

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



FIRST TRACTOR COMPANY LIMITED

第一拖拉機股份有限公司

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

CENTRALIZATION OF INTERNAL FINANCIAL AND TREASURY MANAGEMENT FUNCTION

The Group intends to centralize its internal treasury management function into one single entity, First Tractor Finance, in order to strengthen its treasury and financial management functions of the Group.

The Group intends to centralize its internal financial and treasury management functions which at present are primarily carried out by a number of subsidiaries of the Company, namely Yituo Construction and Yituo Building, into one single entity. The Directors are of the opinion that the centralization of its dispersed internal financial and treasury management functions into one single entity can strengthen its operational and financial management of the Group through its centralized treasury management team.

In order to centralize its internal financial and treasury management functions, on 9 June 2002 and 14 June 2002, Yituo Building and the Company, respectively, acquired 0.1% and 99.9% equity interests in First Tractor Finance, on normal commercial terms, from an independent third party not connected with any director, the chief executive or substantial shareholders of the Company and their respective associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")), and China First Tractor, respectively, at an aggregate cash consideration of about RMB0.84 million after arm's-length negotiation and consideration of the unaudited NTA of First Tractor Finance of about RMB0.66 million as of 9 June 2002. The acquisition is a connected transaction exempt from disclosure and shareholders' approval requirements under rule 14.24(5) of the Listing Rules.

Prior to the acquisition, First Tractor Finance primarily acted as an internal banking unit for China First Tractor Group, serving as deposit holders and providing banking facilities for member companies of China First Tractor Group. And since the acquisition, there were no transactions between China First Tractor Group and First Tractor Finance, save for the transactions between the Group and First Tractor Finance.

With a view to centralize its internal financial and treasury management functions into First Tractor Finance, on 18 June 2002, the registered capital of First Tractor Finance was raised from RMB0.66 million to RMB300 million in the form of cash financed by the Group's internal resources in order to facilitate its functions, in particular, providing banking facilities to member companies of the Group. As the original license for financial institution registration status subsequent to the acquisition became no longer valid, the Group has applied for a financial institution registration status as required by the People's Bank of China. The directors of the Company currently intend that First Tractor Finance provides services to member companies of the Group.

GENERAL

Pursuant to the articles of association of First Tractor Finance and after the acquisition, the principal activities of First Tractor Finance comprises, among others, provision of banking facilities and acting as deposit holders for companies under the group of which First Tractor Finance is a member company.

The principal business of the Company is engaged in the manufacture of agricultural tractors in the PRC.

DEFINITIONS

"Board"	the board of Directors
"China First Tractor"	China First Tractor Group Company Limited (中國一拖集團有限公司), a PRC company with limited liability and holds about 57.3% equity interests of the Company
"China First Tractor Group"	China First Tractor and its subsidiaries
"Company"	First Tractor Company Limited
"Directors"	the directors of the Company
"First Tractor Finance"	First Tractor Group Finance Limited (中國一拖集團財務有限責任公司), a company established in the PRC with limited liability, which became a subsidiary of the Company after being acquired by the Group in June 2002
"Group"	the Company and its subsidiaries
"NTA"	net tangible assets
"PRC"	the People's Republic of China
"Yituo Building"	Yituo (Luoyang) Building Machinery Co., Ltd. (一拖(洛陽)建築機械有限公司), a company established in the PRC, which is owned as to 95% and 5% by the Company and an independent third party, respectively
"Yituo Construction"	Yituo (Luoyang) Construction Machinery Co., Ltd. (一拖(洛陽)工程機械有限公司), a company established in the PRC, which is owned as to 95% and 5% by the Company and an independent third party, respectively

By order of the Board of
First Tractor Company Limited
Dong Yong An
Chairman