



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)

(Stock Code: 0038)

DISCLOSEABLE TRANSACTION INCREASE OF CAPITAL CONTRIBUTION IN A NON WHOLLY-OWNED SUBSIDIARY AND UNUSUAL VOLUME MOVEMENT

Discloseable Transaction

On 16 September 2004, the Company entered into the Capital Increase Agreement with First Tractor Finance, a non wholly-owned subsidiary of the Company, pursuant to which the Company agreed to contribute RMB 200 million in cash to the registered capital of First Tractor Finance. Following the completion of the Capital Increase Agreement, the registered capital of First Tractor Finance will be increased from RMB 300 million to RMB 500 million and the Group's shareholding in First Tractor Finance will be increased from 89.67% to 93.8%.

The Capital Increase Agreement has been entered into with a view to complying with the minimum registered capital requirement by First Tractor Finance as laid down by the Administrative Method of Financial Institutions (企業集團財務公司管理辦法) which was recently promulgated by the China Banking Regulatory Commission (中國銀行業監督管理委員會).

The Directors are of the view that the terms of the Capital Increase Agreement are on normal commercial terms which are fair and reasonable and are in the best interests of the Company and the Shareholders taken as a whole.

The Capital Contribution constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. A circular containing, among others, further details of the Capital Contribution will be despatched to the Shareholders as soon as practicable.

Unusual Volume Movement

The Board has noted the increase in the trading volume of the H shares of the Company today and wishes to state that the Board is not aware of any reasons for such increase except the Company entered into the Capital Increase Agreement with First Tractor Finance, details of which has been disclosed in this announcement pursuant to the relevant Listing Rules.

Save and except for the above, the Board also confirms that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

2. INFORMATION OF FIRST TRACTOR FINANCE

First Tractor Finance is principally engaged in providing financial services including deposit services, loans, bills discounting services, lease financing, bills acceptance services, guarantee and designated loan to the Group and China Yituo Group.

The following table summarizes the shareholdings of First Tractor Finance before and after the completion of the Capital Increase Agreement:

	Before completion of Capital Increase Agreement Percentage of equity interests %	After completion of Capital Increase Agreement Percentage of equity interests %
Shareholders		
The Group		
— The Company	79.67	87.80
— Yituo Building	10.00	6.00
<i>Sub-total</i>	<u>89.67</u>	<u>93.8</u>
China Yituo Group		
— China Yituo	1.00	0.60
— YIET	1.00	0.60
— Yituo Diesel	7.00	4.20
Independent third party		
— Yituo Dongfang	1.33	0.80
Total	<u>100.00</u>	<u>100.00</u>

The board of directors of First Tractor Finance comprises five directors, three of which were nominated by the Company, one of which was nominated by Yituo Building and the remaining one was nominated by Yituo Diesel. There will be no change of the composition of the board of directors of First Tractor Finance upon the completion of Capital Contribution.

The audited net profits (both before and after taxation and extraordinary items) of First Tractor Finance for the two financial years ended 31 December 2003 (as adjusted to generally accepted accounting principles in Hong Kong) were as follows:

	For the year ended 31 December	
	2002	2003
Net profit (before taxation and extraordinary items)	RMB3.32 million	RMB15.28 million
Net profit (after taxation and extraordinary items)	RMB1.67 million	RMB8.81 million
Net assets	RMB304.5 million	RMB313.3 million

3. INFORMATION OF THE GROUP

The Group is principally engaged in the production and sale of agricultural tractors and machinery, road rollers, road construction machinery and harvesting machinery and non-banking financial operations in the PRC. The Group's non-banking financial operations are carried out through First Tractor Finance.

4. REASONS AND BENEFITS FOR THE INCREASE OF CAPITAL CONTRIBUTION

The Capital Increase Agreement has been entered into by the Company with a view to complying with the minimum registered capital requirement (i.e. RMB 500 million) by First Tractor Finance as laid down by the Administrative Method of Financial Institutions (企業集團財務公司管理辦法) which was promulgated by the China Banking Regulatory Commission (中國銀行業監督管理委員會) on 27 July 2004 and became effective on 1 September 2004.

1. PARTICULARS OF THE CAPITAL INCREASE AGREEMENT

Date

16 September 2004

Parties

- (1) The Company; and
- (2) First Tractor Finance.

Subject matter of the Capital Increase Agreement

Pursuant to the Capital Increase Agreement, the Company agreed to contribute RMB 200 million in cash to the registered capital of First Tractor Finance. Following the completion of the Capital Increase Agreement, the registered capital of First Tractor Finance will be increased from RMB 300 million to RMB 500 million.

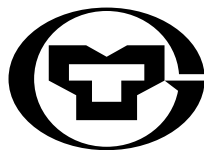
Capital Contribution

The Capital Contribution made by the Company to First Tractor Finance shall be in cash (which will be financed by the internal resources of the Company) and payable within 7 days from the date of the Capital Increase Agreement (i.e. on or before 22 September 2004).

Conditions Precedent

Yituo Building, Yituo Dongfang, YIET, Yituo Diesel and China Yituo to give up their pre-emptive rights to contribute to the registered capital of First Tractor Finance.

As at the date of this announcement, Yituo Building, Yituo Dongfang, YIET, Yituo Diesel and China Yituo have given up their pre-emptive rights to contribute to the registered capital of First Tractor Finance and therefore, the condition has been fulfilled.



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The Directors are of the view that the Capital Contribution will be able to strengthen the operation of First Tractor Finance and they anticipate that it will enhance the returns of the investment of the Company. The increase in the shareholdings of the Company in First Tractor Finance is in proportion to the Capital Contribution. The Directors are of the view that the terms of the Capital Increase Agreement are on normal commercial terms which are fair and reasonable and are in the best interests of the Company and its Shareholders taken as a whole.

5. GENERAL

The Capital Contribution constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

A circular containing, among others, further details of the Capital Contribution will be despatched to the Shareholders as soon as practicable.

6. UNUSUAL VOLUME MOVEMENT

The Board has noted the increase in the trading volume of the H shares of the Company today and wishes to state that the Board is not aware of any reasons for such increase except the Company entered into the Capital Increase Agreement with First Tractor Finance, details of which has been disclosed above pursuant to the relevant Listing Rules.

Save and except for the above, the Board also confirms that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

7. DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Board”	the board of Directors
“Brilliance China”	Brilliance China Machinery Holdings Limited (華晨中國機械控股有限公司), a Bermuda incorporated company with limited liability and is owned as to approximately 90.1% by the Company, approximately 9.9% by Brilliance China Holdings Ltd. and one share is owned by Mr. Yang Rong, both of which are not connected persons (as defined under the Listing Rules) of the Company
“Capital Contribution”	the capital contribution of RMB 200 million by the Company to the registered capital of First Tractor Finance pursuant to the Capital Increase Agreement
“Capital Increase Agreement”	the capital increase agreement dated 16 September 2004 entered into between the Company and First Tractor Finance
“China Yituo”	China Yituo Group Corporation Limited (中國一拖集團有限公司), a PRC company with limited liability, the controlling shareholder and holding company of the Company, holding approximately 57.32% of the equity interests of the Company
“China Yituo Group”	China Yituo and its subsidiaries/controlled companies or entities and for the purpose of this announcement exclude the Group
“Company”	First Tractor Company Limited (第一拖拉機股份有限公司), a joint stock limited company incorporated under the PRC Company Law
“Director(s)”	director(s) of the Company

“First Tractor Finance”

China First Tractor Group Finance Co., Ltd. (中國一拖集團財務有限責任公司), a subsidiary of the Company since it was acquired on 14 June 2002, which is owned as to approximately 79.67% by the Company, 10% by Yituo Building, 1.33% by Yituo Dongfang, 1% by YIET, 7% by Yituo Diesel and 1% by China Yituo

“Group”

the Company and its subsidiaries

“Hong Kong”

the Hong Kong Special Administrative Region of the PRC

“Listing Rules”

the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)

“PRC”

the People's Republic of China

“RMB” or “Renminbi”

Renminbi, the lawful currency of the PRC

“Share(s)”

state-owned legal person shares and H shares of the Company

“Shareholder(s)”

holder(s) of Shares of the Company

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“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 and is owned as to 49% by the Company and 51% by Brilliance China

“Yituo Diesel”

Yituo (Luoyang) Diesel Co., Ltd. (一拖(洛陽)柴油機有限公司), a company established in the PRC and is owned as to 75% by China Yituo Group and 25% by Brilliance China

“Yituo Dongfang”

Luoyang Yituo Dongfang Industry Company Limited (洛陽一拖東方實業公司), a company established in the PRC and is owned as to 94.9% and 5.1% by Yituo Dongfang Industry Company Limited - Staff Union Committee(中國第一拖拉機工程機械有限公司東方實業公司工會委員會) and 20 individuals, respectively, all of which are not connected persons (as defined in the Listing Rules) of the Company

“YIET”

Yituo International Economic and Trade Company Limited (一拖國際經濟貿易有限公司), a company established in the PRC with limited liability and is a wholly-owned subsidiary of China Yituo

“%”

per cent.

By Order of the Board
First Tractor Company Limited
Zhang Guo Long
Company Secretary

Luoyang, Henan Province, the PRC, 16 September 2004

As at the date of this announcement, the Board comprises ten executive Directors, namely Mr. Liu Da Gong, Mr. Dong Yong An, Mr. Liu Wen Ying, Mr. Shao Hai Chen, Mr. Li Teng Jiao, Mr. Zhao Yan Shui, Mr. Zhang Jing, Mr. Liu Shuang Cheng, Mr. Yan Lin Jiao and Mr. Huang Yan Zhao and four independent non-executive Directors, namely Mr. Lu Zhong Min, Mr. Tao Xiang, Mr. Chen Zhi and Mr. Chan Sau Shan, Gary.