibly incurred due to the ordinary performance of the duties by the Independent Directors.

Chapter 12 Secretary to the Board

Article 53 The Company shall have a secretary to the Board, who shall be appointed by the Board and is a Senior Management of the Company. The Board shall appoint representative of securities affairs to assist the work of the secretary to the Board.

Article 54 The secretary to the Board shall be a natural person who is of the requisite professional knowledge and experience, and shall be appointed by the Board. His primary responsibilities are:

- (1) to ensure the Company has complete constitutional documents and records;
- (2) to ensure the Company in accordance with laws prepares and delivers the reports and documents as required by the authorities entitled thereto;
- (3) to ensure that the Company's registers of shareholders are properly maintained, and that the persons entitled to the access to the relevant records and documents are furnished with the same without delay;
- (4) to perform other duties of a secretary to the Board as stipulated in laws and the Articles of Association (including the reasonable requirements from the Board).

Article 55 Major responsibilities of the secretary to the Board include:

- (1) to assist Directors in dealing with the day-to-day affairs of the Board, continuously provide the Directors with, remind the Directors of and ensure the Directors to be well informed of the regulations, policies and requirements of both domestic and foreign regulatory organizations concerning corporate operation, and to assist Directors in practically complying with the domestic and foreign laws, regulations, the Articles of Association and other relevant regulations when performing their functions and powers;

- (2) to be responsible for the organization and preparation of the relevant documents for the Board meetings and the general meetings, to make proper minutes of the meetings, to ensure that the decision(s) at the meetings are in conformity with the legal procedures, and to keep abreast of the implementation of the resolutions passed at Board meetings;
- (3) to be responsible for organization and coordination of information disclosure, to coordinate the investor relations and to enhance the transparency of the Company;
- (4) to participate in and organize the capital market financing;
- (5) to deal with the relationships with the intermediaries, regulatory authorities and the media for a favourable public relations.

Article 56 Term of reference for the secretary to the Board:

- (1) to organize and arrange for Board meetings and general meetings; to prepare meeting materials, to handle relevant meeting affairs; to prepare minutes of the meetings and ensure their accuracy; to keep meeting documents and minutes; to proactively monitor the progress of the implementation of relevant resolutions; to report any important issues occurred during the implementation and give suggestions to the Board;
- (2) to ensure any material matters decided by the Board of Directors of the Company to be carried out in strict compliance with the procedures stipulated; as requested by the Board, to participate in the arrangement of consultation on and analysis of the matters to be decided by the Board and offer relevant opinions and suggestions; to handle the day-to-day affairs of the Board and its committees as entrusted;
- (3) to act as the liaison officer of the Company with the regulatory securities authorities, to be responsible for the organization, preparation and timely submission of the documents as required by the regulatory authorities as well as to be responsible for taking up any tasks assigned by the regulatory authorities and organizing the completion thereof;
- (4) to be responsible for coordinating and organizing the Company's information disclosure; to establish and improve the relevant information disclosure system; to attend all the Company's meetings involving information disclosure; and to keep abreast of the Company's material operation decisions and related information in a timely manner;

- (5) to be responsible for the confidentiality of the Company's price-sensitive information and establishing effective confidentiality systems and measures; in case of any of the Company's price-sensitive information divulged for any reason, to take necessary remedial measures by giving explanation and clarification in a timely manner, and notifying the regulatory authorities in overseas jurisdictions where the Company is listed and the CSRC, as well as complying with the relevant requirements under the Listing Rules;
- (6) to be responsible for coordinating and organizing marketing activities; to coordinate reception of visitors, to handle the investor relations; to keep in touch with the investors, intermediaries and news media; to coordinate replies to inquiries from the public; and to ensure that the investors will obtain the information disclosed by the Company in a timely manner; to organize and prepare the Company's domestic and overseas marketing and promotion activities; to prepare summary reports on marketing and important visits; and to organize matters relating to the reports to the CSRC;
- (7) to be responsible for managing and maintaining the register of shareholders, register of Directors, records and information of the shareholding of substantial shareholders and Directors, as well as the list of equity holders of debentures issued by the Company;
- (8) to assist the Directors and the managers in practically complying with the domestic and foreign laws, regulations, Listing Rules, the Articles of Association and other relevant provisions during exercising their functions and powers. Upon becoming aware that the Company has passed or may pass resolutions which may breach the relevant provisions, the secretary to the Board is obligated to immediately remind the Company and is entitled to report such facts to the CSRC and other regulatory authorities;
- (9) to coordinate the provision of necessary information and data to the Company's supervisory committee and other examination authorities to discharge their supervising duties; to assist the investigation on the chief financial officer, Directors and managers of the Company in discharging their fiduciary duties;
- (10) to exercise other functions and powers as conferred by the Board, as well as other functions and powers as required by laws in any domestic and overseas jurisdictions where the Company is listed.

Article 57 The secretary to the Board of Directors of the Company, in principle, shall be served by full-time personnel. If the post is concurrently assumed by a Director or other Senior Management of the Company, such person shall ensure that he has enough energy and time to assume the duties of the secretary to the Board. The general managers (excluding the deputy ones) and chief financial officer shall not concurrently hold the post of the secretary to the Board. The accountant(s) of the certified public accountants' firm appointed by the Company shall not concurrently hold the post of the secretary to the Board.

Where the office of the secretary to the Board is held concurrently by a Director, and an act is required to be done by a Director and the secretary to the Board separately, the person who holds the office of Director and secretary to the Board may not perform the act in dual capacity.

In the event that the shares of the Company are listed in the Hong Kong Stock Exchange, the Company may have a company secretary qualified under the requirements of the Hong Kong Stock Exchange to handle the relevant matters.

Chapter 13 Supplementary Provisions

Article 58 Unless otherwise stated herein, the terms used in these Rules shall have the same meaning as those used in the Articles of Association and shall be construed according to the definitions and interpretation in the Articles of Association.

Article 59 Matters not included in the these Rules are subject to regulations of the Company Law, Securities Law, Corporate Governance Guidelines and other relevant laws and regulations, relevant requirements from Shanghai Stock Exchange and the Hong Kong Stock Exchange, other applicable laws, rules or codes of Hong Kong, and the Articles of Association.

Article 60 Should there be any discrepancy between these Rules and the Articles of Association, the latter shall prevail.

Article 61 Should there be any discrepancy between these Rules or the Articles of Association and the Company Law, Securities Law, Corporate Governance Guidelines and other relevant laws and regulations, relevant requirements from Shanghai Stock Exchange and the Hong Kong Stock Exchange, the latter documents shall prevail.

Article 62 The Company shall amend these Rules upon existence of any of the following circumstances:

- (1) matters stipulated by these Rules are in conflict with the amended Company Law, Securities Law, Corporate Governance Guidelines and other relevant laws and regulations, relevant requirements from Shanghai Stock Exchange and the Hong Kong Stock Exchange or the Articles of Association;
- (2) the general meeting resolves to amend these Rules.

Article 63 These Rules shall be submitted to the general meeting for consideration and approval and shall be effective upon obtaining the approval from the CSRC in respect of listing of the A shares of the Company and the completion of the issue of A shares. Any amendment to these Rules shall be resolved at general meeting. Amendment proposal shall be made by the Board within the authority granted by the general meeting and shall come into effect upon approval at general meeting.

Article 64 The power of interpretation of these Rules shall be vested in the Board of Directors of the Company.

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

The contents of the Rules of Procedures for the Supervisory Committee are set out as follows:

Chapter 1 General Provisions

- Article 1 These Rules are formulated in accordance with the Company Law of the People's Republic of China (the "**Company Law**"), the Securities Law of the People's Republic of China (the "**Securities Law**"), the Guidelines on Corporate Governance of Listed Companies (the "**Corporate Governance Guidelines**"), the Articles of Association of First Tractor Company Limited (the "**Articles of Association**") and other relevant laws and regulations to regulate the discussion methods and procedures for the Supervisory Committee of the Company, ensure the Supervisory Committee to work effectively, exercise its functions and powers, and bring its supervisory functions into full play.
- Article 2 The Company shall establish the Supervisory Committee. The Supervisory Committee shall exercise its supervisory duties in accordance with laws and regulations such as the Company Law as well as the Articles of Association.
- Article 3 These Rules shall be binding on all supervisors and staff designated by the Supervisory Committee and other relevant participants of the Supervisory Committee meetings.

Chapter 2 Composition and Establishment of the Supervisory Committee

- Article 4 The Company shall establish the Supervisory Committee. The Supervisory Committee shall comprise 6 supervisors, one of which shall act as the chairman of the Supervisory Committee. The term of office of the supervisors shall be 3 years, renewable upon re-election and re-appointment. Appointment or dismissal of the chairman of the Supervisory Committee shall be approved by not less than two-thirds of the supervisors.
- Article 5 The Supervisory Committee shall comprise 4 shareholders' representatives and 2 employees' representatives. The shareholders' representatives shall be appointed or removed by general meeting, while the employees' representatives shall be appointed or removed by democratic election of the employees.
- Article 6 None of the Directors, general managers or other Senior Management (including but not limited to the financial controller(s) of the Company) of the Company may concurrently act as a supervisor.

Article 7 The Supervisory Committee shall set up an office to handle the daily affairs of the Supervisory Committee.

The Supervisory Committee shall have a secretary to its office, who shall be responsible for keeping its seals and stamps, documentation and archives and day-to-day operation affairs. The chairman of the Supervisory Committee may require other personnel to assist him in handling daily affairs of the Supervisory Committee.

Article 8 In the event that new members of the Supervisor Committee are yet to be re-elected after the term of office of the supervisors expires, or any supervisor resigns during his term of office causing the number of members of the Supervisory Committee to fall below the quorum, the existing supervisors shall continue to perform their duties in accordance with the laws, the administrative regulations and the Articles of Association until the re-elected supervisors take their office.

Chapter 3 Duties of the Supervisors and Powers of the Supervisory Committee

Article 9 The Supervisory Committee shall be accountable to the general meeting and exercise the following functions and powers in accordance with laws:

- (1) to examine the Company's financial situation;
- (2) to supervise the performance of duties by the Directors, general managers and other Senior Management of the Company, and to propose removal of any Directors, general managers, and other Senior Management who act in contradiction with laws, administrative regulations or the Articles of Associations or the resolutions of the general meeting;
- (3) to demand rectification from a Director, the general manager or other Senior Management when the acts of such persons are harmful to the Company's interest;
- (4) to verify the financial data such as the financial reports, operating reports and plans for distribution of profits to be submitted by the Board to the general meeting and, should any queries arise, to appoint, in the name of the Company, a certified public accountant for review;
- (5) to propose to convene an extraordinary general meeting and to convene and preside over the general meeting when the Board fails to perform the duties of convening and presiding over general meetings as specified in the Articles of Association;

- (6) to submit proposals to general meetings;
- (7) to bring legal actions against the Directors, general managers and other Senior Management pursuant to Article 152 of the Company Law;
- (8) to exercise other functions and powers specified in the Articles of Association.

The supervisors may attend the Board meetings as non-voting participants, and raise enquiry or suggestion regarding resolutions of the Board.

Article 10 The Supervisory Committee may resolve to request the Board to convene an extraordinary general meeting, when appropriate, in any of the following events. If the Board does not resolve to convene a general meeting within 30 days upon receipt of the resolution of the Supervisory Committee, the Supervisory Committee may resolve again to convene a general meeting by itself. The meeting shall be convened in accordance with the Rules of Procedures for General Meetings:

- (1) the number of the Directors is less than the quorum or less than two-thirds of the number specified in the Articles of Association;
- (2) the Company's accumulative total uncovered loss amounts to one-third of its total share capital;
- (3) when shareholder(s) individually or jointly holding not less than 10% of the Company's voting shares (not including voting by proxy) request(s) in writing.

Article 11 The chairman of the Supervisory Committee shall exercise the following functions and powers:

- (1) to convene and preside over meetings of the Supervisory Committee as well as to take charge of day-to-day work of the Supervisory Committee;
- (2) to sign relevant documents of the Supervisory Committee as well as to check the implementation of the resolutions of the Supervisory Committee;
- (3) to organize and formulate the working plans of the Supervisory Committee;
- (4) to present working report to general meetings on behalf of the Supervisory Committee;
- (5) to exercise other powers specified in the Articles of Association.

Chapter 4 Eligibility for Attendance and Expenses of the Supervisory Committee

Article 12 The supervisors shall attend meetings of the Supervisory Committee personally. Should a supervisor be unable to attend for any reasons, he may appoint other supervisors in writing to attend the meeting on his behalf. The appointed person attending the meeting on behalf of the supervisor shall only exercise the rights within the power of attorney.

The power of attorney shall set out the names of appointer and the proxy, the matters for proxy, the scope of the delegated authority, date and the validity period, and shall be signed and sealed by the appointer.

A supervisor shall be deemed to have failed to perform his duties if he has failed to attend the meetings of the Supervisory Committee in person twice consecutively nor has he appointed other supervisors to attend the meetings on his behalf. The Supervisory Committee shall make proposal to general meetings to replace such supervisor.

Article 13 All reasonable expenses incurred in engaging professionals such as lawyers, publicly certified accountants and practising auditors by the Supervisory Committee when it exercises its functions and duties shall be borne by the Company. All reasonable expenses incurred for attendance of the meetings of the Supervisory Committee by the supervisors shall be borne by the Company. Such expenses shall include transportation fee covering distance from the location of the supervisors to the venue of the meeting (if different from the location of the supervisors), accommodation expenses, rental for the venue of the meeting and local transportation fee.

Chapter 5 Convening of Meetings of the Supervisory Committee

Article 14 The Supervisory Committee shall hold at least one meeting every six months, which shall be convened and presided over by the chairman of the Supervisory Committee. Should the chairman of the Supervisory Committee be unable to, or fail to perform his duties, a supervisor jointly elected by more than half of the supervisors shall convene and preside over the meetings of the Supervisory Committee.

Article 15 Notice of a Supervisory Committee meeting shall be served in writing to all members of the Supervisory Committee 10 days prior to the date of the meeting. The notice of the meeting of the Supervisory Committee shall contain the following:

- (1) the date, venue, and duration of the meeting;
- (2) the reason(s) for convening the meeting and the proposal(s);
- (3) the date on which the notice is despatched.

Article 16 The Supervisory Committee shall discuss business at meetings, which shall only be held with the attendance of not less than two-thirds of the supervisors. Where the relevant supervisors refuse or slack to attend the meeting resulting in the required quorum being not satisfied, other supervisors shall timely report to the regulatory authorities.

Each supervisor is entitled to one vote. Supervisors connected to the subject at the time of voting shall abstain from voting. Resolutions of the Supervisory Committee shall be approved by not less than two-thirds of its members.

Article 17 The Supervisory Committee may require the Directors, general managers, deputy general manager, other Senior Management, internal and external auditors to attend its meetings, and answer questions which the Supervisory Committee may concern.

Article 18 At the meeting of the Supervisory Committee, voting shall be taken by poll or show of hands, result of which shall be announced then and there.

The voting intents of the supervisors are classified as “for”, “against” or “abstaining”. The supervisors present at the meeting shall choose one from the intents above. The chairman of the meeting shall require those who fail to select any or select two intents at the same time to select again. Should a supervisor refuse to select, he shall be deemed as “abstaining”. Those who leave the meeting halfway without returning and without selecting any intents shall be deemed as “abstaining”.

Article 19 Minutes shall be kept for all resolutions at the Supervisory Committee meetings. The supervisors and recorder(s) attending the meetings shall sign the minutes. The supervisors are entitled to request an explanation be noted in the minutes for representations that they made at the meetings. Such minutes shall be kept as corporate archives of the Company for at least over 10 years.

Article 20 The minutes of the meeting shall include the following:

- (1) the session, time, venue and mode of the meeting;
- (2) the dispatch of the meeting notice;
- (3) the convener and chairman of the meeting;
- (4) the attendance (attendance by proxy included);
- (5) the proposals considered at the meeting, the gist of each supervisor's speech and main opinions on relevant matters, and the voting intents towards the proposals;
- (6) the voting method and voting results of every proposal (with respective number of votes casting for and against a resolution as well as abstaining votes);
- (7) other matters which shall be recorded in the opinion of the supervisors present at the meeting.

Chapter 6 Announcement and Implementation of Resolutions of the Supervisory Committee

Article 21 The secretary to the Board of Directors of the Company shall make announcement of the resolutions of the Supervisory Committee and other information disclosures in accordance with relevant regulations.

Article 22 Supervisors shall supervise and urge implementation of the resolutions by relevant persons. The chairman of the Supervisory Committee shall declare the implementation of the effected resolutions at subsequent meetings of the Supervisory Committee.

Chapter 7 Supplementary Provisions

Article 23 Unless otherwise indicated herein, terms used in these Rules shall have the same meaning as in the Articles of Association, and shall be construed according to the definitions and interpretation in the Articles of Association.

Article 24 Matters not included in these Rules are subject to the provisions of the Company Law, Securities Law, Corporate Governance Guidelines and other relevant laws and regulations, relevant requirements from the Shanghai Stock Exchange and the Hong Kong Stock Exchange, other applicable laws, rules or codes of Hong Kong, and the Articles of Association.

- Article 25 Should there be any discrepancy between these Rules and the Articles of Association, the latter shall prevail.
- Article 26 Should there be any discrepancy between these Rules or the Articles of Association and the Company Law, Securities Law, Corporate Governance Guidelines and other relevant laws and regulations, relevant requirements from the Shanghai Stock Exchange and the Hong Kong Stock Exchange, the latter documents shall prevail.
- Article 27 The Company shall amend these Rules upon existence of any of the following circumstances:
- (1) matters stipulated in these Rules are in conflict with the amended Company Law, Securities Law, Corporate Governance Guidelines and other relevant laws and regulations, relevant requirements from the Shanghai Stock Exchange and the Hong Kong Stock Exchange or the Articles of Association;
 - (2) the general meeting resolves to amend these Rules.
- Article 28 These Rules shall be submitted to general meeting for consideration and approval and shall be effective upon obtaining the approval from the CSRC in respect of listing of the A shares of the Company and the completion of the issue of A shares. Any amendment to these Rules shall be resolved at general meeting. Amendment proposal shall be made by the Supervisory Committee within the authority granted by the general meeting and shall come into effect upon approval at general meeting.
- Article 29 For the purposes of these Rules, the terms “not less than”, “within”, “not more than” are all inclusive terms while “not exceeding”, “above”, “less than”, “more than” and “exceed(s)” are exclusive terms.
- Article 30 The power of interpretation of these Rules shall be vested in the Supervisory Committee of the Company.

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

The contents of the Management Principles on External Guarantee are set out as follows:

Chapter 1 General Provisions

Article 1 With a view to safeguarding the interest of investors, regulating the external guarantees provided by First Tractor Company Limited (hereafter the “**Company**”), controlling the operating risk of the Company’s assets and fostering the healthy and stable growth of the Company, the Company has formulated these Principles in accordance with relevant requirements of the Guarantee Law of the People’s Republic of China, the Notice on Issues Regarding External Guarantee Provided by Listed Companies and the Notice on Regulating the External Guarantee Provided by Listed Companies issued by the CSRC and the Articles of Association of the Company (hereafter the “**Articles of Association**”).

Article 2 Guarantee specified herein shall refer to the guarantee, mortgage or pledge provided by the Company as a third party for others. Guarantee provided by the Company to its subsidiaries shall also be regarded as external guarantee.

Article 3 Subsidiaries referred to herein represent the wholly-owned subsidiaries, holding subsidiaries (including joint stock companies in which the Company has actual control, the same shall apply to these Principles below).

External guarantees provided by the wholly-owned subsidiaries and holding subsidiaries of the Company are deemed as an act of the Company and shall be executed in accordance with these Principles. Any external guarantees provided by the wholly-owned subsidiaries and holding subsidiaries of the Company shall, in accordance with the Articles of Associations, be submitted to the Board and/or general meeting of the Company for consideration and approval and thereafter be resolved at the board and/or general meeting of that wholly-owned subsidiary or controlling subsidiary; and that wholly-owned subsidiary or controlling subsidiary shall inform the Company for record within 5 working days from signing the guarantee agreement.

Article 4 The Company exercises centralized management over external guarantee, unless otherwise approved by the Board or the general meeting of the Company, no individual is entitled to enter into any contracts, agreements or other similar legal documents on external guarantee in the name of the Company (including subsidiaries).

- Article 5 The Directors and Senior Management of the Company shall exercise caution and strict control over liability risks incurred from guarantee, and shall bear joint and several liabilities for losses arising from illegal or inappropriate external guarantee.
- Article 6 The Company shall observe the principles of legal compliance, caution, mutual benefit and safety when providing external guarantee, and shall control the guarantee risk in a stringent manner.
- Article 7 The Company shall take measures such as counter-guarantee necessary for risk control upon provision of guarantee to a third party, and the provider of the counter-guarantee shall be actually capable of honoring such undertakings.
- Article 8 The Independent Directors of the Company shall make specific statements and provide independent opinions on the accumulated and current external guarantees provided by the Company in the annual report.

Chapter 2 Examination on the Guaranteed Party

- Article 9 The Company may provide guarantee to an entity which is an independent legal person and meets one of the following criteria:
- (1) it is a mutual guarantee entity due to business needs of the Company;
 - (2) it is an entity that has an important business relationship with the Company;
 - (3) it is an entity that has a potential important business relationship with the Company;
 - (4) it is the Company's holding subsidiary or other entities of controlling relationship with the Company.

The aforementioned entities shall also have relatively strong capability for debt repayment and shall meet other relevant provisions hereof.

- Article 10 Before making decision to provide guarantee for a third party or submitting such proposal to general meeting for voting, the Board of Directors of the Company shall obtain the information of the debtor's / guarantee applicant's credit status (including but not limited to the information on the credit status of the guarantee applicant set out in Article 11 hereof) and shall make a thorough analysis of the benefits and risks associated with such guarantee.

Article 11 The information on the credit status of a guarantee applicant shall at least include the following items:

- (1) the primary business documents including photocopies of the business license and the articles of association, identity proof of the legal representative, the relevant information indicating its connected relationship (if any) and other relationships with the Company;
- (2) the guarantee application letter, the contents of which shall include but not limited to the method, duration and amount of the guarantee;
- (3) the audited financial reports in the past three years and analysis on its capability for debt repayment;
- (4) the photocopy of the principal contract(s) related to the loan;
- (5) the conditions and relevant information of the counter-guarantee provided by the guarantee applicant;
- (6) a statement declaring that it is not involved in any potential or on-going material litigation, arbitration or administrative penalty;
- (7) any other important information.

Article 12 Based on the basic information provided by the guarantee applicant, the Company shall organize the investigation and verification of the guarantee applicant's business operation, financial position, project status and credit status, as well as the prospects of the industry and shall review the application in accordance with the contract approval procedures. The relevant information shall be submitted to the Board or the general meeting of the Company for approval.

Article 13 The Board or the general meeting of the Company shall review and vote on the submitted materials. The voting results shall be recorded in accordance with relevant requirement of the Articles of Association. No guarantee shall be provided to the guarantee applicant by the Company in case of any of the following circumstances or if the information provided is insufficient:

- (1) the use of capital does not comply with the laws, regulations, industry policy of the PRC, the Listing Rules and other applicable laws, rules and codes of Hong Kong;
- (2) there are false records in the guarantee applicant's financial and accounting documentation for the past three years, or there are false information provided by the guarantee applicant;
- (3) there was overdue of loan repayments or default of interest payments on bank loans for which the Company has provided guarantee to the guarantee applicant, and they remain outstanding or there are no effective remedial measures confirmed as at the time of the guarantee application;
- (4) there is a deterioration in operating conditions and reputation of the guarantee applicant, with no signs of improvement;
- (5) there is a failure in ascertaining any valid property against which counter-guarantee are to be provided;
- (6) such other circumstances which the Board considers that a guarantee shall not be provided.

Article 14 The counter-guarantee provided by the guarantee applicant or other effective risk-control measures shall match with the guaranteed amount. No guarantee shall be provided to the guarantee applicant if the property against which the counter-guarantee is to be provided is prohibited by relevant laws and regulations from free transfer or otherwise non-transferrable.

Chapter 3 Examination and Approval Procedures for External Guarantee

Article 15 The general meeting of the Company is the highest decision-making body in respect of external guarantee provided by the Company.

Article 16 The Board of Directors of the Company shall exercise its decision-making power over external guarantee pursuant to its authority for approval of external guarantee as specified in the Articles of Association. As regards any external guarantee beyond the approval authority of the Board as stipulated in the Articles of Association, the Board shall prepare and submit a proposal to the general meeting for approval. The Board shall organize, manage and execute the external guarantee approved by the general meeting.

Article 17 Any matters of external guarantee within the approval authority of the Board shall be approved by more than two-thirds of the Directors of the Board.

Article 18 The following matters of guarantees shall be submitted to the general meeting for consideration and approval after they have been considered by the Board:

- (1) any guarantee to be provided after the total amount of the external guarantee provided by the Company and its subsidiaries reaches or exceeds 50% of the Company's latest audited net asset value;
- (2) any guarantee to be provided for a party with an asset-liability ratio of more than 70%;
- (3) a single guarantee with an amount exceeding 10% of the Company's latest audited net asset value;
- (4) any guarantee to be provided to the Company's shareholders, de facto controllers and the connected parties thereof;
- (5) any guarantee to be provided after the total amount of the external guarantee provided by the Company reaches or exceeds 30% of the Company's latest audited total assets;
- (6) any guarantee subject to the consideration and approval by the general meeting as stipulated under other laws and regulations and the Articles of Association.

Any Director, general manager and Senior Management whose act violates any laws, administrative regulations or the Articles of Association in respect of the approval authority and examination procedures for matters of external guarantee causing loss to the Company shall be held liable for compensation. The Company may initiate legal proceedings against them in accordance with the laws.

Article 19 Where a resolution on guarantee provided for its shareholders, de facto controllers and connected parties is considered at general meeting, such shareholders or shareholders under the control of such de facto controllers shall abstain from voting in respect of such resolution. The resolution concerned shall require the approval by more than half of the voting rights of other remaining shareholders present at the general meeting.

Article 20 Any guarantee provided by the Company with an amount exceeding 30% of the Company's latest audited total assets within 1 year is subject to approval of the general meeting by way of a special resolution.

External guarantees provided by the Company in a period of 12 months shall be calculated on the aggregation approach and shall be subject to this provision.

Article 21 For other issues of external guarantee other than those external guarantees subject to the approval of the general meeting set out in Article 18 hereof, the Board shall exercise the decision-making powers in relation to the external guarantee pursuant to its authority for the approval of external guarantee as specified in the Articles of Association.

Article 22 Where necessary, the Company may engage an external professional institution to evaluate the risks relating to the implementation of external guarantee, and the Board or general meeting shall make decision based on the above evaluation.

Article 23 The Company's Independent Directors shall furnish independent opinions upon considering the matters of external guarantee at Board meetings and, where necessary, may engage an accounting firm to review the Company's accumulated and current external guarantees. Any irregularities found shall be reported to the Board and the regulatory authority and an announcement should be made in a timely manner.

Article 24 The Company shall enter into guarantee contracts and counter-guarantee contracts in respect of external guarantee in writing. The guarantee contracts and the counter-guarantee contracts shall include contents as required by the Guarantee Law of the People's Republic of China, the Contract Law of the People's Republic of China, the Listing Rules and other laws and regulations.

Article 25 The guarantee contract shall at least include the following particulars:

- (1) the category and amount of the secured principal credit;
- (2) the term for the debtor to settle his debt;
- (3) the form of guarantee;
- (4) the scope of guarantee;
- (5) the term of guarantee;
- (6) such other matters as deemed necessary to be agreed upon by both parties.

Article 26 Before signing a guarantee contract, the Company shall comprehensively and diligently review the signing parties of the principal contract, the guarantee contract and counter-guarantee contract as well as the relevant particulars thereof. The Company shall request the relevant party to amend any clause which contravenes the laws, regulations, the Listing Rules, the Articles of Association and relevant resolutions of the Board or the general meeting of the Company or which imposes unreasonable obligations on the Company or any term involving unpredictable risks. If such party refuses to amend those clauses, the Company shall decline to provide guarantee for such party and shall report to the Board or the general meeting of the Company.

Article 27 The Chairman of the Company or other legally authorized persons shall sign guarantee contracts on behalf of the Company pursuant to the resolutions of the Board or the general meeting of the Company. No individual is entitled to sign guarantee contracts on behalf of the Company without the approval for and authorization by the general meeting or the Board of Directors of the Company.

Article 28 Upon acceptance of a counter-guarantee mortgage or a counter-guarantee pledge, the Company's financial department shall complete the relevant legal procedures together with the Company's legal department, in particular the timely registration of such mortgage or pledge and other procedures.

Article 29 If a debt secured by the Company needs to be extended upon maturity and needs the Company to provide guarantee, such guarantee shall be deemed as a new external guarantee and shall undergo the relevant examination and approval procedures as stipulated in this chapter.

Chapter 4 Management of External Guarantee

Article 30 The financial department of the Company shall be responsible for the actual work of the external guarantee.

Article 31 The major duties of the Company's financial department are as follows:

- (1) to investigate into and evaluate the credit status of the secured entity;
- (2) to complete the formalities of the guarantee procedures;
- (3) to duly keep track of, examine and monitor the secured entity after external guarantee becomes effective;
- (4) to manage the filing of the documentation relevant to the secured enterprise seriously;
- (5) to provide the Company's auditing department and the Board with a complete and accurate record of all the Company's external guarantees in a timely manner in accordance with the requirements;
- (6) to handle such other matters related to guarantee.

Article 32 The financial department of the Company shall keep the guarantee contracts and relevant original materials in proper order and shall conduct reviews in a timely manner. It shall conduct regular cross-checking with relevant institutions such as banks to ensure the completeness, accuracy and validity of the data filed, and take heed of the term of the guarantee. During the course of contract management, the Company shall report to the Board and the supervisory committee in a timely manner upon identification of any unusual contract that has not been approved in accordance with the examination procedures of the Board or the general meeting.

Article 33 The financial department of the Company shall assign a specific officer to monitor the condition of the guarantee continuously, gather the latest audited financial information and audit report of the guarantee, regularly analyze its financial position and ability to repay debts, and monitor its business operation, assets and liabilities, external guarantee, division and merger and any change of legal representatives etc.

The relevant responsible officer shall report to the Board in a timely manner once any significant issues such as serious deterioration of the business operation, dissolution or division of the guarantee comes to his notification. The Board is obligated to adopt effective measures to minimize the loss.

- Article 34 In the event that the guarantee to which the Company provides guarantee fails to honor the obligation to repay debts upon maturity, or such guarantee becomes bankrupt or goes into liquidation or the creditors claim against the Company for performance of the guarantee obligations etc, the Company's responsible department(s) shall inquire the condition of the debt repayment of the guarantee in a timely manner, and shall be prepared to activate the counter-guarantee claiming procedures while such department(s) shall simultaneously report such matter to the secretary to the Board, who shall inform the Board of the same promptly.
- Article 35 In the event that the guarantee fails to fulfill his contractual obligations and his guaranteed creditor requests the Company to fulfill its guarantee obligations, the Company's responsible department(s) shall activate the counter-guarantee claiming procedures instantly and shall simultaneously report such matter to the secretary to the Board, who shall inform the Board of the same promptly.
- Article 36 After fulfilling the guarantee obligations for the debtor, the Company shall take effective measures to demand recovery from the debtor. The Company's responsible department(s) shall report the recovery status to the secretary to the Board, who shall inform the Board of the same promptly.
- Article 37 If it becomes evident to the Company that the guarantee becomes or is likely to lose his ability to repay debts, the Company shall take necessary measures in a timely manner for effective risk control. If malicious collusion between the creditor and the debtor that impairs the Company's interests is found, the Company shall take prompt measures such as requesting confirmation of the nullification of the guarantee contract. The Company shall claim against the guarantee in a timely manner for any financial losses due to the default of the guarantee on the guarantee contract.
- Article 38 In response to other potential risks, the relevant departments of the Company shall adopt effective measures and shall, with reference to the case, propose corresponding measures to the Board and the supervisory committee of the Company.
- Article 39 If the Company acts as one of the guarantors for a debt that has been secured by more than two guarantors and it is agreed that the guarantors shall take their respective guarantee obligations in proportion, the Company shall refuse to undertake any guarantee obligation beyond and additional to the agreed proportion.
- Article 40 After the debtor's bankruptcy application is accepted by the People's Court and before any creditor has declared its claims, the relevant department(s) of the Company shall propose the Company to participate in the property allocation for bankruptcy and exercise its rights to claim in advance.

Chapter 5 Disclosure of Information on External Guarantee

- Article 41 Pursuant to the relevant provisions in the Listing Rules where the shares of the Company are listed and the Articles of Association, the Company shall duly perform its information disclosure obligations in respect of external guarantee.
- Article 42 Any department or responsible party involved in the Company's external guarantee shall be obligated to report the status of the external guarantee to the Company's secretary to the Board and shall provide all necessary documents and data for information disclosure.
- Article 43 The Company's relevant department(s) shall take necessary measures to keep the number of people to whom such information is available to minimum before the disclosure of the information on guarantee in accordance with laws. Any person who is aware of the Company's guarantee information by legal or illegal means shall be subject to the inherent obligations for confidentiality until the day when such information is disclosed in accordance with laws, failing which he shall assume any legal liability arising therefrom.

Chapter 6 Responsibilities of the Responsible Officer

- Article 44 The Company shall strictly comply with these Principles in respect of provision of guarantee. The Board of Directors of the Company shall impose corresponding penalty on the relevant officers who has committed misconduct with reference to the size of the loss and risk, and the significance of the misconduct.
- Article 45 Any Directors, general managers or other Senior Management of the Company who sign a guarantee contract beyond their authority and without authorization without following the provisions hereof shall be held responsible.
- Article 46 Any responsible department officers or other responsible parties who breach the requirements under the laws and regulations (including the Listing Rules) or the Principles hereof, neglect the risks and provide guarantee without authorization, which causes losses to the Company, shall assume liability for compensation.

If any of the Company's responsible department officers or other responsible parties fails to fulfill his duties and causes losses to the Company, he shall be subject to economic punishment or disciplinary sanctions depending on the severeness of his negligence.

Article 47 Where the Company is free from guarantee liability according to the laws, but the Company's responsible department officers or other responsible parties act without authorization which results in the Company's assumption of liability and subsequent losses, such officers shall be subject to disciplinary sanctions by the Company and shall assume liability for compensation.

Chapter 8 Supplementary Provisions

Article 48 Unless otherwise stated herein, terms used herein shall have the same meaning and interpretation as defined in the Articles of Association.

Article 49 The terms "more than", "within" and "reach(es)" herein are all inclusive terms whereas "over" is an exclusive term.

Article 50 Matters not covered herein shall be executed in accordance with relevant laws and regulations of the PRC, the Listing Rules and regulatory documents and the relevant provisions of the Articles of Association. If there are any discrepancies between these Principles and the relevant laws, regulations, the Listing Rules, regulatory documents and relevant provisions of the Articles of Association, the latter shall prevail.

Article 51 These Principles shall be submitted to the Board of Directors of the Company for consideration and shall be submitted to the general meeting for approval. These Principles shall be effective upon obtaining the approval from the CSRC in respect of listing of the A shares of the Company and the completion of the issue of A shares. Any amendments to these Principles shall be considered by the Board and approved at general meeting.

Article 52 The power of interpretation of these Principles shall be vested in the Board of Directors of the Company.

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

The contents of the Management Principles on Use of Proceeds are set out as follows:

Chapter 1 General Provisions

- Article 1 In order to regulate the use and management of the proceeds raised by the First Tractor Company Limited (hereafter as the “**Company**”) and protect the interest of investors to the utmost, these Principles are formulated in accordance with relevant laws and regulations such as the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the listing rules relating to the relevant listing of securities and shares of the stock exchange(s) on which the shares of the Company are listed (including but not limited to The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange) (hereafter as the “**Listing Rules**”), Regulations for the Management of Proceeds by the Listed Company on the Shanghai Stock Exchange (《上海證券交易所上市公司募集資金管理規定》) and the Articles of Association of First Tractor Company Limited (the “**Articles of Association**”) based on the actual circumstances of the Company.
- Article 2 For the purpose of these Principles, the term “proceeds” refers to the proceeds raised by the Company through public offering of securities (including the initial public offering, placing, secondary offering, issue of convertible corporate bonds and issue of detachable convertible corporate bonds, etc.) and private placement to the investors, excluding any proceeds raised by the Company through share incentive scheme.
- Article 3 The proceeds of the Company shall be deposited, used and managed in accordance with the provisions of these Principles in order to ensure the disciplined, open and transparent use of proceeds.

Chapter 2 Deposit of Proceeds

- Article 4 The proceeds shall be deposited in a designated account (hereafter as the “**Designated Account for Proceeds**”) established by the Board for the purpose of centralized management.
- The Designated Account for Proceeds shall not be used for the deposit of funds other than the proceeds or any other purposes.
- Article 5 Upon receipt of the proceeds, the Company shall undertake the capital verification process timely and retain an accounting firm with securities business license to issue a capital verification report.

Article 6 The Company shall, within two weeks upon receipt of the proceeds, sign a three-party supervision agreement for the deposits in the Designated Account for Proceeds (hereafter as the “**Supervision Agreement**”) with the sponsor and the commercial bank designated for the deposit of proceeds (hereafter as the “**Commercial Bank**”), the contents of which shall comply with the requirements of the Shanghai Stock Exchange (hereafter as the “**Shanghai Stock Exchange**”) and the Hong Kong Stock Exchange.

The Company shall, within 2 trading days upon the signing of the Supervision Agreement, file with the Shanghai Stock Exchange and the Hong Kong Stock Exchange (if applicable) and make public announcement thereon.

If the Supervision Agreement is terminated before the expiration of its effective term due to the change of the sponsor or the Commercial Bank or other reasons, the Company shall, within two weeks upon the termination of the Supervision Agreement, enter into a new agreement with relevant parties and shall, within 2 trading days upon the signing of the new agreement, file with the Shanghai Stock Exchange and the Hong Kong Stock Exchange (if applicable) and make public announcement thereon.

Chapter 3 Use of Proceeds

Article 7 The proceeds shall be used for specific purposes in accordance with the undertakings set out in the prospectus or other statements prepared for the proceeds raising in respect of the investment projects, investment amount and investment schedule. The use of proceeds shall not be changed or used for other purposes in principle except in compliance with the relevant provisions in the Articles of Association. If circumstances arise that would have a material impact on the normal use of the proceeds as planned, the Company shall promptly report the same to the Shanghai Stock Exchange and the Hong Kong Stock Exchange (if applicable) and make public announcement thereon.

Article 8 To use the proceeds, the using department shall fill in the application sheet and comply with the relevant procedures of the Company for examination and approval for the use of the proceeds.

Article 9 If any of the following events occurs to a project funded by the proceeds (hereafter as the “**Proceeds Investment Project**”), the Company shall re-assess the feasibility and estimated profitability of the Proceeds Investment Project to decide if it should proceed with it, and disclose the progress of the project, reasons for the abnormalities and the adjusted project, if any, in its latest regular report:

- (1) any material change in the market environment in which the Proceeds Investment Project is involved;
- (2) suspension of the Proceeds Investment Project for over 1 year;
- (3) failure to meet the deadline specified in the plan of the Proceeds Investment Project and less than 50% of the planned investment amount has been actually contributed; or
- (4) other abnormalities of the Proceeds Investment Project.

Article 10 Unless otherwise provided in the Articles of Association and in compliance with the relevant laws, regulations and the Listing Rules, the Company shall be refrained from the following conducts when using the proceeds:

- (1) the Proceeds Investment Project is a financial investment such as holding of trading financial assets and available-for-sale financial assets, loans and designated financial management, etc. which directly or indirectly invests in companies mainly engaged in the trading of marketable securities;
- (2) disguised change in the use of proceeds by way of pledge, designated loans or otherwise;
- (3) any appropriation or embezzlement of the proceeds by the controlling shareholders or de facto controllers to generate improper benefits from the Proceeds Investment Projects for connected persons.

Article 11 Where the Company has disclosed in relevant application documents for issue of shares that it proposes to replace the self-raised funds already provided with the proceeds and that the amount of the self-raised funds already provided is ascertained, such replacement shall be implemented only after a special audit conducted by an accounting firm, an opinion issued by the sponsor and the review and approval by the Board of the Directors of the Company on such replacement. The Board of Directors of the Company shall report to the Shanghai Stock Exchange and the Hong Kong Stock Exchange (if applicable) within 2 trading days after the completion of the abovementioned replacement.

Save for the above, the Company shall refer to the corresponding procedures and disclosure obligations for the amendment to the Proceeds Investment Projects for any replacement of the self-raised funds already provided for the Proceeds Investment Project with the proceeds.

Article 12 Where the Company applies idle funds to the proceeds as supplementary working capital on a temporary basis, the following requirements shall be complied with:

- (1) there shall not be any disguised change in the use of proceeds and the normal progress of the Proceeds Investment Projects shall not be affected;
- (2) the amount of each single funding of supplementary working capital shall not exceed 50% of the net proceeds after deducting the issue expenses from the total issue proceeds (hereafter as the “**Net Proceeds**”);
- (3) each single funding of supplementary working capital shall not last for more than 6 months;
- (4) the previous temporary allocation of proceeds as supplementary working capital (if applicable) has been reimbursed upon maturity.

Where the Company uses idle proceeds as supplementary working capital on a temporary basis, it shall be reviewed and approved by the Board of Directors of the Company, opined by the Independent Directors, the sponsor and the supervisory committee. The Company shall report to the Shanghai Stock Exchange and the Hong Kong Stock Exchange (if applicable) and make an announcement accordingly within 2 trading days. Any use of idle proceeds as supplementary working capital that exceed 10% of the proceeds shall be reviewed and approved by general meeting, with the option of online voting in accordance with relevant provisions.

The Company shall return part of the supplementary working capital to the Designated Account for Proceeds prior to the due date for such supplementary working capital, and report to the Shanghai Stock Exchange and the Hong Kong Stock Exchange (if applicable) and make an announcement within 2 trading days after such funds has been fully repaid.

Article 13 Where any single Proceeds Investment Project is completed and the Company proposes to use the balance of the proceeds (including incomes from interest) in other Proceeds Investment Projects, it shall be implemented only after the Board has reviewed and approved such use and the Independent Directors, the sponsor and the supervisory committee has given their opinions on such use.

If the balance of the proceeds (including incomes from interest) is less than RMB1 million or 5% of the committed investment amount of such Proceeds Investment Project, the use of the balance of the proceeds may be exempted from the procedures set out in the preceding paragraph, and the use of such balance of the proceeds shall be disclosed in the latest annual report of the Company.

For the use of the balance of the proceeds (including incomes from interest) of any single Proceeds Investment Project in projects other than the Proceeds Investment Projects (including as supplementary working capital), the Company shall refer to the corresponding procedures (including the Articles of Association) and disclosure obligations for the change of the Proceeds Investment Projects.

Article 14 Where all Proceeds Investment Projects are completed and the balance of the proceeds (including incomes from interest) accounts for more than 10% of the Net Proceeds, such balance shall be used only after the Board and general meeting have reviewed and approved such use and the Independent Directors, the sponsor and the supervisory committee have given their opinions on such use.

For the balance of the proceeds (including incomes from interest) which is less than 10% of the Net Proceeds, such balance shall be utilized only after the Board has reviewed and approved such use and the Independent Directors, the sponsor and the supervisory committee has given their opinions on such use.

For the balance of the proceeds (including incomes from interest) which is less than RMB5 million or 5% of the Net Proceeds, the Company shall be exempted from the procedures set out in the preceding paragraphs, and the relevant application of the balance of the proceeds shall be disclosed in the latest regular report of the Company.

Chapter 4 Amendments to Use of Proceeds

Article 15 If it is necessary to amend the Proceeds Investment Projects by reason of changes in the market, the unit responsible for the project shall submit the reasons for the amendment and the revised plan to the general managers of the Company. After confirmation by the office meeting of the general managers of the Company, the general managers shall propose the same to the Board in writing.

Article 16 After the Board of Directors of the Company has resolved to the amendments to the Proceeds Investment Projects, it shall submit its decision to the general meeting for consideration in accordance with relevant provisions in the Articles of Association. The Board shall state the reasons for amending the use of proceeds, a general description of the new Proceeds Investment Project and its effects on the prospects of the Company in the notice of the general meeting. No unit shall make any amendments to the Proceeds Investment Projects prior to the consideration and approval by the general meeting.

A proposed amendment that only involves the location of implementation of a Proceeds Investment Project shall be exempted from the procedures set out in the preceding paragraphs, but shall be reviewed and approved by the Board of Directors of the Company and reported to the Shanghai Stock Exchange and the Hong Kong Stock Exchange (if applicable), and an announcement stating the reasons for such amendment and opinions of the sponsor shall be made within 2 trading days.

Article 17 The amended Proceeds Investment Projects shall be invested in the principal business of the Company, its branch companies, wholly-owned subsidiaries and holding subsidiaries in accordance with relevant laws, regulations, Listing Rules, Articles of Associations and these Principles.

The Company shall conduct a feasibility analysis on the new Proceeds Investment Project in a scientific and prudent manner to ensure that the new project has promising prospects and profitability, can minimize investment risks and increase the efficiency in the use of proceeds.

Article 18 Any amendments to the Proceeds Investment Projects decided by the Board of Directors of the Company shall be, in accordance with laws, regulations and the Listing Rules, announced within 2 trading days after such decision is submitted to the Board for consideration to disclose the following matters:

- (1) an overview of the original Proceeds Investment Project and specific reasons for the proposed amendments;

- (2) an overview, the prospects, a feasibility analysis, profitability and relevant risks regarding the new Proceeds Investment Project;
- (3) the investment plan of the new Proceeds Investment Project;
- (4) a statement specifying whether the new Proceeds Investment Project has obtained or is pending the approval of the competent authorities (if applicable);
- (5) the opinions of the Independent Directors, supervisory committee, and sponsor in respect of the amendment to the Proceeds Investment Project;
- (6) a statement that the amendment to the Proceeds Investment Project is subject to the consideration by the general meeting;
- (7) such other information as required by the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

Any new Proceeds Investment Project that involves a connected transaction, asset acquisition or external investment, shall also be disclosed in accordance with relevant rules (including the Listing Rules).

Article 19 Subject to the compliance with the relevant laws, regulations, Listing Rules, Articles of Association and these Principles, the Company shall ensure that any amendment to the Proceeds Investment Projects by the Company for acquisition of the assets (including rights and interests) of the controlling shareholders or de facto controllers can effectively avoid competition in the same industry and reduce connected transactions after the completion of such acquisition.

Article 20 Subject to the compliance with the relevant laws, regulations, Listing Rules, Articles and Associations and these Principles, any proposed transfer or replacement of the Proceeds Investment Projects to a third party (excluding those transfers or replacements of the Proceeds Investment Projects to a third party which are complete during the reorganization of the Company's material assets) by the Company shall be reported to the Shanghai Stock Exchange and the Hong Kong Stock Exchange (if applicable) and an announcement containing the following information shall be made within 2 trading days after such proposal is submitted to the Board for consideration:

- (1) the specific reasons for the transfer or replacement of the Proceeds Investment Projects to a third party;
- (2) the amount of the proceeds already used in the project;

- (3) the stage of completion and the realized benefits of the project;
- (4) an overview, a feasibility analysis and risk warnings (if applicable) regarding the substitute project;
- (5) the basis for determination of the price of the transfer or replacement and relevant gains;
- (6) the opinions of the Independent Directors, supervisory committee, and sponsor in respect of the transfer or replacement of the Proceeds Investment Projects;
- (7) a statement specifying that the transfer or replacement of the Proceeds Investment Projects is to be submitted to the general meeting for consideration;
- (8) such other information as required by the Shanghai Stock Exchange and the Hong Kong Stock Exchange (if applicable).

The Company shall pay close attention to the collection and use of the proceeds from such transfer, the ownership change and the ongoing operation of the substitute assets, and perform its requisite obligation of information disclosure.

Chapter 5 Management and Supervision of Use of Proceeds

Article 21 The Board shall conduct a comprehensive review on the progress of the Proceeds Investment Projects on a semi-annual basis, and issue a Special Report of the Deposit and Actual Use of Proceeds (hereafter as “**Special Report**”) in respect of the deposit and use of proceeds in accordance with the format requirements of the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

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 Hong Kong Stock Exchange (if applicable), and an announcement shall be made accordingly within 2 trading days after such Special Report has been submitted to the Board for review.

After the end of each accounting year, the Board shall disclose the conclusive opinion of the sponsor’s special examination report in the Special Report.

Article 22 A certified public accountant may be appointed by the audit and the risk management committee of the Board, the supervisory committee, or more than one half of the Independent Directors, to conduct a special audit on the deposit and use of the proceeds and issue a special audit report. The Board shall provide active support and the Company shall bear all necessary expenses.

The Board shall report to the Shanghai Stock Exchange and the Hong Kong Stock Exchange (if applicable) and make an announcement accordingly within 2 trading days upon the receipt of the special audit report issued by the certified public accountant. Should the certified public accountant consider that there is any non-compliance of the management of proceeds by the Company in the special audit report, the Board shall also announce the non-compliance of the deposit and use of proceeds, any incurred or potential consequences thereof and measures already adopted or proposed to be adopted.

Article 23 The information with respect to the use of the proceeds shall be disclosed by the Board to the public.

Chapter 6 Supplementary Provisions

Article 24 These Principles shall apply to any Proceeds Investment Projects effectuated through any subsidiaries of the Company or any other entities controlled by the Company.

Article 25 These Principles shall be considered by the Board and approved at general meeting and shall be effective upon obtaining the approval from the CSRC in respect of listing of the A shares of the Company and the completion of the issue of A shares. Any amendments to these Principles shall be considered by the Board and approved at general meeting.

Article 26 Matters not specified in these Principles shall be dealt with in accordance with provisions of relevant laws, regulations, the Listing Rules, other applicable Hong Kong laws, regulations and codes, and the Articles of Association. For the avoidance of doubt, if the Listing Rules, other applicable Hong Kong laws, regulations and codes provide for more strict requirements than these Principles, the more strict requirements shall prevail. Any conflicts between these Principles and the laws and regulations of the State, the Listing Rules, other applicable Hong Kong laws, regulations and codes to be promulgated or the Articles of Association as amended in compliance with the legal procedures, the requirements of the newly promulgated laws and regulations of the State, the Listing Rules, Hong Kong laws, regulations and codes and the amended Articles of Association shall prevail, and the Company shall revise these Principles immediately and submit it to the general meeting of the Company for consideration and approval.

- Article 27 In case of any conflicts between these Principles and the Articles of Association, the latter shall prevail.
- Article 28 In case of any conflicts between these Principles and relevant laws and regulations of the State, the Listing Rules, other applicable Hong Kong laws, regulations and codes, the latter shall prevail.
- Article 29 Unless otherwise stated herein, terms used herein shall have the same meaning and interpretation as defined in the Articles of Association.
- Article 30 The power of interpretation of these Principles shall be vested in the Board of Directors of the Company.

**EXTRACT OF VALUATION REPORT ON
YTO B&C MACHINERY
Zhonglian Ping Bao Zi [2010] No. 509**

The following contents are extracted from the full valuation report prepared by China United Assets Appraisal Co., Ltd. dated 25 June 2010 in respect of YTO B&C Machinery.

China United Assets Appraisal Co., Ltd. was commissioned by First Tractor Company Limited to value the market value of the entire shareholders' equity of YTO (Luoyang) Building & Construction Machinery Company Limited* ("**YTO B&C Machinery**" or "**the valued entity**") as of the valuation reference date (i.e. 31 May 2010) in connection with the economic behaviour of the proposed transfer of the equity interest in YTO B&C Machinery held by First Tractor Company Limited.

The valuation target is the entire shareholders' equity of YTO B&C Machinery. The valuation scope involves all assets and relevant liabilities of YTO B&C Machinery, including current assets and non-current assets and relevant liabilities.

Taking into account of the difficulty in identifying similar transactions or comparable enterprises in the current domestic capital market due to the significant historical losses recorded by the valued entity as well as this valuation is conducted for the transfer of equity interest, the asset-based approach is selected for the valuation to reflect the value of an enterprise from the perspective of building enterprise into the existence and to provide a basis for management and assessment of the operation of the enterprise after completion of the economic behaviour.

The valuation staff conducted the valuation based on the following assumptions:

1. TRANSACTION ASSUMPTION

Transaction assumption is to assume that all assets subject to valuation are in the process of transaction, and the valuers shall conduct the valuation based on the conditions of the transaction in respect of the assets to be valued on a simulated market.

2. PUBLIC MARKET ASSUMPTION

Public market assumption is to assume that the assets subject to valuation are tradable in the public market.

3. ASSUMPTION ON CONTINUING OPERATION OF THE ASSETS

Assumption on continuing operation of the assets means that the valuation approach, parameters and references shall be determined based on whether the assets to be valued will continue to be used in accordance with the current usage and the way, scale, frequency, circumstance of use or will be used with some changes thereto.

The valuation reference date is 31 May 2010.

Upon implementation of valuation procedures including thorough examination and verification, on-site survey, market research and consultation as well as appraisals and estimations, the appraisal results in respect of the entire equity interest of the shareholders of YTO B&C Machinery as at the valuation reference date (being 31 May 2010) are as follows:

The assets' book value was RMB78.3103 million; the appraised value was RMB103.9855 million; the appreciation in the appraised value was RMB25.6752 million, representing an appreciation rate of 32.79%.

The liabilities' book value was RMB71.5619 million; the appraised value was RMB71.5619 million and so far no appreciation or depreciation in the appraised value was incurred.

The net assets' book value was RMB6.7484 million; the appraised value was RMB32.4236 million; the appreciation in the appraised value was RMB25.6752 million, representing an appreciation rate of 380.46%. For details, please refer to the following table.

SUMMARY TABLE OF ASSETS VALUATION RESULT

Unit: RMB0'000

Items		Book Value A	Appraised Value B	Appreciation/ Depreciation C = B-A	Appreciation rate% $C = \frac{B-A}{A}$
Current assets	1	6,819.45	7,021.52	202.07	2.96
Non-current assets	2	1,011.58	3,377.03	2,365.45	233.84
Including: Long-term equity investments	4	—	—	—	—
Real estate for investment	5	—	—	—	—
Fixed assets	6	794.71	1,430.76	636.05	80.04
Construction in progress	7	—	—	—	—
Intangible assets	8	216.87	1,946.27	1,729.40	797.44
Including: Land use rights	9	216.80	1,945.77	1,728.97	797.50
Other non-current assets	10	—	—	—	—
Total assets	11	7,831.03	10,398.55	2,567.52	32.79
Current liabilities	12	7,156.19	7,156.19	—	—
Non-current liabilities	13	—	—	—	—
Total liabilities	14	7,156.19	7,156.19	—	—
Net assets (owner's equity)	15	674.84	3,242.36	2,567.52	380.46

Report users are reminded to pay special attention to the special events and significant events for subsequent periods set out in the report when applying the conclusion of this valuation.

The valuation result of this report has a validity of one year, from 31 May 2010 to 30 May 2011.

PROFESSIONAL QUALIFICATIONS OF CHINA UNITED ASSETS APPRAISAL CO., LTD.

China United Assets Appraisal Co., Ltd.(中聯資產評估有限公司) was established in 1997 and the registration number of its Business License for Enterprise as Legal Persons is 110000001312261. The company has comprehensive expertise in valuation business with qualifications approved by the Ministry of Finance of the PRC, including the qualification for assets valuation, qualification for valuation of the securities industry, the national certified qualification for land valuation and the qualification for valuation of mining rights, among which:

approval number of Assets Valuation Qualification Certificate: Jing Cai Qi Xu Ke (2008) No. 0102

approval number of the Valuation Qualification Certificate for Securities and Futures Related Business: Cai Qi (2008) No. 360

The valuers participated in this valuation project, who are certified assets valuers as approved by and registered with the Ministry of Finance of the PRC, are as follows:

Name	Certificate No.	Certificate	Date of Registration
		Issuance Date	
Yu Shijun (余詩軍)	41030061	7 December 2006	10 February 2003
Li Ning (李寧)	41070002	12 February 2007	28 December 2006

**EXTRACT OF VALUATION REPORT ON
YTO MACHINERY SALES
Zhonglian Ping Bao Zi [2010] No. 510**

The following contents are extracted from the full valuation report prepared by China United Assets Appraisal Co., Ltd. dated 25 June 2010 in respect of YTO Machinery Sales.

China United Assets Appraisal Co., Ltd. was commissioned by First Tractor Company Limited to value the market value of the entire shareholders' equity of YTO (Luoyang) Construction Machinery Sales Company Limited* ("**YTO Machinery Sales**" or "**the valued entity**") as of the valuation reference date (i.e. 31 May 2010) in connection with the economic behaviour of the proposed transfer of the equity interest in YTO Machinery Sales by First Tractor Company Limited.

The valuation target is the entire shareholders' equity of YTO Machinery Sales. The valuation scope involves all assets and relevant liabilities of YTO Machinery Sales, including current assets and non-current assets and relevant liabilities.

Taking into account of the difficulty in identifying similar transactions or comparable enterprises in the current domestic capital market due to the significant historical losses recorded by the valued entity as well as this valuation is conducted for the transfer of equity interest, the asset-based approach is adopted for the valuation to reflect the value of an enterprise from the perspective of building enterprise into the existence and to provide a basis for management and assessment of the operation of the enterprise after completion of the economic behaviour.

The valuation staff conducted the valuation based on the following assumptions:

1. TRANSACTION ASSUMPTION

Transaction assumption is to assume that all assets subject to valuation are in the process of transaction, and the valuers shall conduct the valuation based on the conditions of the transaction in respect of the assets to be valued on a simulated market.

2. PUBLIC MARKET ASSUMPTION

Public market assumption is to assume that the assets subject to valuation are tradable in the public market.

3. ASSUMPTION ON CONTINUING OPERATION OF THE ASSETS

Assumption on continuing operation of the assets means that the valuation approach, parameters and references shall be determined based on whether the assets to be valued will continue to be used in accordance with the current usage and the way, scale, frequency, circumstance of use or will be used with some changes thereto.

The valuation reference date is 31 May 2010.

Upon implementation of valuation procedures including thorough examination and verification, on-site survey, market research and consultation as well as appraisals and estimations, the appraisal results in respect of the entire equity interest of the shareholders of YTO Machinery Sales as at the valuation reference date (being 31 May 2010) are as follows:

The assets' book value was RMB281.916 million; the appraised value was RMB277.1238 million; the depreciation in the appraised value was RMB4.7922 million, representing a depreciation rate of 1.70%.

The liabilities' book value was RMB49.7415 million; the appraised value was RMB49.7415 million and so far no appreciation or depreciation in the appraised value was incurred.

The net assets' book value was RMB232.1745 million; the appraised value was RMB227.3823 million; the depreciation in the appraised value was RMB4.7922 million, representing a depreciation rate of 2.06%. For details, please refer to the following table.

SUMMARY TABLE OF ASSETS VALUATION RESULT

Unit: RMB0'000

Items		Book Value A	Appraised Value B	Appreciation/ Depreciation C=B-A	Appreciation rate% $C = \frac{B-A}{A}$
Current assets	1	189.53	182.64	-6.89	-3.64
Non-current assets	2	28,002.07	27,529.74	-472.33	-1.69
Including: Long-term					
equity investments	4	27,972.56	27,511.62	-460.94	-1.65
Real estate for					
investment	5	—	—	—	—
Fixed assets	6	29.51	18.13	-11.38	-38.56
Construction in					
progress	7	—	—	—	—
Intangible assets	8	—	—	—	—
Including: Land use rights	9	—	—	—	—
Other non-current					
assets	10	—	—	—	—
Total assets	11	28,191.60	27,712.38	-479.22	-1.70
Current liabilities	12	4,974.15	4,974.15	—	—
Non-current liabilities	13	—	—	—	—
Total liabilities	14	4,974.15	4,974.15	—	—
Net assets (owner's equity)	15	23,217.45	22,738.23	-479.22	-2.06

Report users are reminded to pay special attention to the special events and significant events for subsequent periods set out in the report when applying the conclusion of this valuation.

The valuation result of this report has a validity of one year, from 31 May 2010 to 30 May 2011.

PROFESSIONAL QUALIFICATIONS OF CHINA UNITED ASSETS APPRAISAL CO., LTD.

China United Assets Appraisal Co., Ltd.(中聯資產評估有限公司) was established in 1997 and the registration number of its Business License for Enterprise as Legal Persons is 110000001312261. The company has comprehensive expertise in valuation business with qualifications approved by the Ministry of Finance of the PRC, including the qualification for assets valuation, qualification for valuation of the securities industry, the national certified qualification for land valuation and the qualification for valuation of mining rights, among which:

approval number of Assets Valuation Qualification Certificate: Jing Cai Qi Xu Ke (2008) No. 0102

approval number of the Valuation Qualification Certificate for Securities and Futures Related Business: Cai Qi (2008) No. 360

The valuers participated in this valuation project, who are certified assets valuers as approved by and registered with the Ministry of Finance of the PRC, are as follows:

Name	Certificate No.	Certificate	Date of Registration
		Issuance Date	
Yu Shijun(余詩軍)	41030061	7 December 2006	10 February 2003
Li Ning(李寧)	41070002	12 February 2007	28 December 2006

* For identification purposes only

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS**(a) Interests of Directors, Supervisors and chief executive of the Company**

As at the Latest Practicable Date, none of the Directors, Supervisors or chief executive of the Company has an interest or short position in any Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which is required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors, Supervisors or chief executive of the Company was taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

As at the Latest Practicable Date, none of the Directors or the controlling Shareholders of the Company and their respective associates has any interest in a business, apart from the business of the Company, which competes or may compete with the business of the Company or has any other conflict of interest with the Company which would be required to be disclosed under Rule 8.10 of the Listing Rules.

As at the Latest Practicable Date, none of the Directors, Supervisors or chief executives of the Company or their spouses or children under 18 years of age were granted or had exercised any right to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

None of the Directors and Supervisors has any interest, direct or indirect, in any assets which have been acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group since 31 December 2009, the date to which the latest published audited financial statement of the Group was made up.

None of the Directors and Supervisors is materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group taken as a whole.

(b) Substantial Shareholders' and other Shareholders' interests

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Directors or chief executive of the Company, no other person has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to section 324 of the SFO, or, who is, directly or indirectly, interested in 10 per cent (10%) or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

Domestic Shares

Name of Shareholder	Nature of interests	Number of Shares	Approximate percentage of the total issued Share capital of the Company
YTO ^(Note)	Beneficial owner	443,910,000 Shares (L)	52.48%

Note: Mr. Liu Dagong, the executive Director of the Company, and Mr. Zhao Yanshui and Mr. Yan Linjiao, the non-executive Directors of the Company, are also the directors of YTO. Further, Mr. Liu Dagong, Mr. Zhao Yanshui and Mr. Yan Linjiao are the chairman, general manager and deputy general manager of YTO respectively.

H Shares

Name of Shareholder	Nature of interests	Number of Shares	Approximate percentage of the total issued H Shares of the Company	Approximate percentage of the total issued Share capital of the Company
DnB NOR Asset Management (Asia) Limited	Investment manager	47,748,000 (L)	11.88%	5.65%

Note: The letter “L” represents the entities’ long positions in the Shares of the Company.

3. EXPERTS AND CONSENTS

The following is the qualifications of the experts who have been named in this circular or have given opinion or advice contained in this circular:

Name	Qualification
China Merchants Securities (HK) Co., Ltd.	a licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
China United Assets Appraisal Co., Ltd.	a qualified PRC valuer licensed to undertake assets appraisal business by the Ministry of Finance of the PRC

As at the Latest Practicable Date, none of China Merchants Securities (HK) Co., Ltd. or China United Assets Appraisal Co., Ltd. is beneficially interested in the Share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of China Merchants Securities (HK) Co., Ltd. and China United Assets Appraisal Co., Ltd. has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or reports and references to its name and letter or reports in the form and context in which they appear.

The letter and recommendation given by China Merchants Securities (HK) Co., Ltd. are given as of the date of this circular for incorporation herein. The extract of the valuation reports in respect of the Selling Companies is prepared by China United Assets Appraisal Co., Ltd. for incorporation herein.

None of China Merchants Securities (HK) Co., Ltd. or China United Assets Appraisal Co., Ltd. has, or has had, any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, any member of the Group or are proposed to be acquired of or disposed of by, or leased to, any member of the Group since 31 December 2009, the date to which the latest published audited financial statement of the Group was made up.

4. SERVICE CONTRACTS

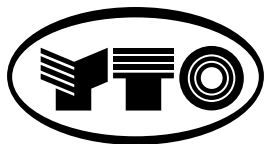
As at the Latest Practicable Date, none of the Directors and Supervisors entered or proposed to enter into any service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2009, the date to which the latest published audited accounts of the Company were made up.

6. DOCUMENTS FOR INSPECTION

Copy of the Sale and Purchase Agreement will be available for inspection at the office of Messrs. Li & Partners at 22nd Floor, World Wide House, Central, Hong Kong during normal business hours on any weekday (except public holidays) for a period of 14 days from the date hereof.



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

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

(Stock Code: 0038)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting (the “EGM”) of First Tractor Company Limited (the “Company”) will be held at 9:00 a.m. on Monday, 16 August 2010 at No.154 Jianshe Road, Luoyang, Henan Province, the People's Republic of China (the “PRC”) for the purpose of passing the following resolutions:

Unless otherwise indicated, capitalized terms used herein shall have the same meanings as those defined in the announcements of the Company dated 28 June 2010.

AS ORDINARY RESOLUTIONS:

1. the Sale and Purchase Agreement (a copy of which has been produced to the EGM marked “1” and signed by the chairman of the EGM for the purpose of identification), and the terms and conditions thereof and the transactions contemplated thereunder and the implementation thereof be and are hereby approved and confirmed;
2. the Loan Agreement (a copy of which has been produced to the EGM marked “2” and signed by the chairman of the EGM for the purpose of identification), and the terms and conditions thereof and its proposed cap amounts and the transaction contemplated thereunder and the implementation thereof be and are hereby approved and confirmed;
3. the Bills Discounting Agreement (a copy of which has been produced to the EGM marked “3” and signed by the chairman of the EGM for the purpose of identification), and the terms and conditions thereof and its proposed cap amounts and the transaction contemplated thereunder and the implementation thereof be and are hereby approved and confirmed;
4. the Bills Acceptance Agreement (a copy of which has been produced to the EGM marked “4” and signed by the chairman of the EGM for the purpose of identification), and the terms and conditions thereof and its proposed cap amounts and the transaction contemplated thereunder and the implementation thereof be and are hereby approved and confirmed;

* For identification purpose only

NOTICE OF EGM

5. any one of the Directors be authorised for and on behalf of the Company, among other matters, to sign, execute, perfect, deliver or to authorise signing, executing, perfecting and delivering all such documents and deeds, to do or authorise doing all such acts, matters and things as they may in their discretion consider necessary, expedient or desirable to give effect to and implement the Sale and Purchase Agreement, Loan Agreement, Bills Discounting Agreement and Bills Acceptance Agreement and to waive compliance from or make and agree such variations of a non-material nature to any of the terms of the Sale and Purchase Agreement, Loan Agreement, Bills Discounting Agreement and Bills Acceptance Agreement they may in their discretion consider to be desirable and in the interests of the Company and all the Directors' acts as aforesaid be hereby approved, ratified and confirmed;
6. the appointment of Mr. Zhang Qiusheng as the independent non-executive Director be and is hereby approved and confirmed;

AS SPECIAL RESOLUTIONS:

7. upon obtaining the approvals from the CSRC and the other relevant regulatory authorities in the PRC, the allotment and issue of A Shares by the Company and each of the following terms and conditions of the Issue of A Shares be approved and confirmed;

(i) Class of new Shares to be issued:

A Shares

(ii) Nominal value of new Shares to be issued:

RMB1.00 each

(iii) Stock exchange for listing:

Shanghai Stock Exchange

(iv) Number of A Shares to be issued:

A maximum of 150,000,000 A Shares

The final number of A Shares to be issued and the structure of the Issue of A Shares shall be subject to the approval by the CSRC and the other relevant regulatory authorities in the PRC, and subject to adjustment (if any) by the Board as authorised by the Shareholders at the EGM and Class Meetings, and within the range approved by the CSRC having regard to the relevant circumstances.

NOTICE OF EGM

(v) Target subscribers:

Qualified public investors (except those prohibited by the PRC laws and regulations and other regulatory requirements to which the Company is subject).

(vi) Method of issue:

The issue will be conducted via offline offering to investors and placement through online subscription at the issue price, or such other method as approved by the CSRC.

(vii) Basis for determining the issue price:

Upon obtaining approval of the CSRC for the Issue of A Shares, the Company and the lead underwriter shall conduct a preliminary price consultation with selected potential investors in the PRC in order to determine the range of the issue price of the proposed Issue of A Shares, and will thereafter within such price range conduct a further cumulative bidding price consultation in the PRC. The issue price of the proposed Issue of A Shares will be determined by the Board with reference to the results of the cumulative bidding price consultations and the market condition prevailing in the PRC securities market at the time of the Issue of A Shares. However, the issue price will not be lower than 90% of the average closing price of the Company's H Shares on the Stock Exchange for the 20 trading dates preceding to the date of the issue of A Shares prospectus.

(viii) Distribution plan of accumulated undistributed profits before the Issue of A Shares:

If the Issue of A Shares completes before the publication of the 2010 annual report of the Company, the Company shall declare dividends from the accumulated undistributed profits of the Company as at 30 June 2010 to all Shareholders in accordance with the authorization granted to the Board at the 2009 annual general meeting of the Company and with the decision of the Board in respect of the declaration of the 2010 interim dividends. The Company's accumulated undistributed profits after the distribution of the above dividends and up to the day prior to completion of the Issue of A Shares shall be shared by all new and existing Shareholders of the Company after the Issue of A Shares.

If the Issue of A Shares completes after the publication of the 2010 annual report of the Company, the Company shall declare dividends from the accumulated undistributed profits of the Company as at 31 December 2010 to all Shareholders in accordance with the resolution(s) in respect of declaration of dividends to be proposed and approved at the 2010 annual general meeting to be held in 2011. The Company's accumulated undistributed profits after the distribution of the above dividends and up to the day prior to completion of the Issue of A Shares shall be shared by all new and existing Shareholders of the Company after the Issue of A Shares.

NOTICE OF EGM

(ix) Use of proceeds:

The amount of funds to be raised from the proposed Issue of A Shares cannot be confirmed at the date hereof. However, the Company intends to apply the raised fund in the following three projects with total estimated investment amount of approximately RMB1,900,000,000:

1. project in respect of upgrading and improvement of the diesel engines (green environmental protection series), which involves upgrading and improvement of equipments, production lines and technology, as well as enhancement of production capability, with an estimated investment amount of approximately RMB900,000,000;
2. project in respect of enhancement of core capability of new wheeled tractors, which involves research and development and production of large horsepower tractors with power shifting transmission, as well as establishment of assembly station in Xinjiang, the PRC, with an estimated investment amount of approximately RMB800,000,000; and
3. project in respect of production of large and high efficiency agricultural machineries and ancillary machineries and tools, which involves the development and production of agricultural machineries and tools for ancillary use with all types of large horsepower tractors, with an estimated investment amount of approximately RMB200,000,000.

The proceeds obtained from the Issue of A Shares (after deducting the administrative costs in relation to the Issue of A Shares) shall be used to finance the above projects first. In case that the net proceeds from the Issue of A Shares are higher than the above estimated investment amount, the remaining net proceeds shall be used as general working capital of the Company. If the net proceeds from the Issue of A Shares are not sufficient to finance the above projects, the Company shall source the outstanding balance from other means. Before receipt of the proceeds from the Issue of A Shares, the Company may commence the above three projects by using its internal resources or bank loans. Upon receipt of the proceeds, the Company may repay the said bank loans (if any) in accordance with the requirements of the regulatory authorities in the PRC and after complying with the relevant procedures.

The Board be and is hereby authorized to modify the investment amount of the abovementioned projects and to allocate among such projects the proceeds from the Issue of A Shares by taking into account of the timing, amount and other circumstances of receiving such proceeds and the progress of such projects; the Board be and is hereby further authorized to modify the investment plans for the abovementioned projects according to the instructions of the competent regulatory authorities.

NOTICE OF EGM

(x) Authorization to the Board to process the Issue of A Shares and related matters:

The Board be authorized with full power to take all necessary actions and/or sign any documents in connection with the Issue of A Shares and to do all related matters in accordance with the relevant requirements of the CSRC, Stock Exchange and Shanghai Stock Exchange, and the Board be authorized to sub-authorize such authorization. The authorization to the Board includes but not limited to:

- (a) to deal with the issue and listing with respect to the Issue of A Shares and other related application procedures and other formalities (including but not limited to the proposed listing of A Shares on the Shanghai Stock Exchange);
- (b) to confirm the appropriate time of issue, manner of issue, target subscribers, and to determine the issue price, par value of A Shares and issue quantity according to the market conditions and in compliance with the relevant regulations;
- (c) to approve the application of the use of the net proceeds from the Issue of A Shares subject to the approval of the CSRC;
- (d) to approve and sign each of the documents and contracts relating to the Issue of A Shares including but not limited to offering circular(s), prospectus, sponsorship agreement, underwriting agreement, listing agreement and various announcements;
- (e) to make appropriate and necessary amendments to the relevant provisions of the Articles of Association and the procedure rules of the Company in connection with the Issue of A Shares;
- (f) to deal with the registration procedures in respect of the change in registered capital and the amendments to the Articles of Association upon completion of the Issue of A Shares; and
- (g) to deal with all procedures relating to the Issue of A Shares according to laws and regulations including all procedures that are required to be followed under the laws, regulations and listing rules of the places of listing of the Domestic Shares and H Shares.

The authorization shall be effective for a period of 12 months commencing from the approval of this resolution at the EGM and Class Meetings.

NOTICE OF EGM

(xi) Valid Period of this Resolution

This resolution shall be effective for a period of 12 months commencing from the approval of this resolution at the EGM and Class Meetings.

8. subject to the approval of the special resolution (7) above and conditional upon obtaining the approval from the CSRC and the completion of the Issue of A Shares, the proposed amendments to the Articles of Association (details of which are set out in the appendix to the circular to be despatched to the Shareholders of the Company on or before 20 July 2010) be approved and confirmed, and that any Director be and is hereby authorised to modify the wordings of such amendments as appropriate (such amendments will not be required to be approved by the Shareholders of the Company) and execute all such documents and/or do all such acts as the Directors may, in their absolute discretion, deem necessary or expedient and in the interest of the Company in order to effect the Issue of A Shares, comply with the changes in the PRC laws and regulations, and satisfy the requirements (if any) of the relevant PRC authorities, and to deal with other related issues arising from the amendments to the Articles of Association of the Company;
9. subject to the approval of the special resolutions (7) and (8) above and conditional upon the completion of the Issue of A Shares, the adoption of the rules of procedures for general meetings of the Company (details of which are set out in the appendix to the circular to be despatched to the Shareholders of the Company on or before 20 July 2010) be approved and confirmed, and that any Director be and is hereby authorised to modify the wordings of such rules as appropriate (such modifications will not be required to be approved by the Shareholders of the Company) and execute all such documents and/or do all such acts as the Directors may, in their absolute discretion, deem necessary or expedient and in the interest of the Company in order to effect the Issue of A Shares, comply with the changes in the PRC laws and regulations, and satisfy the requirements (if any) of the relevant PRC authorities, and to deal with other related issues arising from the adoption of the rules of procedures for general meetings of the Company;
10. subject to the approval of the special resolutions (7) and (8) above and conditional upon the completion of the Issue of A Shares, the adoption of the rules of procedures for the Board meetings of the Company (details of which are set out in the appendix to the circular to be despatched to the Shareholders of the Company on or before 20 July 2010) be approved and confirmed, and that any Director be and is hereby authorised to modify the wordings of such rules as appropriate (such modifications will not be required to be approved by the Shareholders of the Company) and execute all such documents and/or do all such acts as the Directors may, in their absolute discretion, deem necessary or expedient and in the interest of the Company in order to effect the Issue of A Shares, comply with the changes in the PRC laws and regulations, and satisfy the requirements (if any) of the relevant PRC authorities, and to deal with other related issues arising from the adoption of the rules of procedures for the Board meetings of the Company;

NOTICE OF EGM

11. subject to the approval of the special resolutions (7) and (8) above and conditional upon the completion of the Issue of A Shares, the adoption of the rules of procedures for the supervisory committee of the Company (details of which are set out in the appendix to the circular to be despatched to the Shareholders of the Company on or before 20 July 2010) be approved and confirmed, and that any Director be and is hereby authorised to modify the wordings of such rules as appropriate (such modifications will not be required to be approved by the Shareholders of the Company) and execute all such documents and/or do all such acts as the Directors may, in their absolute discretion, deem necessary or expedient and in the interest of the Company in order to effect the Issue of A Shares, comply with the changes in the PRC laws and regulations, and satisfy the requirements (if any) of the relevant PRC authorities, and to deal with other related issues arising from the adoption of the rules of procedures for the supervisory committee of the Company;
12. subject to the approval of the special resolutions (7) and (8) above and conditional upon the completion of the Issue of A Shares, the adoption of the management principles on external guarantee of the Company (details of which are set out in the appendix to the circular to be despatched to the Shareholders of the Company on or before 20 July 2010) be approved and confirmed, and that any Director be and is hereby authorised to modify the wordings of such principles as appropriate (such modifications will not be required to be approved by the Shareholders of the Company) and execute all such documents and/or do all such acts as the Directors may, in their absolute discretion, deem necessary or expedient and in the interest of the Company in order to effect the Issue of A Shares, comply with the changes in the PRC laws and regulations, and satisfy the requirements (if any) of the relevant PRC authorities, and to deal with other related issues arising from the adoption of the management principles on external guarantee of the Company;
13. subject to the approval of the special resolutions (7) and (8) above and conditional upon the completion of the Issue of A Shares, the adoption of the management principles on use of proceeds of the Company (details of which are set out in the appendix to the circular to be despatched to the Shareholders of the Company on or before 20 July 2010) be approved and confirmed, and that any Director be and is hereby authorised to modify the wordings of such principles as appropriate (such modifications will not be required to be approved by the Shareholders of the Company) and execute all such documents and/or do all such acts as the Directors may, in their absolute discretion, deem necessary or expedient and in the interest of the Company in order to effect the Issue of A Shares, comply with the changes in the PRC laws and regulations, and satisfy the requirements (if any) of the relevant PRC authorities, and to deal with other related issues arising from the adoption of the management principles on use of proceeds of the Company;

NOTICE OF EGM

14. subject to the approval of the CSRC on the Issue of A Shares and the relevant requirements of the CSRC, Stock Exchange, Shanghai Stock Exchange and other laws and regulations in the PRC, the listing of 443,910,000 Domestic Shares currently held by YTO on the Shanghai Stock Exchange (“**Listing of these Shares**”) be and is hereby approved; and the Board be and is hereby authorized with full power (including power to sub-authorize) to take all necessary actions and/or sign any documents in connection with the Listing of these Shares and to do all related matters in accordance with the relevant requirements of the CSRC, Stock Exchange and Shanghai Stock Exchange and other laws and regulations in the PRC.

By Order of the Board
FIRST TRACTOR COMPANY LIMITED
Liu Dagong
Chairman

Luoyang, the PRC
28 June 2010

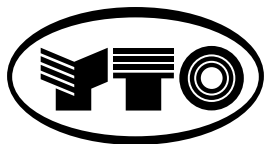
As at the date of this notice, the Board comprises four executive Directors, namely Mr. Liu Dagong, Ms. Dong Jianhong, Mr. Qu Dawei and Mr. Li Xibin, and four non-executive Directors, namely Mr. Zhao Yanshui, Mr. Yan Linjiao, Mr. Shao Haichen and Mr. Liu Yongle, and three independent non-executive Directors, namely Mr. Chan Sau Shan, Gary, Mr. Luo Xiwen and Mr. Hong Xianguo.

NOTICE OF EGM

Notes:

1. The register of members of the Company will be temporarily closed from 17 July 2010 to 15 August 2010 (both days inclusive) during which no transfer of shares of the Company (the “**Shares**”) will be registered in order to determine the list of shareholders of the Company (the “**Shareholders**”) for attending the EGM. The last lodgment for the transfer of the H Shares of the Company should be made on 16 July 2010 at Hong Kong Registrars Limited by or before 4:00 p.m. The Shareholders or their proxies being registered before the close of business on 16 July 2010 are entitled to attend the EGM by presenting their identity documents. The address of Hong Kong Registrars Limited, the H Share registrar of the Company, is Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
2. Each Shareholder having the rights to attend and vote at the EGM is entitled to appoint one or more proxies (whether a Shareholder or not) to attend and vote on his behalf. Should more than one proxy be appointed by one Shareholder, such proxy shall only exercise his voting rights on a poll.
3. Shareholders can appoint a proxy by an instrument in writing (i.e. by using the Proxy Form enclosed). The Proxy Form shall be signed by the person appointing the proxy or an attorney authorised by such person in writing. If the Proxy Form is signed by an attorney, the power of attorney or other documents of authorization shall be notarially certified. To be valid, the Proxy Form and the notarially certified power of attorney or other documents of authorisation must be delivered to the Company’s registered address at No. 154 Jianshe Road, Luoyang, Henan Province, the PRC, or the Company’s H Share registrar, Hong Kong Registrars Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong in not less than 24 hours before the time scheduled for the holding of the EGM or any adjournment thereof.
4. Shareholders who intend to attend the EGM are requested to deliver the duly completed and signed reply slip for attendance to the Company’s registered and principal office in person, by post or by facsimile on or before 4:00 p.m., 26 July 2010.
5. Shareholders or their proxies shall present proofs of their identities upon attending the EGM. Should a proxy be appointed, the proxy shall also present the proxy form.
6. The EGM is expected to last for less than one day. The Shareholders and proxies attending the EGM shall be responsible for their own travelling and accommodation expenses.
7. The Company’s registered address:
No. 154 Jianshe Road, Luoyang, Henan Province, the PRC
Postal code: 471004
Telephone: (86379)6496 7038
Facsimile: (86379)6496 7438
Email: msc0038@ytogroup.com

NOTICE OF CLASS MEETING FOR HOLDERS OF H SHARES



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

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

(Stock Code: 0038)

NOTICE OF CLASS MEETING FOR HOLDERS OF H SHARES

NOTICE IS HEREBY GIVEN that a class meeting for holders of H Shares (the “**Class Meeting**”) of First Tractor Company Limited (the “**Company**”) will be held at 9:20 a.m. (or immediately after the extraordinary general meeting of the Company to be convened and held on the same date and at the same place) on Monday, 16 August 2010 at No.154 Jianshe Road, Luoyang, Henan Province, the People's Republic of China (the “**PRC**”) for the purpose of considering and, if thought fit, passing the following resolutions:

Unless otherwise indicated, capitalized terms used herein shall have the same meanings as those defined in the announcements of the Company dated 28 June 2010.

AS SPECIAL RESOLUTIONS

1. upon obtaining the approvals from the CSRC and the other relevant regulatory authorities in the PRC, the allotment and issue of A Shares by the Company and each of the following terms and conditions of the Issue of A Shares be approved and confirmed;

(i) Class of new Shares to be issued:

A Shares

(ii) Nominal value of new Shares to be issued:

RMB1.00 each

(iii) Stock exchange for listing:

Shanghai Stock Exchange

* For identification purpose only

NOTICE OF CLASS MEETING FOR HOLDERS OF H SHARES

(iv) Number of A Shares to be issued:

A maximum of 150,000,000 A Shares

The final number of A Shares to be issued and the structure of the Issue of A Shares shall be subject to the approval by the CSRC and the other relevant regulatory authorities in the PRC, and subject to adjustment (if any) by the Board as authorised by the Shareholders at the EGM and Class Meetings, and within the range approved by the CSRC having regard to the relevant circumstances.

(v) Target subscribers:

Qualified public investors (except those prohibited by the PRC laws and regulations and other regulatory requirements to which the Company is subject).

(vi) Method of issue:

The issue will be conducted via offline offering to investors and placement through online subscription at the issue price, or such other method as approved by the CSRC.

(vii) Basis for determining the issue price:

Upon obtaining approval of the CSRC for the Issue of A Shares, the Company and the lead underwriter shall conduct a preliminary price consultation with selected potential investors in the PRC in order to determine the range of the issue price of the proposed Issue of A Shares, and will thereafter within such price range conduct a further cumulative bidding price consultation in the PRC. The issue price of the proposed Issue of A Shares will be determined by the Board with reference to the results of the cumulative bidding price consultations and the market condition prevailing in the PRC securities market at the time of the Issue of A Shares. However, the issue price will not be lower than 90% of the average closing price of the Company's H Shares on the Stock Exchange for the 20 trading dates preceding to the date of the issue of A Shares prospectus.

NOTICE OF CLASS MEETING FOR HOLDERS OF H SHARES

(viii) Distribution plan of accumulated undistributed profits before the Issue of A Shares:

If the Issue of A Shares completes before the publication of the 2010 annual report of the Company, the Company shall declare dividends from the accumulated undistributed profits of the Company as at 30 June 2010 to all Shareholders in accordance with the authorization granted to the Board at the 2009 annual general meeting of the Company and with the decision of the Board in respect of the declaration of the 2010 interim dividends. The Company's accumulated undistributed profits after the distribution of the above dividends and up to the day prior to completion of the Issue of A Shares shall be shared by all new and existing Shareholders of the Company after the Issue of A Shares.

If the Issue of A Shares completes after the publication of the 2010 annual report of the Company, the Company shall declare dividends from the accumulated undistributed profits of the Company as at 31 December 2010 to all Shareholders in accordance with the resolution(s) in respect of declaration of dividends to be proposed and approved at the 2010 annual general meeting to be held in 2011. The Company's accumulated undistributed profits after the distribution of the above dividends and up to the day prior to completion of the Issue of A Shares shall be shared by all new and existing Shareholders of the Company after the Issue of A Shares.

(ix) Use of proceeds:

The amount of funds to be raised from the proposed Issue of A Shares cannot be confirmed at the date hereof. However, the Company intends to apply the raised fund in the following three projects with total estimated investment amount of approximately RMB1,900,000,000:

1. project in respect of upgrading and improvement of the diesel engines (green environmental protection series), which involves upgrading and improvement of equipments, production lines and technology, as well as enhancement of production capability, with an estimated investment amount of approximately RMB900,000,000;
2. project in respect of enhancement of core capability of new wheeled tractors, which involves research and development and production of large horsepower tractors with power shifting transmission, as well as establishment of assembly station in Xinjiang, the PRC, with an estimated investment amount of approximately RMB800,000,000; and
3. project in respect of production of large and high efficiency agricultural machineries and ancillary machineries and tools, which involves the development and production of agricultural machineries and tools for ancillary use with all types of large horsepower tractors, with an estimated investment amount of approximately RMB200,000,000.

NOTICE OF CLASS MEETING FOR HOLDERS OF H SHARES

The proceeds obtained from the Issue of A Shares (after deducting the administrative costs in relation to the Issue of A Shares) shall be used to finance the above projects first. In case that the net proceeds from the Issue of A Shares are higher than the above estimated investment amount, the remaining net proceeds shall be used as general working capital of the Company. If the net proceeds from the Issue of A Shares are not sufficient to finance the above projects, the Company shall source the outstanding balance from other means. Before receipt of the proceeds from the Issue of A Shares, the Company may commence the above three projects by using its internal resources or bank loans. Upon receipt of the proceeds, the Company may repay the said bank loans (if any) in accordance with the requirements of the regulatory authorities in the PRC and after complying with the relevant procedures.

The Board be and is hereby authorized to modify the investment amount of the abovementioned projects and to allocate among such projects the proceeds from the Issue of A Shares by taking into account of the timing, amount and other circumstances of receiving such proceeds and the progress of such projects; the Board be and is hereby further authorized to modify the investment plans for the abovementioned projects according to the instructions of the competent regulatory authorities.

(x) Authorization to the Board to process the Issue of A Shares and related matters:

The Board be authorized with full power to take all necessary actions and/or sign any documents in connection with the Issue of A Shares and to do all related matters in accordance with the relevant requirements of the CSRC, Stock Exchange and Shanghai Stock Exchange, and the Board be authorized to sub-authorize such authorization. The authorization to the Board includes but not limited to:

- (a) to deal with the issue and listing with respect to the Issue of A Shares and other related application procedures and other formalities (including but not limited to the proposed listing of A Shares on the Shanghai Stock Exchange);
- (b) to confirm the appropriate time of issue, manner of issue, target subscribers, and to determine the issue price, par value of A Shares and issue quantity according to the market conditions and in compliance with the relevant regulations;
- (c) to approve the application of the use of the net proceeds from the Issue of A Shares subject to the approval of the CSRC;
- (d) to approve and sign each of the documents and contracts relating to the Issue of A Shares including but not limited to offering circular(s), prospectus, sponsorship agreement, underwriting agreement, listing agreement and various announcements;

NOTICE OF CLASS MEETING FOR HOLDERS OF H SHARES

- (e) to make appropriate and necessary amendments to the relevant provisions of the Articles of Association and the procedure rules of the Company in connection with the Issue of A Shares;
- (f) to deal with the registration procedures in respect of the change in registered capital and the amendments to the Articles of Association upon completion of the Issue of A Shares; and
- (g) to deal with all procedures relating to the Issue of A Shares according to laws and regulations including all procedures that are required to be followed under the laws, regulations and listing rules of the places of listing of the Domestic Shares and H Shares.

The authorization shall be effective for a period of 12 months commencing from the approval of this resolution at the EGM and Class Meetings.

(xi) Valid Period of this Resolution

This resolution shall be effective for a period of 12 months commencing from the approval of this resolution at the EGM and Class Meetings.

2. subject to the approval of the CSRC on the Issue of A Shares and the relevant requirements of the CSRC, Stock Exchange, Shanghai Stock Exchange and other laws and regulations in the PRC, the listing of 443,910,000 Domestic Shares currently held by YTO on the Shanghai Stock Exchange (“**Listing of these Shares**”) be and is hereby approved; and the Board be and is hereby authorized with full power (including power to sub-authorize) to take all necessary actions and/or sign any documents in connection with the Listing of these Shares and to do all related matters in accordance with the relevant requirements of the CSRC, Stock Exchange and Shanghai Stock Exchange and other laws and regulations in the PRC.

By Order of the Board
First Tractor Company Limited
Liu Dagong
Chairman

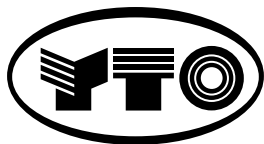
Luoyang, the PRC
28 June 2010

As at the date of this notice, the Board comprises four executive Directors, namely Mr. Liu Dagong, Ms. Dong Jianhong, Mr. Qu Dawei and Mr. Li Xibin, and four non-executive Directors, namely Mr. Zhao Yanshui, Mr. Yan Linjiao, Mr. Shao Haichen and Mr. Liu Yongle, and three independent non-executive Directors, namely Mr. Chan Sau Shan, Gary, Mr. Luo Xiwen and Mr. Hong Xianguo.

NOTICE OF CLASS MEETING FOR HOLDERS OF H SHARES

Notes:

1. The register of members of the Company will be temporarily closed from 17 July 2010 to 15 August 2010 (both days inclusive) during which no transfer of H Shares of the Company will be registered in order to determine the list of holders of H Shares of the Company (the “**Shareholders**”) for attending the Class Meeting. The last lodgment for H Share transfer should be made on 16 July 2010 at Hong Kong Registrars Limited by or before 4:00 p.m. The Shareholders or their proxies being registered before the close of business on 16 July 2010 are entitled to attend the Class Meeting by presenting their identity documents. The address of Hong Kong Registrars Limited, the H Share registrar of the Company, is Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
2. Each Shareholder having the rights to attend and vote at the Class Meeting is entitled to appoint one or more proxies (whether a Shareholder or not) to attend and vote on his behalf. Should more than one proxy be appointed by one Shareholder, such proxy shall only exercise his voting rights on a poll.
3. Shareholders can appoint a proxy by an instrument in writing (i.e. by using the Proxy Form enclosed). The Proxy Form shall be signed by the person appointing the proxy or an attorney authorised by such person in writing. If the Proxy Form is signed by an attorney, the power of attorney or other documents of authorization shall be notarially certified. To be valid, the Proxy Form and the notarially certified power of attorney or other documents of authorisation must be delivered to the H Share registrar of the Company, Hong Kong Registrars Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong in not less than 24 hours before the time scheduled for the holding of the Class Meeting or any adjournment thereof.
4. Shareholders who intend to attend the Class Meeting are requested to deliver the duly completed and signed reply slip for attendance to the Company’s registered and principal office in person, by post or by facsimile on or before 4:00 p.m., 26 July 2010.
5. Shareholders or their proxies shall present proofs of their identities upon attending the Class Meeting. Should a proxy be appointed, the proxy shall also present the Proxy Form.
6. The Class Meeting is expected to last for less than one day. The Shareholders and proxies attending the Class Meeting shall be responsible for their own travelling and accommodation expenses.
7. The Company’s registered address:
No. 154 Jianshe Road, Luoyang, Henan Province, the PRC
Postal code: 471004
Telephone: (86379)6496 7038
Facsimile: (86379)6496 7438
Email: msc0038@ytogroup.com



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

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

(Stock Code: 0038)

NOTICE OF CLASS MEETING FOR HOLDERS OF DOMESTIC SHARES

NOTICE IS HEREBY GIVEN that a class meeting for holders of Domestic Shares (the “**Class Meeting**”) of First Tractor Company Limited (the “**Company**”) will be held at 9:40 a.m. (or immediately after the class meeting for holders of H Shares in the Company to be convened and held on the same date and at the same place) on Monday, 16 August 2010 at No.154 Jianshe Road, Luoyang, Henan Province, the People's Republic of China (the “**PRC**”) for the purpose of considering and, if thought fit, passing the following resolutions:

Unless otherwise indicated, capitalized terms used herein shall have the same meanings as those defined in the announcements of the Company dated 28 June 2010.

AS SPECIAL RESOLUTIONS

1. upon obtaining the approvals from the CSRC and the other relevant regulatory authorities in the PRC, the allotment and issue of A Shares by the Company and each of the following terms and conditions of the Issue of A Shares be approved and confirmed;

(i) Class of new Shares to be issued:

A Shares

(ii) Nominal value of new Shares to be issued:

RMB1.00 each

(iii) Stock exchange for listing:

Shanghai Stock Exchange

* For identification purpose only

NOTICE OF CLASS MEETING FOR HOLDERS OF DOMESTIC SHARES

(iv) Number of A Shares to be issued:

A maximum of 150,000,000 A Shares

The final number of A Shares to be issued and the structure of the Issue of A Shares shall be subject to the approval by the CSRC and the other relevant regulatory authorities in the PRC, and subject to adjustment (if any) by the Board as authorised by the Shareholders at the EGM and Class Meetings, and within the range approved by the CSRC having regard to the relevant circumstances.

(v) Target subscribers:

Qualified public investors (except those prohibited by the PRC laws and regulations and other regulatory requirements to which the Company is subject).

(vi) Method of issue:

The issue will be conducted via offline offering to investors and placement through online subscription at the issue price, or such other method as approved by the CSRC.

(vii) Basis for determining the issue price:

Upon obtaining approval of the CSRC for the Issue of A Shares, the Company and the lead underwriter shall conduct a preliminary price consultation with selected potential investors in the PRC in order to determine the range of the issue price of the proposed Issue of A Shares, and will thereafter within such price range conduct a further cumulative bidding price consultation in the PRC. The issue price of the proposed Issue of A Shares will be determined by the Board with reference to the results of the cumulative bidding price consultations and the market condition prevailing in the PRC securities market at the time of the Issue of A Shares. However, the issue price will not be lower than 90% of the average closing price of the Company's H Shares on the Stock Exchange for the 20 trading dates preceding to the date of the issue of A Shares prospectus.

NOTICE OF CLASS MEETING FOR HOLDERS OF DOMESTIC SHARES

(viii) Distribution plan of accumulated undistributed profits before the Issue of A Shares:

If the Issue of A Shares completes before the publication of the 2010 annual report of the Company, the Company shall declare dividends from the accumulated undistributed profits of the Company as at 30 June 2010 to all Shareholders in accordance with the authorization granted to the Board at the 2009 annual general meeting of the Company and with the decision of the Board in respect of the declaration of the 2010 interim dividends. The Company's accumulated undistributed profits after the distribution of the above dividends and up to the day prior to completion of the Issue of A Shares shall be shared by all new and existing Shareholders of the Company after the Issue of A Shares.

If the Issue of A Shares completes after the publication of the 2010 annual report of the Company, the Company shall declare dividends from the accumulated undistributed profits of the Company as at 31 December 2010 to all Shareholders in accordance with the resolution(s) in respect of declaration of dividends to be proposed and approved at the 2010 annual general meeting to be held in 2011. The Company's accumulated undistributed profits after the distribution of the above dividends and up to the day prior to completion of the Issue of A Shares shall be shared by all new and existing Shareholders of the Company after the Issue of A Shares.

(ix) Use of proceeds:

The amount of funds to be raised from the proposed Issue of A Shares cannot be confirmed at the date hereof. However, the Company intends to apply the raised fund in the following three projects with total estimated investment amount of approximately RMB1,900,000,000:

1. project in respect of upgrading and improvement of the diesel engines (green environmental protection series), which involves upgrading and improvement of equipments, production lines and technology, as well as enhancement of production capability, with an estimated investment amount of approximately RMB900,000,000;
2. project in respect of enhancement of core capability of new wheeled tractors, which involves research and development and production of large horsepower tractors with power shifting transmission, as well as establishment of assembly station in Xinjiang, the PRC, with an estimated investment amount of approximately RMB800,000,000; and
3. project in respect of production of large and high efficiency agricultural machineries and ancillary machineries and tools, which involves the development and production of agricultural machineries and tools for ancillary use with all types of large horsepower tractors, with an estimated investment amount of approximately RMB200,000,000.

NOTICE OF CLASS MEETING FOR HOLDERS OF DOMESTIC SHARES

The proceeds obtained from the Issue of A Shares (after deducting the administrative costs in relation to the Issue of A Shares) shall be used to finance the above projects first. In case that the net proceeds from the Issue of A Shares are higher than the above estimated investment amount, the remaining net proceeds shall be used as general working capital of the Company. If the net proceeds from the Issue of A Shares are not sufficient to finance the above projects, the Company shall source the outstanding balance from other means. Before receipt of the proceeds from the Issue of A Shares, the Company may commence the above three projects by using its internal resources or bank loans. Upon receipt of the proceeds, the Company may repay the said bank loans (if any) in accordance with the requirements of the regulatory authorities in the PRC and after complying with the relevant procedures.

The Board be and is hereby authorized to modify the investment amount of the abovementioned projects and to allocate among such projects the proceeds from the Issue of A Shares by taking into account of the timing, amount and other circumstances of receiving such proceeds and the progress of such projects; the Board be and is hereby further authorized to modify the investment plans for the abovementioned projects according to the instructions of the competent regulatory authorities.

(x) Authorization to the Board to process the Issue of A Shares and related matters:

The Board be authorized with full power to take all necessary actions and/or sign any documents in connection with the Issue of A Shares and to do all related matters in accordance with the relevant requirements of the CSRC, Stock Exchange and Shanghai Stock Exchange, and the Board be authorized to sub-authorize such authorization. The authorization to the Board includes but not limited to:

- (a) to deal with the issue and listing with respect to the Issue of A Shares and other related application procedures and other formalities (including but not limited to the proposed listing of A Shares on the Shanghai Stock Exchange);
- (b) to confirm the appropriate time of issue, manner of issue, target subscribers, and to determine the issue price, par value of A Shares and issue quantity according to the market conditions and in compliance with the relevant regulations;
- (c) to approve the application of the use of the net proceeds from the Issue of A Shares subject to the approval of the CSRC;
- (d) to approve and sign each of the documents and contracts relating to the Issue of A Shares including but not limited to offering circular(s), prospectus, sponsorship agreement, underwriting agreement, listing agreement and various announcements;

NOTICE OF CLASS MEETING FOR HOLDERS OF DOMESTIC SHARES

- (e) to make appropriate and necessary amendments to the relevant provisions of the Articles of Association and the procedure rules of the Company in connection with the Issue of A Shares;
- (f) to deal with the registration procedures in respect of the change in registered capital and the amendments to the Articles of Association upon completion of the Issue of A Shares; and
- (g) to deal with all procedures relating to the Issue of A Shares according to laws and regulations including all procedures that are required to be followed under the laws, regulations and listing rules of the places of listing of the Domestic Shares and H Shares.

The authorization shall be effective for a period of 12 months commencing from the approval of this resolution at the EGM and Class Meetings.

(xi) Valid Period of this Resolution

This resolution shall be effective for a period of 12 months commencing from the approval of this resolution at the EGM and Class Meetings.

2. subject to the approval of the CSRC on the Issue of A Shares and the relevant requirements of the CSRC, Stock Exchange, Shanghai Stock Exchange and other laws and regulations in the PRC, the listing of 443,910,000 Domestic Shares currently held by YTO on the Shanghai Stock Exchange (“**Listing of these Shares**”) be and is hereby approved; and the Board be and is hereby authorized with full power (including power to sub-authorize) to take all necessary actions and/or sign any documents in connection with the Listing of these Shares and to do all related matters in accordance with the relevant requirements of the CSRC, Stock Exchange and Shanghai Stock Exchange and other laws and regulations in the PRC.

By Order of the Board

FIRST TRACTOR COMPANY LIMITED

Liu Dagong

Chairman

Luoyang, the PRC

28 June 2010

As at the date of this notice, the Board comprises four executive Directors, namely Mr. Liu Dagong, Ms. Dong Jianhong, Mr. Qu Dawei and Mr. Li Xibin, and four non-executive Directors, namely Mr. Zhao Yanshui, Mr. Yan Linjiao, Mr. Shao Haichen and Mr. Liu Yongle, and three independent non-executive Directors, namely Mr. Chan Sau Shan, Gary, Mr. Luo Xiwen and Mr. Hong Xianguo.

NOTICE OF CLASS MEETING FOR HOLDERS OF DOMESTIC SHARES

Notes:

1. The register of members of the Company will be temporarily closed from 17 July 2010 to 15 August 2010 (both days inclusive) during which no transfer of Domestic Shares of the Company will be registered in order to determine the list of holders of Domestic Shares of the Company (the “**Shareholders**”) for attending the Class Meeting. The last lodgment for Domestic Share transfer should be made on 16 July 2010 at the Company’s registered and principal office by or before 4:00 p.m. The Shareholders or their proxies being registered before the close of business on 16 July 2010 are entitled to attend the Class Meeting by presenting their identity documents.
2. Each Shareholder having the rights to attend and vote at the Class Meeting is entitled to appoint one or more proxies (whether a Shareholder or not) to attend and vote on his behalf. Should more than one proxy be appointed by one Shareholder, such proxy shall only exercise his voting rights on a poll.
3. Shareholders can appoint a proxy by an instrument in writing (i.e. by using the proxy form enclosed). The proxy form shall be signed by the person appointing the proxy or an attorney authorised by such person in writing. If the proxy form is signed by an attorney, the power of attorney or other documents of authorization shall be notarially certified. To be valid, the proxy form and the notarially certified power of attorney or other documents of authorisation must be delivered to the registered address of the Company at No. 154, Jianshe Road, Luoyang, Henan Province, the PRC in not less than 24 hours before the time scheduled for the holding of the Class Meeting or any adjournment thereof.
4. Shareholders who intend to attend the Class Meeting are requested to deliver the duly completed and signed reply slip for attendance to the Company’s registered and principal office in person, by post or by facsimile on or before 4:00 p.m., 26 July 2010.
5. Shareholders or their proxies shall present proofs of their identities upon attending the Class Meeting. Should a proxy be appointed, the proxy shall also present the Proxy Form.
6. The Class Meeting is expected to last for less than one day. The Shareholders and proxies attending the Class Meeting shall be responsible for their own travelling and accommodation expenses.
7. The Company’s registered address:
No. 154 Jianshe Road, Luoyang, Henan Province, the PRC
Postal code: 471004
Telephone: (86379)6496 7038
Facsimile: (86379)6496 7438
Email: msc0038@ytogroup.com