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)

2004 INTERIM RESULTS ANNOUNCEMENT

Turnover	:	RMB2,134,888,000
Net profit	:	RMB5,020,000
Earnings per share	:	RMB0.64 cents

The board of directors (the "Board") of First Tractor Company Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") prepared in accordance with the accounting principles generally accepted in Hong Kong for the six months ended 30 June 2004, together with the comparative figures for the corresponding period in 2003. The condensed consolidated interim financial statements are unaudited, but have been reviewed by the Company's audit committee.

For the six months ended 30 June 2004, the Group recorded a turnover of RMB2,134,888,000, representing an increase of 19% over the corresponding period last year. A net profit of RMB5,020,000 was recorded, representing a decrease of 79% from the corresponding period last year. Earnings per share was RMB0.64 cents.

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2004.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2004

(Prepared in accordance with Hong Kong accounting standards)

		For the six months ended 30 June	
	Notes	**2004 Unaudited** ***RMB'000***	2003 Unaudited *RMB'000*
TURNOVER	2	**2,134,888**	1,793,588
Cost of sales		**(1,930,185)**	(1,563,866)
Gross profit		**204,703**	229,722
Other revenue and gains	3	**45,426**	29,041
Selling and distribution costs		**(69,635)**	(59,716)
Administrative expenses		**(116,042)**	(118,806)
Other operating expenses		**(45,362)**	(27,878)
PROFIT FROM OPERATING ACTIVITIES	4	**19,090**	52,363
Finance costs		**(3,770)**	(6,067)
Share of profits and losses of:			
Jointly-controlled entity		**1,319**	990
Associates		**3,518**	5,770
Negative goodwill on acquisition of an associate recognised as income during the period		**303**	303
PROFIT BEFORE TAX		**20,460**	53,359
Tax	5	**(9,958)**	(15,288)
PROFIT BEFORE MINORITY INTERESTS		**10,502**	38,071
Minority interests		**(5,482)**	(14,140)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		**5,020**	23,931
EARNINGS PER SHARE - Basic	7	**RMB 0.64 cents**	RMB 3.05 cents

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

The accounting policies and basis of presentation used in the preparation of these unaudited condensed consolidated interim financial statements are the same as those used in the annual audited financial statements for the year ended 31 December 2003.

2. TURNOVER AND SEGMENT INFORMATION

Turnover represents the invoiced value of goods sold, net of trade discounts and returns, and excludes sales taxes and intra-group transactions.

The Group is principally engaged in the manufacture and sale of agriculture tractors and related parts and components, construction machinery, road machinery, agriculture harvesting machinery and financial operations.

(a) Business segments

	Tractors		Road machinery		Construction machinery		Harvesting machinery		Financial operations		Others		Eliminations		Consolidated	
	For the six months ended 30 June															
	2004 Unaudited ***RMB'000***	2003 Unaudited *RMB'000*	**2004 Unaudited** ***RMB'000***	2003 Unaudited *RMB'000*	**2004 Unaudited** ***RMB'000***	2003 Unaudited *RMB'000*	**2004 Unaudited** ***RMB'000***	2003 Unaudited *RMB'000*	**2004 Unaudited** ***RMB'000***	2003 Unaudited *RMB'000*	**2004 Unaudited** ***RMB'000***	2003 Unaudited *RMB'000*	**2004 Unaudited** ***RMB'000***	2003 Unaudited *RMB'000*	**2004 Unaudited** ***RMB'000***	2003 Unaudited *RMB'000*
Segment revenue:																
Sales to external customers	**1,383,465**	1,043,550	**466,112**	506,398	**216,750**	144,715	**68,549**	96,208	**–**	–	**12**	2,717	**–**	–	**2,134,888**	1,793,588
Intersegment revenue	**32,892**	8,306	**–**	–	**10,962**	14,984	**–**	–	**6,340**	3,843	**–**	–	**(50,194)**	(27,133)	**–**	–
Other revenue and gains	**–**	–	**–**	–	**–**	–	**–**	–	**17,624**	7,743	**–**	–	**–**	–	**17,624**	7,743
Total	**1,416,357**	1,051,856	**466,112**	506,398	**227,712**	159,699	**68,549**	96,208	**23,964**	11,586	**12**	2,717	**(50,194)**	(27,133)	**2,152,512**	1,801,331
Segment results	**2,410**	(12,684)	**3,102**	50,951	**(4,326)**	6,058	**304**	(2,437)	**14,818**	6,006	**(502)**	20	**–**	–	**15,806**	47,914
Interest, dividend, investment income and negative goodwill recognised as income															**5,392**	4,449
Unallocated expenses															**(2,108)**	–
Profit from operating activities															**19,090**	52,363
Finance costs															**(3,770)**	(6,067)
Share of profits and losses of:																
Jointly-controlled entity	**1,319**	990	**–**	–	**–**	–	**–**	–	**–**	–	–	–	**–**	–	**1,319**	990
Associates	–	–	**–**	–	**–**	–	**–**	–	**–**	–	**3,518**	5,770	**–**	–	**3,518**	5,770
Negative goodwill on acquisition of an associate recognised as income during the period	–	–	**–**	–	**–**	–	**–**	–	**–**	–	**303**	303	**–**	–	**303**	303
Profit before tax															**20,460**	53,359
Tax															**(9,958)**	(15,288)
Profit before minority interests															**10,502**	38,071
Minority interests															**(5,482)**	(14,140)
Net profit from ordinary activities attributable to shareholders															**5,020**	23,931

(b) Geographical segments

Over 90% of the Group's revenue and results are derived from operations carried out in the People's Republic of China (the "PRC") and accordingly, no geographical segment information is presented.

3. OTHER REVENUE AND GAINS

	For the six months ended 30 June	
	2004 Unaudited ***RMB'000***	2003 Unaudited *RMB'000*
Other revenue		
Interest income	**4,230**	3,952
Interest income from financial operations	**16,929**	7,220
Profit from sundry sales	**12,737**	5,324
Rental income	**1,843**	2,391
Dividend income from long term unlisted investments	**501**	379
Others	**8,107**	8,973
	44,347	28,239
Gains		
Gain on disposal of fixed assets	**418**	684
Gain on disposal of short term listed investments	**544**	—
Negative goodwill recognised	**117**	118
	1,079	802
	45,426	29,041

4. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2004 Unaudited ***RMB'000***	2003 Unaudited *RMB'000*
Depreciation of fixed assets	**44,796**	49,110
Impairment of construction in progress	**—**	7,405
Provision for doubtful debts	**32,169**	3,424
Unrealised loss on changes in fair values of short term listed investments	**2,108**	—
Interest income	**(4,230)**	(3,952)
Interest income from financial operations	**(16,929)**	(7,220)
Dividend income from long term unlisted investments	**(501)**	(379)
Gain on disposal of short term listed investments	**(544)**	—
Gain on disposal of fixed assets	**(418)**	(684)
Negative goodwill on acquisition of a subsidiary recognised as income during the period	**(117)**	(118)

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2004 INTERIM RESULTS ANNOUNCEMENT

5. **TAX**

	For the six months ended 30 June 2004 Unaudited *RMB'000*	2003 Unaudited *RMB'000*
Group:		
PRC corporate income tax provided for the period	**8,684**	14,284
Deferred tax	**—**	—
	8,684	14,284
Share of tax attributable to:		
Jointly-controlled entity	**219**	312
Associates	**1,055**	692
Total tax charge for the period	**9,958**	15,288

No provision for Hong Kong profits tax has been made as the Group had no assessable profits earned in or derived from Hong Kong during the two periods ended 30 June 2004 and 2003.

The PRC corporate income tax for the Company and its subsidiaries is calculated at rates ranging from 12% to 33% (six months ended 30 June 2003: 12% to 33%) on their estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof.

Profits tax of the subsidiary operating outside the PRC is subject to the rates applicable in its jurisdiction. No provision for overseas profits tax has been made for the Group as there were no overseas assessable profits for the period.

The PRC corporate income tax of the associates and jointly-controlled entity is calculated at rates ranging from 15% to 33% (six months ended 30 June 2003: 15% to 33%) on the respective company's assessable profits determined in accordance with the relevant PRC laws and regulations.

No recognition of the potential deferred tax assets relating to tax losses and other deductible temporary differences have been made as the recoverability of the potential deferred tax assets is uncertain.

No deferred tax liabilities have been recognised in respect of the temporary differences associated with undistributed profits of subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

6. **INTERIM DIVIDEND**

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2004 (six months ended 30 June 2003: Nil).

7. **EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of approximately RMB5,020,000 (six months ended 30 June 2003: RMB23,931,000) and the weighted average of 785,000,000 (six months ended 30 June 2003: 785,000,000) ordinary shares in issue during the period.

No diluted earnings per share amounts are presented as the Company does not have any dilutive potential shares in both periods presented.

REVIEW ON OPERATING RESULTS

For the six months ended 30 June 2004, agricultural machinery products, one of the Group's core businesses, achieved an increase in the sales volume thanks to the state's policy of "agriculture, rural areas and farmers" whereas the sales volume of road machinery products, the other core business of the Group, recorded a year-on-year decrease as a result of the state's macro-control policies including stringent financial credit and control on the increase of fixed assets for construction and road machinery products. Due to the increased prices of raw materials including steel products during the reporting period, a decrease was recorded in the Group's gross profit, which was lower than the expectation at the beginning of the year notwithstanding the efforts of the Company's management team and staff.

Analysis of Operating Results

1. **Increase in Turnover**

During the reporting period, the Group's turnover increased by 19%, which was principally attributable to: (1) the increase in the sales volume of agricultural machinery products; especially, sales volume of large and medium wheeled tractors increased by 80% as compared with the same period last year; and (2) the year-on-year increase of 492% in the sales volume of loaders.

2. **Decrease in Profit**

(1) The sales volume of road machinery products of the Group decreased as compared with the same period last year, among which the sales of pavers recorded a decrease of 22% and the sales of rolling machinery decreased by 14%.

(2) The Group's gross profit decreased by approximately 3% as compared with the same period last year due to the continuously increasing steel prices and the prices of products remain low.

(3) The Group's provision for doubtful debts increased relatively large as compared with the same period last year.

CURRENT CAPITAL

	30 June 2004 *RMB'000*	31 December 2003 *RMB'000*	Increase/ (decrease)
Cash and bank deposits	**677,016**	800,584	**(15.43%)**
Trade and bills receivables	**562,554**	410,611	**37.00%**
Inventories	**986,434**	773,847	**27.47%**

As at 30 June 2004, the Group's bank loans amounted to RMB157,280,000, increased 140.87% since the end of 2003. The Group did not have any long-term bank loan.

Financial Statistics

Items	Basis of calculation	30 June 2004	31 December 2003
Gearing ratio	Total liabilities/total assets x 100%	**49.43%**	43.58%
Current ratio	Current assets/current liabilities	**1.58**	1.76
Quick ratio	(Current assets - inventories)/ current liabilities	**1.05**	1.23
Debt equity ratio	Total liabilities/shareholders' equity x 100%	**97.73%**	77.23%

BUSINESS OUTLOOK

The Group dedicates itself to become the most prominent manufacturer of agricultural and construction machinery in the PRC. By carrying out development strategy designed to maximize its advantages, the Group expects to maintain a continuous growth in its principal business and operating results, so as to achieve its operating goal targeted for 2004.

Agricultural machinery business

— Large tractors: Leveraging the present favorable opportunities and keeping in line with the changing market, the Group will focus on large/mid agricultural machinery upgrading projects, making quick response and timely adjustment to its marketing strategy. Taking opportunities from the fast-growing large wheeled tractors market, the Group will speed up technological renovation of large wheeled tractors, so as to achieve scale production to meet market needs as soon as possible.

— The Group will continue to develop modified models of construction and transportation products based on crawler tractor chassis technology, aiming at an extension of its product chain and increases in market share and sales volume.

— The Group will improve operating quality of small wheeled tractors, continue to tap its brand advantage, and introduce cost-effective means to secure a larger market share.

— Agricultural machinery: Capitalizing on its brand advantage of "Dongfanghong", the Group will speed up the development of ancillary agricultural machinery for tractors, and expedite development of half-feeding rice harvester and construction of sales network, laying a solid foundation for market expansion in 2005.

Construction machinery business

In the opinion of the management of the Group, the PRC's macro-control characterized by the selective and discriminative structural adjustments, despite an inevitable impact on the construction machinery industry, will make no compromise to the steady growth of the construction machinery market in the long run. The construction machinery industry is expected to reach a growth of approximately 20% for 2004. In view of this, the Group sets its operating strategies for construction and road machinery products for the second half of 2004 as follows:

— Keep a close eye on the state's key projects; focusing on sections along the roads under construction, introduce new selling modes such as mortgage to promote sales;

— Subdivide the market for research, development and promotion of new products;

— Optimize and align the present sales network, and meanwhile improve product quality and after-sales services;

— Increase in promotion and marketing of construction machinery products for industrial use in key regions.

Import and export business

— Based on the increased export volume during the first half of 2004, the Group will further develop international market. As such, the Group will improve its export services to bring into play its business-driven effects. Also the Group will expand the coverage of its international marketing network to secure a stable customer base and selling channels.

To improve operating results through managerial innovations

— The Group expects to improve its operating results by various initiatives, such as integrating and reorganizing its resources and business, refining its corporate governance and proactively seeking opportunities for international cooperation in product, technology and capital market.

— Taking minimization of variable costs as a breakthrough, the Group will introduce an evaluation means named "Reduction rate of variable costs" for an overall improvement in cost management.

— The Group will strengthen management on accounts receivable and inventory to improve operating efficiency.

— The Group will lay out remuneration policies and schemes for the members of the senior management of the Group where their responsibilities, authorities and interests are combined.

— Addressing the needs of its development and new business, the Group will establish a talent introduction mechanism to identify high calibre and multiple-use talents.

— The Group will establish a system of training and lifelong education for the staff. According to needs of development and new business, position trainings will be provided to enhance the staff's competence.

The Board believes that, by implementing the above-mentioned initiatives, the Company will improve its operating results for the second half of 2004, and eventually achieve its operating goal for the whole year with an increase in return on shareholders' investment.

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2004 INTERIM RESULTS ANNOUNCEMENT

APPLICATION OF THE PROCEEDS FROM THE ISSUE OF H SHARES

The Company raised approximately RMB1,615,500,000 (approximately HK$1,507,500,000) by the issue of 335,000,000 new H shares (the "Shares") under the initial public offering of the Company's H Shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 1997.

The proceeds, other than those amounting to RMB 1,249,095,000 which have been spent and disclosed in the previous annual reports, were also utilized for the following purposes during the six months ended 30 June 2004:

- approximately RMB19,539,000 was further utilized to finance the technological renovations including the capacity expansion of 100/105 medium-power diesel engines and large wheeled tractors; and
- the remaining balance of the proceeds were used as additional working capital of the Company.

CURRENCY EXCHANGE RISK

The Group carries out its day-to-day business activities mainly in the PRC. A large amount of capital income and expenditure is principally denominated in Renminbi, with a small amount of expenditure being denominated in Hong Kong dollars. The Group's foreign exchange liabilities are mainly derived from the payment of commissions outside the PRC and payment of dividends to holders of H Shares. The Group's cash balances are usually deposited with financial institutions in the form of short-term deposits. Bank loans were borrowed in Renminbi and can be repaid out of the income received in Renminbi.

PLEDGE OF ASSETS

As at 30 June 2004, the Group's certain buildings and machinery with an aggregate net carrying value of approximately RMB26,050,000 (31 December 2003: RMB27,779,000) and inventories of approximately RMB9,597,000 (31 December 2003: RMB8,967,000) are pledged to banks to secure certain short term bank loans granted to the Group.

In addition, the Group's deposits amounting to approximately RMB101,917,000 (31 December 2003: RMB103,714,000) and certain bills receivable of the Group amounting to RMB31,603,000 (31 December 2003: RMB16,000,000) are pledged to banks to secure certain banking facilities (including issuance of bills payable) of the Group.

CONTINGENT LIABILTIES

As at June 2004, China First Tractor Group Finance Company Limited ("FTGF") and China Yituo Group Corporation Ltd. ("China Yituo Group") had given a joint guarantee to the extent of RMB52 million (31 December 2003: Nil) to a financial institution for securing the loans granted to Yituo (Luoyang) Fuel Jet Co., Ltd. ("YLFJ"). The Company, China Yituo Group and Yituo (Luoyang) Diesel Co., Ltd. hold 7%, 75% and 18% of the shareholding of YLFJ, respectively. Save as disclosed above, the Group did not have any other significant contingent liabilities.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2004 were any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors, supervisors of the Company, or their respective spouse or minor children, or were any rights exercised by them; nor was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors or supervisors of the Company to acquire such rights in any other body corporate.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2004.

SHARE CAPITAL, CONVERTIBLE SECURITIES, OPTIONS AND WARRANTS

During the six months ended 30 June 2004, there was no change in the registered or issued share capital of the Company, nor did the Company issue any convertible securities, options, warrants or similar rights.

DISCLOSURE OF MATERIAL EVENTS

1. On 26 February 2004, the Company entered into an Agreement on Joint Venture with China Yituo Group pursuant to which Yituo (Luoyang) Dongfanghong Tyre Company Limited ("Dongfanghong Tyre") was established under joint investment. The registered capital of Dongfanghong Tyre is RMB2,000,000, of which the Company contributed RMB800,000, representing 40% of its interests, and China Yituo Group contributed RMB1,200,000, representing 60% of its interests. Dongfanghong Tyre is principally engaged in manufacture and sales of tyre tube and casing and rubber products.

2. On 16 March 2004, Mr. Liu Da Gong was elected as Chairman of the Company at the 9th meeting of the 3rd Board of Directors of the Company. Mr. Yan Lin Jiao was appointed as the General Manager, and Mr. Zhao Yan Shui was appointed as the Executive Deputy General Manager of the Company. Due to changes in work arrangements, Mr. Dong Yong An ceased to serve as Chairman, and Mr. Shao Hai Chen and Mr. Yang You Liang ceased to serve as the General Manager and Deputy General Manager of the Company respectively.

3. On 8 April 2004, the Company entered into an Agreement on Joint Venture with China Yituo Group and other parties including Mr. Jin Yang, pursuant to which Yituo (Luoyang) Shentong Construction Machinery Company Limited ("YLST") was established under joint investment. The registered capital of YLST is RMB13,000,000, of which China Yituo Group contributed RMB3,120,000, or 24% of its interests, by way of valued net assets, 46 management executives of YLST, including Mr. Jin Yang, contributed RMB3,380,000, or 26% of its interests, in total, and the Company contributed RMB6,500,000, or 50% of its interests. YLST is principally engaged in research and development, manufacture, sales of agricultural machinery, construction machinery and specialised motor vehicle, leasing of agricultural machinery and specialised motor vehicle, as well as manufacture and sales of tractor spare parts and engine spare parts.

4. On 18 June 2004, Mr. Yan Lin Jiao was further appointed as an executive director of the 3rd Board of the Directors of the Company at 2003 Annual General Meeting, with a term of office up to 30 June 2006 as same as that of the 3rd Board of the Directors of the Company.

5. To speed up the product mix adjustment and meet the market demand, an additional investment of RMB103,927,200 in the technological renovation of wheeled tractors with great and medium horse-power, based on the original investment of RMB46,072,800 approved at the 7th meeting of the 3rd Board of Directors of the Company, was considered and approved at the 13th meeting of 3rd the Board of the Directors of the Company on 2 July 2004. Accordingly, the total investment in the said project aggregated to RMB150,000,000, with an annual production capability of 15,000 units for each type of wheeled tractors with great and medium horse-power respectively. Particulars of which are analysed as follows:

6. On 16 August 2004, the new agreement in relation to the Financial Services together with the contemplated ongoing connected transactions thereunder entered into between FTGF, a subsidiary of the Company, and China Yituo Group on 2 June 2004, was approved at the Company's Extraordinary General Meeting.

STAFF AND REMUNERATION

As at 30 June 2004, there was a total of 12,361 staff in the Company. The total remuneration of the staff of the Company amounted to RMB85,460,000 for the reporting period.

DESIGNATED DEPOSITS

The Company had a sum of RMB419,992,000 deposited with one of the Company's subsidiaries, FTGF, which is a non-banking financial institution approved by the People's Bank of China and is principally engaged in providing financial and monetary services to group members of China Yituo Group. The Company did not have any deposits other than those aforesaid deposited with any non-banking financial institution.

The Company granted a loan of RMB20,000,000 and a loan of RMB2,000,000 to two of its subsidiaries, Yituo (Luoyang) Building Machinery Company Limited and Guizhou Zhenning Biological Industrial Co., Ltd. respectively. These loans were granted in the form of designated deposits deposited with FTGF. The Company did not have any designated deposit other than those aforesaid. Save for the above-mentioned deposit in FTGF, all the cash deposits of the Company were deposited with commercial banks in the PRC in compliance with the relevant laws and regulations. The Company has not experienced any incident of not being able to withdraw bank deposits when due.

MATERIAL LITIGATION

During the reporting period, the Company was not engaged in any material litigation or arbitration.

POLICIES ON UNIFIED INCOME TAX

During the six months ended 30 June 2004, the corporate income tax of the Company is subject to 33% tax rate based on its assessable profits.

CODE OF BEST PRACTICE

In the opinion of the directors of the Company, the Company has complied with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the period ended 30 June 2004.

For the six months end 30 June 2004, the Company has adopted a code of conduct in accordance with the required standard set out in Appendix 10 to the Listing Rules, the Model Code for Securities Transactions by Directors of Listed Issuers. The Company having made specific enquiry of all directors and supervisors of the Company, its directors and supervisors have complied with the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers regarding directors' securities transactions.

SUPPLEMENTARY INFORMATION ON FINANCIAL BUSINESSES OF THE GROUP

The Company's subsidiary, FTGF, an enterprise group finance company incorporated in the PRC, is a non-banking financial institution approved by the People's Bank of China and under the supervision of China Banking Regulatory Commission. With a well-established corporate governance structure, FTGF has set up an internal control committee, an assets-liabilities management committee and a loan approval committee.

FTGF has established a set of strict credit granting criterion and approving system to control and manage credit risks. With prudent policies for financial products or businesses involving market risks, FTGF monitored market risks on a regular basis and took proper measures to minimize its exposure to the relevant risks.

ANNOUNCEMENT OF FURTHER INFORMATION ON THE WEB SITE OF THE STOCK EXCHANGE

A CD Rom containing all the information about details of the results as required by paragraphs 46(1) to 46(6) in Appendix 16 to the Listing Rules will be delivered to the Stock Exchange on or before 31 August 2004 for publishing the same on the website of the Stock Exchange.

By order of the Board
Liu Da Gong
Chairman

Luoyang, Henan Province, China
26 August 2004

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