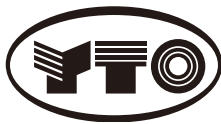

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant 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 to the purchaser(s) or the transferee(s), or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or the transferee(s).

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

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

(Stock Code: 0038)

- (1) INCREASE IN WEALTH MANAGEMENT AMOUNT
OF INTERNAL IDLE FUNDS;**
- (2) PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION;**
- (3) PROPOSED AMENDMENTS TO THE RULES OF
PROCEDURES FOR GENERAL MEETINGS; AND**
- (4) PROPOSED AMENDMENTS TO THE DECISION MAKING
PRINCIPLES ON INVESTMENTS**

A letter from the Board is set out on pages 1 to 12 of this circular.

A notice for convening the extraordinary general meeting (the “**EGM**”) of First Tractor Company Limited* (the “**Company**”) to be held at 2:30 p.m. on 13 December 2016 (Tuesday) at No. 154 Jianshe Road, Luoyang, Henan Province, the People’s Republic of China (the “**PRC**”), is set out on pages 22 to 24 of this circular.

A form of proxy for use at the EGM was despatched and also published on the website of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) on 27 October 2016. Whether or not you are able to attend the meeting in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon. 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, or 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 EGM (or any adjourned meeting thereof). Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment if you so desire.

* For identification purposes only

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DEFINITIONS

In this circular, unless the context requires otherwise, the following terms shall have the following meanings:

“Articles of Association”	Articles of Association of the Company, as amended from time to time
“Board”	the board of Directors
“Company”	First Tractor Company Limited* (第一拖拉機股份有限公司), a joint stock company with limited liability incorporated in the PRC, the H shares and A shares of which are listed on the Stock Exchange (Stock Code: 0038) and the Shanghai Stock Exchange (Stock Code: 601038) respectively
“Decision Making Principles on Investments”	Decision Making Principles on Investments and Operation of the Company, as amended from time to time
“Director(s)”	the director(s) of the Company, including the independent non-executive director(s)
“EGM”	the extraordinary general meeting of the Company to be convened and held at 2:30 p.m. on 13 December 2016, Tuesday, at No. 154 Jianshe Road, Luoyang, Henan Province, the PRC for the Shareholders to consider and, if thought fit, approve, among other things, (1) the increase in wealth management amount of internal idle funds, (2) the proposed amendment to the Articles of Association, (3) the proposed amendments to the Rules of Procedures for General Meetings, and (4) the proposed amendments to the Decision Making Principles on Investments
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“Rules of Procedures for General Meetings”	the Rules of Procedures for General Meetings of the Company, as amended from time to time
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“YTO”	YTO Group Corporation* (中國一拖集團有限公司), a limited liability company incorporated in the PRC and the controlling Shareholder of the Company, holding approximately 44.57% equity interest in the Company
“%”	per cent

* *For identification purposes only*

LETTER FROM THE BOARD



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

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

(Stock Code: 0038)

Board of Directors:

Mr. Zhao Yanshui (*Chairman*)

Mr. Wang Erlong (*Vice Chairman*)

Mr. Wu Yong

Mr. Li Hepeng

Mr. Xie Donggang

Mr. Li Kai

Mr. Yin Dongfang

Ms. Yang Minli**

Mr. Xing Min**

Mr. Wu Tak Lung**

Mr. Yu Zengbiao**

Registered and principal office:

No. 154 Jianshe Road

Luoyang, Henan Province

The PRC

** *Independent non-executive Director*

25 November 2016

To the Shareholders

Dear Sir or Madam,

- (1) INCREASE IN WEALTH MANAGEMENT AMOUNT
OF INTERNAL IDLE FUNDS;
(2) PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION;
(3) PROPOSED AMENDMENTS TO THE RULES OF
PROCEDURES FOR GENERAL MEETINGS; AND
(4) PROPOSED AMENDMENTS TO THE DECISION MAKING
PRINCIPLES ON INVESTMENTS**

INTRODUCTION

Reference is made to the announcement of the Company dated 27 October 2016 (the “**Announcement**”) in relation to (1) the increase in wealth management amount of internal idle funds, (2) the proposed amendment to the Articles of Association, (3) the proposed amendments to the Rules of Procedures for

LETTER FROM THE BOARD

General Meetings and (4) the proposed amendments to the Decision Making Principles on Investments. The purpose of this circular is to provide you with details of the above matters to enable you to make an informed decision on whether to vote for or against or abstain from voting on the proposed resolution(s) at the EGM.

(1) Increase in Wealth Management Amount of Internal Idle Funds

(A) Basic Information of Wealth Management Investments

1. Purposes of Wealth Management Investments

In order to enhance capital efficiency and improve capital operating revenue, the Company proposes to reasonably use idle funds in phases to purchase the capital protected short term wealth management products issued by the financial institutions, without affecting its normal production and operation.

2. Type of Wealth Management

The wealth management products proposed to be purchased by the Company as investments will mainly be the capital protected short term wealth management products issued by the financial institutions.

3. Wealth Management Amount

The Company proposes to, subject to the approval by the Shareholders at the EGM, increase the existing approved amount of balance of the wealth management products (purchased using its internal idle funds) held by the Company at any time by RMB1 billion from RMB800 million to RMB1.8 billion. The abovementioned wealth management amounts are both revolving in nature, where the Company has the flexibility to purchase and sell the wealth management products using its internal idle funds at any time provided that the amount of balance of the wealth management products held by the Company at any time shall not exceed the approved amount. The effective term of the proposed approved amount commences from the date of approval at the EGM and ends on the date of convening the 2016 annual general meeting of the Company.

LETTER FROM THE BOARD

(B) *Analysis of Risk Control*

The wealth management products proposed to be purchased by the Company are limited to the capital protected short term wealth management products issued by the financial institutions established under the approval of the China Banking Regulatory Commission, which guarantee the safety of the investment capital, however, there is uncertainty in investment gain due to market fluctuations.

(C) *Other Information*

From the date of approval of the existing wealth management amount of RMB800 million by the Board, i.e. 29 March 2016, to 27 October 2016, the accumulated amount of wealth management products purchased by the Company within such approved revolving wealth management amount was around RMB2.0 billion.

As the A shares of the Company are listed on the Shanghai Stock Exchange, the Company is also required to comply with relevant requirements of the Shanghai Stock Exchange Share Listing Rules. Pursuant to the Shanghai Stock Exchange Share Listing Rules, if the accumulated amount of entrusted wealth management products purchased by the Company using internal idle funds within 12 months exceeds 50% of the latest audited net assets of the Company, it is subject to the approval by the Shareholders. Although the abovementioned accumulated amount of around RMB2.0 billion did not exceed 50% of the audited net assets of the Company as at 31 December 2015, the Company expects that if the Shareholder approves that the amount of balance of the wealth management products at any time shall not exceed RMB1.8 billion, the accumulated amount of entrusted wealth management products to be purchased by the Company may exceed the said 50% threshold. As such, the Company proposed that the increase in the amount of balance of the wealth management products at any time to RMB1.8 billion shall be approved by the Shareholders at the EGM.

Should the purchases and sales of wealth management products of the Company constitute any notifiable or connected transactions under Chapters 14 and 14A of the Listing Rules, the Company will comply with the relevant provisions in a timely manner.

LETTER FROM THE BOARD

(2) Proposed Amendment to the Articles of Association

Since restrictions on trading of 443,910,000 A shares of the Company held by YTO was relieved on 10 August 2015 which is inconsistent with the status and record on circulation of A shares held by YTO set out in the Articles of Association, the Company proposes to, subject to the approval by the Shareholders at the EGM, amend the Articles of Association. The proposed amendment is as follows:

Article 25

Existing Article 25: Upon approval of China Securities Regulatory Commission through the “Approval Regarding Initial Public Offer of Shares of First Tractor Company Limited” (Zheng Jian Xu Ke [2012] No. 736), the Company issued domestically listed domestic shares for the first time and was listed on the Shanghai Stock Exchange on 8 August 2012. 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)	Shareholding Ratio (%)
YTO	Restricted circulating A shares (state-owned legal person shares)	44,391	44.574%
Holder of H shares	Listed circulating shares	40,199	40.364%
Holder of A shares	Listed circulating shares	<u>15,000</u>	<u>15.062%</u>
Total Share Capital		<u><u>99,590</u></u>	<u><u>100.00%</u></u>

LETTER FROM THE BOARD

Proposed and
amended
Article 25:

Upon approval of China Securities Regulatory Commission through the “Approval Regarding Initial Public Offer of Shares of First Tractor Company Limited” (Zheng Jian Xu Ke [2012] No. 736), the Company issued domestically listed domestic shares for the first time and was listed on the Shanghai Stock Exchange on 8 August 2012. After the relief of the restriction on trading of the restricted circulating A shares of the Company on 10 August 2015, the shareholding structure of the Company is as follows:

Name of Shareholders	Nature of Shares	Number of Shares (0'000 shares)	Shareholding Ratio (%)
Holders of A shares	Listed circulating shares	59,391	59.636
Holders of H shares	Listed circulating shares	40,199	40.364
Total Share Capital		<u>99,590</u>	<u>100.00</u>

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

(3) Proposed Amendments to the Rules of Procedures for General Meetings

In order to render the Rules of Procedures for General Meetings consistent with the Articles of Association with respect to articles including the notice of general meeting and voting, the Company proposes to, subject to the approval by the Shareholders at the EGM, amend the Rules of Procedures for General Meetings. The proposed amendments are as follows:

Article 19

Existing 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;

LETTER FROM THE BOARD

- (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.

Proposed and
amended
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;

LETTER FROM THE BOARD

- (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 considered. 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 of the Company;
- (8) specify the time and place for lodging proxy forms for voting at the meeting;
- (9) specify the record date for shareholders who are entitled to attend the general meeting;
- (10) provide name and telephone number of the standing contact person of the meeting; and
- (11) set out clearly the time and procedure for voting online or by other means where a general meeting is held online or by other means.

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Insert a new article as Article 47

Existing Article 47: (Proposed to be re-numbered as Article 48.)

Proposed new Article 47: Subject to maintaining the legitimacy and effectiveness of the general meeting, the Company shall enhance convenience for shareholders to attend the general meetings through various means and ways, including provision of modern information technologies such as online voting platform.

Voting in general meetings through online voting or other means shall not commence earlier than 3:00 p.m. on the day preceding the date of the on-site general meeting nor later than 9:30 a.m. on the date of the on-site general meeting. Voting shall not end earlier than 3:00 p.m. on the date of the on-site general meeting.

Article 49

Existing 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.

Proposed, amended and re-numbered Article 50: 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.

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

LETTER FROM THE BOARD

Article 51

Existing 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.

Where 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.

Proposed,
amended and
re-numbered
Article 52:

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 has connected relationship in relation to the matters considered, 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.

Shareholders or their proxies who vote online or by other means are entitled to check and inspect their voting results via the relevant voting system.

The on-site general meeting shall not end earlier than those online or other means of voting. 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, including the listed company, vote counters, scrutineers, substantial shareholders and network service provider, shall have the duty of confidentiality regarding the voting results.

The English version of the proposed amendments to the Rules of Procedures for General Meetings is an unofficial translation of its Chinese version. In case of any discrepancy between the two versions, the Chinese version shall prevail.

LETTER FROM THE BOARD

(4) Proposed Amendments to the Decision Making Principles on Investments

In September 2010, the Decision Making Principles on Investments were considered and approved at the general meeting of the Company (for details, please refer to the announcement and circular of the Company dated 20 September 2010 and 24 August 2010 respectively). In August 2012, the Company issued A shares and was listed on the Shanghai Stock Exchange, and the Decision Making Principles on Investments became effective. The implementation of the Decision Making Principles on Investments provides guarantee, in a systematic way, for formulating the internal and external investment, fixed asset disposal, financing and other decision making procedures of the Company and plays an active role in making decisions on investments and operation in a scientific, safe and efficient way.

In light of the aforementioned background and following the actual operation circumstances of the Company including business expansion and functional adjustment, the Company takes into account of the relevant regulations stipulated by the PRC regulatory authorities and the relevant documents of the Company, and proposes to, subject to the approval by the Shareholders at the EGM, amend the Decision Making Principles on Investments based on the principles of securing operation in compliance with the laws, making decision in a scientific and prudent manner with balance allocation of approval authority and enhancing decision-making efficiency. The major proposed amendments are as follows:

- (A) Insert provisions on approval authority in relation to write-off of assets and donation which completes contents of decision-making matters;
- (B) Based on the actual circumstances of the Company in respect of expansion in assets and business scale, grant appropriate approval authority to the managers on decision-making matters with relatively controllable risk in compliance with regulatory requirements, in order to enable the Board to concentrate on significant matters and enhance decision-making efficiency;
- (C) Make adjustments to decision-making methods of certain matters in light of characteristics of the business operation, and control decision-making in respect of financing, sales and purchase of financial assets and entrusted loan according to the annual overall scale;

LETTER FROM THE BOARD

- (D) Delete decision-making matters stipulated in other principles, such as material contract and guarantee; and
- (E) Specify in the general provisions that the relevant regulations shall be implemented when dealing with the “Three Major and One Significant (三重一大)” matters of the Company.

Full text of the revised Decision Making Principles on Investments is set out in the Appendix to this circular. The English version of the revised Decision Making Principles on Investments is an unofficial translation of its Chinese version. In case of any discrepancy between the two versions, the Chinese version shall prevail.

EGM

The EGM will be held at 2:30 p.m. on 13 December 2016, Tuesday, at No. 154 Jianshe Road, Luoyang, Henan Province, the PRC, at which ordinary and/or special resolution(s) will be proposed to seek the Shareholders’ approval for (1) the increase in wealth management amount of internal idle funds; (2) the proposed amendment to the Articles of Association; (3) the proposed amendments to the Rules of Procedures for General Meetings; and (4) the proposed amendments to the Decision Making Principles on Investments. At the EGM, votes will be taken by poll.

The notice of the EGM is set out on pages 22 to 24 of this circular.

A form of proxy for use at the EGM was despatched and also published on the website of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) on 27 October 2016. Whether or not you are able to attend the meeting in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon. 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, or 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 EGM (or any adjourned meeting thereof). Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment if you so desire.

LETTER FROM THE BOARD

RECOMMENDATIONS

The Directors (including the independent non-executive Directors) consider that (1) the increase in wealth management amount of internal idle funds, (2) the proposed amendment to the Articles of Association, (3) the proposed amendments to the Rules of Procedures for General Meetings, and (4) the proposed amendments to the Decision Making Principles on Investments are in the interests of the Company and the Shareholders as a whole and therefore recommend all Shareholders to vote in favour of the relevant resolution(s) for approving (1) the increase in wealth management amount of internal idle funds, (2) the proposed amendment to the Articles of Association, (3) the proposed amendments to the Rules of Procedures for General Meetings, and (4) the proposed amendments to the Decision Making Principles on Investments.

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.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information as set out in the Appendix to this circular and the notice of the EGM.

Yours faithfully,
On behalf of the Board
First Tractor Company Limited*
Zhao Yanshui
Chairman

* *For identification purposes only*

First Tractor Company Limited*

Decision Making Principles on Investments and Operation

(Revised full text, subject to the approval by the Shareholders at the EGM)

Chapter 1 General Provisions

Article 1 In order to specify the approval powers of organizations such as the general meeting, the board and business management team of First Tractor Company Limited* (hereinafter the “**Company**”) over the decision-making on the investments and operation of the Company and ensure compliant, scientific, safe and efficient decision-making of the Company, these Principles are formulated in accordance with the relevant laws and regulations such as the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange Listing Rules (collectively the “**Listing Rules**”), and provisions of the Articles of Association of First Tractor Company Limited (hereinafter the “**Articles of Association**”).

Article 2 Decision-making on investments and operation of the Company referred herein includes:

- (1) external investments of the Company;
- (2) capital expenditures and assets disposal;
- (3) financing;
- (4) entrusted loans;
- (5) assets write-off;
- (6) donations to external party;
- (7) decision-making on other material investments and operation.

Article 3 Any investment and operational activities of the Company shall comply with the relevant regulations and industry policies of the State, cater for the Company’s development strategy and industry planning, facilitate the Company’s sustainable development, bring expectable investment returns and ultimately enhance the value of the Company.

APPENDIX THE DECISION MAKING PRINCIPLES ON INVESTMENTS

- Article 4** The directors, supervisors and general manager of the Company shall act diligently and be responsible and shall interpret and construe the provisions of these Principles with reference to the generally accepted standards in the industry. Any judgments on matters of the decision-making on the Company's investments and operation shall be made in the interest of the Company and on the principle of asset safety.
- Article 5** Prior to any decision-making on investments by the Company, the general manager of the Company shall organize relevant departments to institute an investigation study for evidence and proof on the profitability, prospects and risks, etc. of the investment project.
- Article 6** Prior to any decision-making on disposal of the Company's assets by the Company, the general manager of the Company shall organize and assign relevant departments to institute an investigation study on the basic information such as conditions of use of the assets to be disposed.
- Article 7** The approval principle of the "Three Major and One Significant (三重一大)" of the Company shall be strictly complied with as to decision-making on investments and operation involving "Three Major and One Significant (三重一大)" of the Company.
- Article 8** The approval powers of the Company in respect of the decision-making on investments and operation are determined mainly by the amount of the relevant matters. If the amount of an investment or disposal project of the Company is lower than the standard that is required to be considered by the board or general meeting as stipulated under these Principles, but such project shall be submitted to the board or general meeting for approval under the Listing Rules, or the general manager, chairman or board of the Company consider that such investment or disposal project may have significant impact on the Company, the investment or disposal project shall be submitted by the general manager, chairman or board of the Company to the board or general meeting for consideration and approval.
- Article 9** The general manager office may stipulate approval authority and procedures in details by passing and making relevant management principles in respect of decision-making on investments and operation within its authority.

**Chapter 2 Approval Powers and Procedures of Decision Making on
External Investments and Disposal**

Article 10 External investments and disposal of the Company referred herein involve long-term equity investments and disposal, and sales and purchase of financial assets etc.

Article 11 Long-term equity investments include investments in merger and acquisition, newly established companies and share capital increase by the Company or its subsidiaries through means including injection of cash, tangible assets, intangible assets (including land use rights, etc.) or through purchase of equity securities (including shares) for the purpose of acquiring equity interests of target enterprises.

Long-term equity disposal involves external transfer, decreasing capital of or liquidating all or part of the equity interests in the investee companies, and decreasing capital of or liquidating subsidiaries of the Company.

Article 12 Approval Powers and Procedures of Decision Making on Long-term Equity Investments and Disposal

1. A single long-term equity investment or disposal of amount less than more than RMB15 million (the book value or appraised value, whichever is higher; or the net assets value for liquidation of enterprises, similarly hereinafter) shall be subject to the approval of general manager office;
2. A single long-term equity investment or disposal of amount more than RMB15 million, with the accumulated amount for twelve consecutive months of not more than 50% of the latest audited net assets of the Company shall be submitted to the board for approval after being discussed and passed by the general manager office;
3. Long-term equity investment or disposal with an accumulated amount for twelve consecutive months of more than 50% of the latest audited net assets of the Company shall be submitted to the general meeting for approval after being discussed and passed by the board;
4. Merger, separation and external investments in subsidiaries that would not result in changes of de facto controlling interests in the Company shall be subject to the approval of general manager office; external investments in subsidiaries that would result in changes of de facto controlling interests in the Company shall be submitted to the board for approval after being discussed and passed by the general manager office;

5. Write-off of long-term equity interests shall be made in accordance with approval powers and procedures of decision making on assets write-off stated in these Principles.

Article 13 Sales and purchase of financial assets refers to sales and purchase of financial investment by the Company including but not limited to debentures, stocks, funds, interbank deposits, wealth management products and trust funds.

Article 14 Approval powers and procedures of decision-making on sales and purchase of financial assets of the Company:

1. the Company's sales and purchase of financial assets will be controlled based on the overall scale. The financial department of the Company will propose the annual financial assets investment amount based on the capital position of the Company and the situation of the capital market on a yearly basis;
2. sales and purchase of financial assets of less than 10% of the latest audited net assets of the Company shall be subject to consideration and approval by the general manager office; sales and purchase of financial assets exceeding the abovementioned amounts shall be submitted to the board for approval after being discussed and passed by the general manager office of the Company.

Chapter 3 Approval Powers and Procedures of Decision-making on Capital Expenditure and Assets Disposal

Article 15 Capital expenditures refer to investments in fixed assets by the Company such as infrastructure, technology renovation or property furnishing, and acquisition of other fixed assets or intangible assets as well as injection of capital for establishment of domestic branches and overseas offices.

Article 16 Assets disposal (including construction in progress, fixed assets and intangible assets) refers to the Company's transfer or surrender of part or whole of the ownership and right of use in respect of its assets as well as deregistration of domestic branches and overseas offices.

Current assets and others assets incurred in the operation of the Company are managed in accordance with the relevant requirement and procedure in terms of business operation and excluded from the management scope of these Principles.

Article 17 Approval powers and procedures of decision-making on capital expenditures:

1. A single capital expenditure of less than RMB40 million with the accumulated capital expenditure of less than RMB400 million in an accounting year shall be subject to the approval by the general manager office of the Company;
2. A single capital expenditure exceeding RMB40 million but not more than 30% of the audited net assets of the Company for the latest accounting year, with the accumulated capital expenditure for twelve consecutive months of not more than 30% of the latest audited total assets of the Company shall be submitted to the board for approval after being discussed and passed by the general manager office of the Company;
3. Capital expenditure exceeding the amounts within the approval powers of the board shall be submitted to the general meeting for approval after being considered and passed by the board.

Article 18 Approval powers and procedures of decision making on asset disposal:

1. disposals of construction in progress, fixed assets and intangible assets, as well as the deregistration of domestic branches and overseas offices in an individual amount (the book value or appraised value, whichever is higher; or the net assets value for the deregistered domestic branches and overseas offices, similarly hereinafter) less than RMB10 million with the aggregate amount for twelve consecutive months of less than RMB30 million shall be subject to the approval of the general manager office of the Company;
2. disposals of construction in progress, fixed assets and intangible assets, as well as the deregistration of domestic branches and overseas offices in an individual amount exceeding RMB10 million with the aggregate amount for twelve consecutive months being not more than 30% of the latest audited total assets of the Company shall be submitted to the board for approval after being discussed and passed by the general manager office; in particular, the aggregate amount of fixed assets being disposed in four consecutive months shall not be more than 33% of the Company's fixed assets as shown in its latest audited balance sheet;
3. disposals of fixed assets with the aggregate amount in four consecutive months of more than 33% of the Company's fixed assets as shown in its latest audited balance sheet, or disposals of assets within one year (including construction in progress, fixed assets and intangible assets but excluding raw materials and products) of more than 30% of the latest audited total assets of the Company shall be subject to the approval at the general meeting.

Chapter 4 Approval Powers and Procedures of Decision Making on Financing

Article 19 Financing refers to the fund raising through the issue of shares, debentures (including convertible debentures) and other evidences of interests as well as fund raising activities from banks, non-bank financial institutions, other entities by the Company to meet its operational demands.

Article 20 Financing activities of the Company through the issue of new shares, debentures and other evidences of equity interests and debts shall be submitted to the general meeting for approval after being considered and passed by the board in accordance with the Articles of Association of the Company. Matters for the general meeting to consider mainly include the type of securities to be issued, size of issue, amount of proceeds, conditions of guarantees and use of proceeds, etc.

Article 21 Subject to compliance with the relevant laws and the Listing Rules, the Company may borrow from financial institutions or other institutions. Borrowing of the Company is controlled based on the annual financing scale. The financial department of the Company will propose the annual financing scale based on the production and operation and the capital demands of the Company on a yearly basis, which will be submitted to the board for approval after being approved by the general manager office.

Subject to compliance with the relevant laws and regulations, the Listing Rules and the Articles of Association, the Company may provide guarantees for borrowing money by charging or pledging the assets of the Company, which shall be subject to the approval of the relevant authorities with power to approve the amounts of the borrowings.

Chapter 5 Approval Powers and Procedures of Decision Making on Entrusted Loans

Article 22 Entrusted loans refer to lending activities whereby the Company provides the fund of loans with its internal funds and entrusts financial institutions to issue to the specified borrowers on its behalf, supervise the use of the loans and assist with the recovery of the loans. In principal, the Company only provides entrusted loans to its subsidiaries. The finance department shall make proposals in relation to annual quota and term of entrusted loans every year, which shall be considered and determined pursuant to the following approval powers and procedures:

1. Any entrusted loans whose balances for twelve consecutive months are not more than RMB150 million shall be subject to the approval of the general manager office;
2. Any entrusted loans exceeding the abovementioned quota but whose balance for twelve consecutive months are less than 50% of the Company's latest audited net assets, shall be subject to the approval of the board;

3. Any entrusted loans whose balances for twelve consecutive months exceed 50% of the Company's latest audited net assets shall be subject to the approval at the general meeting.

Chapter 6 Approval Powers and Procedures of Decision Making on Writing-off of Assets

Article 23 Writing-off of assets refers to activities whereby the Company is to make any accounting write-offs on its book balance and the corresponding impairment provision of assets against any expected potential losses of assets (including long-term equity investments, fixed assets and current assets, regardless of any provisions for impairments) upon recognition of any actual losses by means of legal and valid evidence in accordance with any relevant national financial accounting policies and any relevant regulatory requirements from the State-owned Assets Supervision and Administration Commission.

Article 24 Approval powers and procedures of decision making on writing-off of assets are as follows:

1. Any separate writing-off of an amount of not more than RMB10 million with the accumulated amount of writing-off for twelve consecutive months of not more than RMB30 million shall be subject to approval of the general manager office;
2. Any separate writing-off of an amount of more than RMB10 million with the accumulated amount of writing-off for twelve consecutive months of more than RMB30 million but less than RMB100 million shall be submitted to the board for approval after being discussed and passed by the general manager office;
3. Writing-off of assets exceeding the approval powers of the board shall be submitted to the general meeting for approval after being considered and passed by the board.

Chapter 7 Approval Powers and Procedures of Decision Making on Donations to External Party

Article 25 Approval powers and procedures of decision making on donations to external party are as follows:

1. Any separate donations or sponsorship to external party of an amount not more than RMB200,000 with the accumulated amount of not more than RMB500,000 in a year shall be subject to the approval of the general manager office;

2. Any separate donations to external party of an amount of more than RMB200,000 but not more than RMB500,000 with the accumulated amount of more than RMB500,000 but not more than RMB1 million shall be submitted to the chairman of the board for approval after being discussed and passed by the general manager office;
3. Any separate donations to external party of an amount of more than RMB500,000 but not more than RMB1 million with the accumulated amount of more than RMB1 million but not more than RMB2 million shall be submitted to the board for approval after being discussed and passed by the general manager office;
4. Any donations to external party exceeding the above amount shall be submitted to the general meeting for approval after being considered and passed by the board.

Chapter 8 Supplementary Provisions

Article 26 Investments and operation including any external investments, capital expenditures and assets disposal, sales and purchase of financial assets, financing, entrusted loans, assets write-off and donations to external party described herein (hereinafter the “**Material Events**”) incurred in the subsidiaries of the Company which are within the approval powers set out herein would be regarded as the Material Events of the Company and these Principles are applicable.

Subsidiaries mean any company in which the Company has absolute controlling interest or actual control.

Article 27 For Material Events incurred in the subsidiaries, the directors appointed by the Company shall report to the Company before the board of directors of such subsidiaries makes any formal resolution and shall execute the Company’s decision.

Article 28 Unless the context otherwise requires, the “director(s)”, “board” and “general meeting” referred herein shall refer to the director(s), the board of directors and the general meeting of the Company respectively.

Article 29 Unless otherwise specified herein, the expressions adopted in these Principles shall have the same meanings as those defined in the Articles of Association and shall be interpreted in accordance with the definitions and explanations set out in the Articles of Association. Should these Principles be inconsistent with the Articles of Association, the Articles of Association shall prevail.

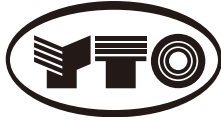
Article 30 In these Principles, “below”, “less than”, or “exceeding” are exclusive of the principal amount whereas “more than” and “within” are inclusive of the principal amount.

Article 31 In the event that any matters which are not covered in these Principles or contradict the laws, administrative regulations and regulatory regulations of the place(s) where the shares of the Company are listed (including but not limited to the Listing Rules, other applicable Hong Kong laws, rules and codes), or such laws, administrative regulations and regulatory regulations of the place(s) where the shares of the Company are listed provide contain stricter provisions, the provisions of such laws, administrative regulations and regulatory regulations of the place(s) where the shares of the Company are listed shall prevail.

Article 32 These Principles shall be subject to the interpretation of the board.

Article 33 These Principles and the amendments thereof shall be effective upon consideration and approval by the general meeting.

NOTICE OF EGM



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

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

(Stock Code: 0038)

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 2:30 p.m. on 13 December 2016, Tuesday, 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 announcement of the Company dated 27 October 2016.

ORDINARY RESOLUTIONS

THAT:

- “1. the increase in wealth management amount of internal idle funds be hereby approved and confirmed, and the General Manager of the Company be hereby authorised for and on behalf of the Company, among other matters, to make decision in matters including the wealth management proposals within such amount and to sign, execute, perfect, deliver or to authorise signing, executing, perfecting and delivering all such documents and deeds;
2. the proposed amendments to the Rules of Procedures for General Meetings be hereby approved and confirmed; and
3. the proposed amendments to the Decision Making Principles on Investments be hereby approved and confirmed.”

NOTICE OF EGM

SPECIAL RESOLUTION

THAT:

- “1. the proposed amendment to the Articles of Association be hereby approved and confirmed, and the Board be hereby authorised to revise the wordings of such amendment as appropriate (no approval from the Shareholders is required for such revision), and execute relevant documents and/or take all relevant actions as it considers necessary or expedient and in the interest of the Company to effect the proposed amendment, to comply with the PRC laws and regulations and meet the requirements of the relevant regulatory authorities of the PRC (if any), and deal with other matters arising from the amendment to the Articles of Association.”

(For details of the above resolutions, please refer to the announcement of the Company dated 27 October 2016.)

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

Luoyang, the PRC
27 October 2016

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

NOTICE OF EGM

Notes:

1. The register of members of the Company will be temporarily closed from 12 November 2016 to 12 December 2016 (both days inclusive) during which no transfer of Shares will be registered in order to determine the list of Shareholders for attending the EGM. The last lodgment for the transfer of the H Shares of the Company should be made on 11 November 2016 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 11 November 2016 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., 22 November 2016.
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

* *For identification purposes only*