



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)

CONNECTED TRANSACTIONS

The Board announces that the Company entered into the Agreements with the Purchasers on 29 June 2002, pursuant to which the Company sells an aggregate of 10.33% equity interests of First Tractor Finance to the Purchasers at an aggregate cash consideration of RMB31 million.

The Disposals constitute connected transactions of the Company pursuant to Rule 14.25(1) of the Listing Rules, details of which will be included in the next published annual report of the Company in accordance with Rule 14.25(1)(A) to (D) of the Listing Rules.

The Group entered into the Agreements to satisfy requirements imposed by the PBOC on First Tractor Finance concerning a license application.

THE AGREEMENTS

Date

29 June 2002

Parties

Vendor: the Company

Purchasers: (1) First Tractor Eastern; (2) First Tractor International; (3) First Tractor Diesel; and (4) China First Tractor

Equity interests to be realized

Pursuant to the Agreements, an aggregate of 10.33% equity interests of First Tractor Finance shall be sold to the Purchasers on normal commercial terms, particulars of which are set out below:

Purchasers	Equity interests in First Tractor Finance	Consideration (RMB' million)
First Tractor Eastern	1.33%	4
First Tractor International	1%	3
First Tractor Diesel	7%	21
China First Tractor	1%	3
	10.33%	31

As stated in the announcement of the Company dated 25 June 2002, in order to centralize its internal treasury management function into one single entity for further strengthening its internal treasury and financial management functions, First Tractor Finance was acquired by the Group in June 2002 and, subsequently on 18 June 2002, its registered capital was raised from RMB0.66 million to RMB300 million in the form of cash by the Group's financial resources and fully paid up. Save for the increase in registered capital and license application (as mentioned under the "Reasons for the disposals" paragraph below), no significant transaction has been carried out by First Tractor Finance after the Group's acquisition in June 2002.

The shareholding structure of First Tractor Finance is shown as below:

	After the Group's acquisition of First Tractor Finance in June 2002	After the increase of registered capital of First Tractor Finance on 18 June 2002	After the Disposals
The Company	99.9%	90%	79.67%
Yituo Building	0.1%	10%	10%
First Tractor Eastern	—	—	1.33%
First Tractor International	—	—	1%
First Tractor Diesel	—	—	7%
China First Tractor	—	—	1%
Total	100%	100%	100%

After the Disposals, the Group effectively holds equity interests of about 91% in First Tractor Finance.

Consideration

The 10.33% equity interests of First Tractor Finance shall be sold to the Purchasers at an aggregate cash consideration of RMB31 million, particulars of which are set out in the table above.

The consideration for each of the Purchasers was arrived at after arm's-length negotiations and taking into account the unaudited NTA of First Tractor Finance of about RMB300 million as of 18 June 2002.

The proceeds from the Disposals shall be used as additional working capitals for the Group.

Completion

The completion of the Agreements shall take place on or before 5 July 2002.

INFORMATION ON THE COMPANY

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

INFORMATION ON FIRST TRACTOR FINANCE

The Directors intends that First Tractor Finance will primarily provide internal financial and treasury functions to the Group, in particular, provision of banking facilities and serving as deposits holder for the Group.

INFORMATION ON THE PURCHASERS

First Tractor Eastern is an independent third party not connected with any director, the chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"))

First Tractor International is a wholly-owned subsidiary of China First Tractor. First Tractor Diesel is owned as to 75% and 25% by China First Tractor and the Group, respectively. China First Tractor holds controlling interests of about 57.3% in the Company. As such, First Tractor International, First Tractor Diesel and China First Tractor are considered connected parties under the Listing Rules and the Company's disposals of its interests in First Tractor Finance to them would constitute connected transactions under Rule 14.25(1) of the Listing Rules, pursuant to which an announcement is required and the details of the connected transaction will be included in the next published annual report of the Company in accordance with Rule 14.25(1)(A) to (D) of the Listing Rules.

REASONS FOR THE DISPOSALS

Subsequent to the Group's acquisition of First Tractor Finance in June 2002, the original license for financial institution registration status had become no longer valid and the Group has applied for a new license as required by PBOC. The Group was informed by PBOC on 27 June 2002 that a requirement of a minimal number of five shareholders in First Tractor Finance had been imposed on First Tractor Finance concerning the license application. In order to satisfy such requirement, the Group entered into the Agreements so that such requirement can be met.

DEFINITIONS

"Agreements"	the four agreements, all dated 29 June 2002, entered into between the Company and each of the Purchasers regarding the Disposals
"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
"Company"	First Tractor Company Limited
"Directors"	the directors of the Company
"Disposals"	the Company's disposals of equity interests in First Tractor Finance to the Purchasers pursuant to the Agreements
"First Tractor Diesel"	First Tractor (Luoyang) Diesel Machinery Limited (一拖(洛陽)柴油機有限公司), a company established in the PRC with limited liability and owned as to 75% and 25% by China First Tractor and the Group, respectively
"First Tractor Eastern"	Luoyang First Tractor Eastern Enterprise Limited (洛陽一拖東方實業有限公司), a company established in the PRC with limited liability and owned as to 94.9% and 5.1% by 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(Luoyang First Tractor Eastern Enterprise Limited - Staff Union Committee) and 20 individuals, respectively, all of which are independent third parties of the Group not connected with any director, the chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates (as defined in the Listing Rules)
"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 and its shareholding structure is shown under "Equity interests to be realised" sub-paragraph in this announcement
"First Tractor International"	First Tractor International Economic Trade Limited (一拖國際經濟貿易有限公司), a company established in the PRC with limited liability and wholly owned by China First Tractor
"Group"	the Company and its subsidiaries
"NTA"	net tangible assets
"PBOC"	the People's Bank of China
"PRC"	the People's Republic of China
"Purchasers"	First Tractor Eastern, First Tractor International, First Tractor Diesel and China First Tractor
"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

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

Luoyang, Henan Province, the PRC, 3 July 2002