



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

ESTABLISHMENT OF LUOYANG FIRST MOTORS

COMPANY LIMITED

On 22 July 2003, the Company entered into the Promoters' Agreement with Henan Construction, China Yituo Group, Yituo Dongfang and Mr. Liu Zhen Min (劉振敏先生) pursuant to which all five parties agreed to set up the Luoyang First Motors to design, manufacture and carry on the sale of vehicles (mainly heavy loading truck) and the accessories for the chassis and the related ancillary services (subject to the final approval as stated in the business licence issued by the Administration for Industry and Commerce of Henan Province). The registered capital of Luoyang First Motors is RMB200,000,000 (approximately HK\$187,793,427), of which RMB59,000,000 (approximately HK\$55,399,061) (constituting 29.5% thereof) is contributed by the Company, RMB120,000,000 (approximately HK\$112,676,056) (constituting 60% thereof) is contributed by Henan Construction, RMB18,000,000 (approximately HK\$16,901,408) (constituting 9% thereof) is contributed by China Yituo Group, RMB2,000,000 (approximately HK\$1,877,934) (constituting 1% thereof) is contributed by Yituo Dongfang and RMB1,000,000 (approximately HK\$938,967) (constituting approximately 0.5% thereof) is contributed by Mr. Liu Zhen Min (劉振敏先生).

China Yituo Group is the controlling shareholder (as defined in the Listing Rules) of the Company and is interested in approximately 57.32% of the issued share capital of the Company. Henan Construction, Yituo Dongfang and Mr. Liu Zhen Min (劉振敏先生) are independent third parties which are not connected persons (as defined in the Listing Rules) of the Company. Accordingly, the aforesaid transaction constitutes a connected transaction for the Company under Rule 14.23(1)(a) of the Listing Rules. The investment amount of the Company contemplated under the Promoters' Agreement for the establishment of Luoyang First Motors represents less than 3% of the book value of the net tangible assets of the Company as disclosed in the latest Company's published accounts as at 31 December 2002 and accordingly, no shareholders' approval is required. The Investment is therefore subject to the disclosure requirement under Rule 14.25 of the Listing Rules. Details of the Investment as required under Rule 14.25(1)(A) to (D) of the Listing Rules will be disclosed in the Company's next published annual report and accounts.

5. Registered capital and total investment amount RMB200,000,000 (approximately HK\$187,793,427)
6. Shareholding structure and the mode of capital contribution
 - (i) The Company the capital contribution of RMB59,000,000 (approximately HK\$55,399,061) representing 29.5% of the registered capital thereof will be made by way cash, such investment amount is sourced from the internal resources of the Company
 - (ii) China Yituo Group the capital contribution of RMB18,000,000 (approximately HK\$16,901,408) representing 9% of the registered capital thereof will be made by way of cash
 - (iii) Henan Construction the capital contribution of RMB120,000,000 (approximately HK\$112,676,056) representing 60% of the registered capital thereof will be made by way of cash
 - (iv) Yituo Dongfang the capital contribution of RMB2,000,000 (approximately HK\$1,877,934) representing 1% of the registered capital thereof will be made by way of cash
 - (v) Mr. Liu Zhen Min (劉振敏先生) the capital contribution of RMB1,000,000 (approximately HK\$938,967) representing 0.5% of the registered capital thereof will be made by way of cash

The capital contribution amount stated above is the maximum capital commitment of each party.

7. Date of capital contribution All promoters of Luoyang First Motors have contributed their respective capital contributions on or before 22 July 2003. An authorised PRC accountant firm will be appointed to verify and issue a capital verification report.

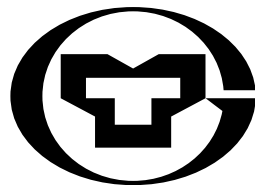
8. The board of directors the board of directors of Luoyang First Motors comprises of 9 directors in total; 3 directors are appointed by Henan Construction, the other four shareholders, namely the Company, China Yituo Group, Yituo Dongfang and Mr. Liu Zhen Min (劉振敏先生) can each appoint one director into the board of directors whereas the remaining 2 directors, namely Mr. Gu Zheng Qi (谷正氣先生) and Mr. Li Jing Sheng (李京生先生), whom were appointed at the first shareholders' general meeting of Luoyang First Motors are the independent expert directors who have expertise in vehicle design, research and the related vehicle production and sale business

9. Profit Distribution the profit distribution and the responsibilities of risk will be allocated in proportion to the shareholding of the shareholders of Luoyang First Motors

ESTABLISHMENT OF LUOYANG FIRST MOTORS

1. The Promoters' Agreement

1. Date 22 July 2003
2. Parties the Company, China Yituo Group, Henan Construction, Yituo Dongfang and Mr. Liu Zhen Min (劉振敏先生). Apart from China Yituo Group, the other three parties are not connected persons (as defined in the Listing Rules) of the Company
3. Form of the company a joint stock limited liability company incorporated under the Company Law
4. Scope of business principally engaged in the design, manufacture and carry on the sale of vehicles (mainly heavy loading truck) and the accessories for the chassis and the related ancillary services (subject to the final approval as stated in the business licence issued by the Administration for Industry and Commerce of Henan Province)



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10. Approval authorities the establishment of Luoyang First Motors is subject to the approval of the People's Government of Henan Province and an application for the business licence has already been made to the Administration for Industry and Commerce of Henan Province on 24 July 2002, it is expected that the business licence will be issued within two weeks from the date of application in normal circumstances. Apart from obtaining the approvals from the relevant government authorities in respect of the establishment of Luoyang First Motors, there are no other condition precedents required for its establishment

2. Reason for the establishment of Luoyang First Motors

The board of directors of the Company considers that the production and sale business of vehicles (mainly heavy loading truck) and the accessories for the chassis is a diversion from the Company's principal business but the board of directors of the Company considers that in view of the speedy development of expressways and logistics business in China, the vehicle business to be carried on by Luoyang First Motors has a good prospect in the PRC market and therefore, the Investment is a good opportunity for the Company to capitalize its resources and invest in this new area and thereby increase the Company's profitability.

3. Listing Rules Implications

China Yituo Group is the controlling shareholder (as defined in the Listing Rules) of the Company and is interested in approximately 57.32% of the issued share capital of the Company. Henan Construction, Yituo Dongfang and Mr. Liu Zhen Min (劉振敏先生) are independent third parties which are not connected persons (as defined in the Listing Rules) of the Company. Accordingly, the aforesaid transaction constitutes a connected transaction for the Company under Rule 14.23(1)(a) of the Listing Rules. The investment amount of the Company contemplated under the Promoters' Agreement for the establishment of Luoyang First Motors represents less than 3% of the book value of the net tangible assets of the Company as disclosed in the latest Company's published accounts as at 31 December 2002 and accordingly, no shareholders' approval is required. The Investment is therefore subject to the disclosure requirement under Rule 14.25 of the Listing Rules. Details of the Investment as required under Rule 14.25(1)(A) to (D) of the Listing Rules will be disclosed in the Company's next published annual report and accounts.

DEFINITIONS

Terms used in this announcement shall have the following meaning :-

“China Yituo Group” 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

“Company” First Tractor Company Limited (第一拖拉機股份有限公司), a joint stock limited company incorporated under the Company Law

“Company Law” the Company Law of the PRC (中華人民共和國公司法), as enacted by the Standing Committee of the Eighth National People's Congress (全國人民代表大會) on 29 December 1993 and came into force on 1 July 1994, as amended, supplemented or otherwise modified from time to time

“Directors” directors of the Company

“Henan Construction” Henan Construction Investment Company (河南省建設投資總公司), a State-owned enterprise, an independent third party which is not a connected persons (as defined in the Listing Rules) of the Company

“HK\$” Hong Kong dollars, the lawful currency in Hong Kong

“Hong Kong” the Hong Kong Special Administrative Region of the PRC

“Investment” the contribution of the Company of RMB59,000,000 (approximately HK\$55,399,061) (being the maximum capital commitment of the Company) to the registered capital of Luoyang First Motors

“Listing Rules” The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Luoyang First Motors” Luoyang First Motors Company Limited (洛陽福賽特汽車股份有限公司), a joint stock limited liability company incorporated under the Company Law

“Promoters' Agreement” the promoters' agreement dated 22 July 2003 entered into between the Company, Henan Construction, China Yituo Group, Yituo Dongfang and Mr. Liu Zhen Min (劉振敏先生) for the joint establishment of Luoyang First Motors

“Yituo Dongfang” Luoyang Yituo Dongfang Industry Company Limited (洛陽一拖東方實業有限公司), a company incorporated in the PRC, of which its shareholding is held 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

“PRC” the People's Republic of China

“RMB” Renminbi, the lawful currency of the PRC

In this announcement, unless otherwise stated, certain amounts denominated in RMB have been converted (for information only) into HKD using an exchange rate of HK\$1.00 to RMB\$1.065.

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

Luoyang, Henan Province, the PRC, 24 July 2003