



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 TRANSACTION

The Board announces that the Company entered into the Agreement for Joint Operation of First Tractor (Luoyang) Fuel Oil Injection Company Limited (《合資經營一拖(洛陽)燃油噴射有限公司協議書》) with China First Tractor and First Tractor Diesel on 6 December 2002, pursuant to which the Company agreed to contribute RMB3,640,000, representing 7% of the registered capital of FOI.

As China First Tractor is the controlling shareholder of the Company, and is also the controlling shareholder of First Tractor Diesel, the Investment constitutes a connected transaction.

In accordance with Rules 14.25(1)(A) to (D) of the Listing Rules, the Investment constitutes a connected transaction of the Company and the Company shall make the necessary disclosure.

The Board has noted the increases in the trading volume in the Company's shares on the Exchange on 9 December, 2002 and wishes to state that it is not aware of any reasons for such increases (save as the transaction stated hereinabove).

THE INVESTMENT

On 6 December 2002, the Company entered into the Joint Venture Agreement with China First Tractor and First Tractor Diesel at Luoyang, Henan Province, the PRC in respect of the joint establishment of FOI at Luoyang, Henan Province, the operating period of which will be 10 years. The proposed registered capital of FOI amounts to RMB52,000,000, of which RMB39,000,000 will be contributed by China First Tractor in the form of asset injection (the asset valuation report was issued by Luoyang Tiancheng Certified Public Accountants Company Limited dated 15 November 2002 Tiancheng Pingbaozi (2002) No.144), representing 75% of the registered capital of FOI. First Tractor Diesel and the Company will contribute RMB9,360,000 and RMB3,640,000 (which will be the sole commitment of the Company) both in the form of cash, representing 18% and 7% of the registered capital of FOI, respectively.

The scope of business of FOI includes the design, manufacturing and sale of fuel jet pumps, fuel injectors, electric controlled common rail equipment, industrial clamping tools, non-standard apparatus and the components and spare parts of the products above and repair and adjustment to fuel jet pumps.

The directors of the Company (including the independent non-executive directors) consider that the Investment will benefit the Company on purchasing the components of fuel oil injection, the transactions were entered into on normal terms and in the ordinary and usual course of business and the terms of the transactions are fair and reasonable so far as the shareholders of the Company are concerned.

As China First Tractor is the controlling shareholder of the Company and is also the controlling shareholder of First Tractor Diesel, the Investment constitutes a connected transaction of the Company under Rule 14.23 of the Listing Rules. Since the investment of the Company of RMB3,640,000 (approximately HK\$3,430,000) exceeds HK\$1,000,000 but less than 3% of the net book value of the consolidated net tangible assets of the Company as disclosed in its latest published accounts, the approval from shareholders is not required pursuant to the provisions of the Listing Rules. In accordance with Rule 14.25(1) of the Listing Rules, the Company is only required to make an announcement on newspapers with respect to the Investment containing brief information on the transaction and to disclose the details of the Investment in the next published annual report and accounts of the Company according to Rules 14.25(1)(A) to (D) of the Listing Rules.

The Board has noted the increases in the trading volume in the Company's shares on the Exchange on 9 December, 2002 and wishes to state that it is not aware of any reasons for such increases (save as the transaction stated hereinabove).

The Board also confirms that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under paragraph 3 of the Listing Agreement, neither is the Board aware of any matter discloseable under the general obligation imposed by paragraph 2 of the Listing Agreement, which is or may be of a price-sensitive nature.

DEFINITIONS

"Board"	the board of directors of the Company;
"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 the controlling shareholder of the Company which holds 57.32% equity interests of the Company;
"Company"	First Tractor Company Limited, a joint stock limited company incorporated in the PRC;
"Exchange"	The Stock Exchange of Hong Kong Limited;
"First Tractor Diesel"	First Tractor (Luoyang) Diesel Machinery Company Limited (一拖(洛陽)柴油機有限公司), a Sino-foreign equity joint venture company incorporated in the PRC, the shareholders of which are China First Tractor and Brilliance China Machinery Holdings Limited (華晨中國機械控股有限公司) ("BCM") (the controlling shareholder of which is the Company, owned as to 90.1% by the Company) owned as to 75% by China First Tractor and 25% by BCM;
"FOI"	First Tractor (Luoyang) Fuel Oil Injection Company Limited (一拖(洛陽)燃油噴射有限公司), a company proposed to be incorporated in the PRC with limited liability;
"Investment"	the contribution of the Company of RMB3,640,000 (being the sole commitment of the Company) to the registered capital of FOI;
"Joint Venture Agreement"	Agreement for Joint Operation of First Tractor (Luoyang) Fuel Oil Injection Company Limited (《合資經營一拖(洛陽)燃油噴射有限公司協議書》);
"Listing Rules"	the Rules Governing the Listing of Securities on the Exchange;
"PRC"	the People's Republic of China;
"HK\$"	the lawful currency of Hong Kong; and
"RMB"	the lawful currency of the PRC.

In this announcement, unless the context otherwise requires and for information purpose only, the translation of RMB into Hong Kong dollars in this announcement is based on the exchange rate of HK\$1.00 to RMB1.06.

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