

FIRST TRACTOR COMPANY LIMITED

第一拖拉机股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

2003 INTERIM RESULTS ANNOUNCEMENT

Turnover	:	RMB1,793,588,000
Net profit	:	RMB23,931,000
Earnings per share	:	RMB3.05 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 period ended 30 June 2003, together with the comparative figures for the corresponding period in 2002. The condensed consolidated interim financial statements are unaudited, but have been reviewed by the Company's audit committee.

During the period, the Group recorded a turnover of RMB1,793,588,000, representing an increase of 72% over the corresponding period last year. A profit of RMB23,931,000 was recorded. The Group was able to turn loss to profit. Earnings per share was RMB3.05 cents. The surge in operating results was due to a sharp increase in the Group's principal business.

The Board of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2003.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2003

(Prepared in accordance with Hong Kong accounting standards)

	Notes	For the six months ended 30 June	
		2003 Unaudited RMB'000	2002 Unaudited RMB'000
TURNOVER	2	1,793,588	1,040,237
Cost of sales		(1,563,866)	(909,554)
Gross profit		229,722	130,683
Other revenue and gains	3	29,041	28,038
Selling and distribution costs		(59,716)	(53,821)
Administrative expenses		(118,806)	(90,493)
Other operating expenses		(27,878)	(25,953)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	4	52,363	(11,546)
Finance costs		(6,067)	(10,617)
Share of profits and losses of:			
Jointly-controlled entity		990	2,109
Associates		5,770	2,016
Negative goodwill recognised as income on acquisition of an associate		303	—
PROFIT/(LOSS) BEFORE TAX		53,359	(18,038)
Tax	5	(15,288)	(5,083)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		38,071	(23,121)
Minority interests		(14,140)	(963)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		23,931	(24,084)
Transfer to reserves	6	1,174	—
EARNINGS/(LOSS) PER SHARE — BASIC	8	RMB3.05 cents	RMB(3.07) cents

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statements 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 interim financial statements are the same as those used in the annual audited financial statements for the year ended 31 December 2002, except for the following new/revised SSAPs which have been adopted for the first time in the preparation of the current period's condensed consolidated interim financial statements:

- SSAP 12 (Revised): "Income taxes"
- SSAP 35: "Accounting for government grants and disclosure of government assistance"

A summary of their major effects is as follows:

SSAP 12 (Revised) principally prescribes the accounting treatment and disclosures for deferred tax. In prior years, deferred tax is provided using the income statement liability method on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt. SSAP 12 (Revised) requires the adoption of the balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The adoption of SSAP 12 (Revised) has had no material effect on the results for the current or prior accounting periods.

SSAP 35 prescribes the accounting treatment and disclosures for government grants and disclosures for other forms of government assistances. This SSAP has not had any material impact on these condensed consolidated interim financial statements.

2. TURNOVER AND SEGMENT INFORMATION

Turnover represents the invoiced value of goods sold, net of 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		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2003 Unaudited RMB'000	2002 Unaudited RMB'000	2003 Unaudited RMB'000	2002 Unaudited RMB'000	2003 Unaudited RMB'000	2002 Unaudited RMB'000	2003 Unaudited RMB'000	2002 Unaudited RMB'000	2003 Unaudited RMB'000	2002 Unaudited RMB'000	2003 Unaudited RMB'000	2002 Unaudited RMB'000	2003 Unaudited RMB'000	2002 Unaudited RMB'000	2003 Unaudited RMB'000	2002 Unaudited RMB'000
Segment revenue:																
Sales to external customers	1,043,550	695,917	506,398	242,247	144,715	86,668	96,208	10,317	—	—	2,717	5,088	—	—	1,793,588	1,040,237
Intersegment revenue	8,306	10,958	—	—	14,984	12,432	—	—	3,843	—	—	(27,133)	(23,390)	—	—	—
Other revenue and gains	—	—	—	—	—	—	—	—	7,743	—	—	—	—	—	7,743	—
Total	1,051,856	706,875	506,398	242,247	159,699	99,100	96,208	10,317	11,586	—	2,717	5,088	(27,133)	(23,390)	1,801,331	1,040,237
Segment results	(12,684)	(26,409)	50,951	13,905	6,058	(1,674)	(2,437)	(6,965)	6,006	—	20	(19)	—	—	47,914	(21,162)
Interest, dividend, investment income and negative goodwill recognised as income															4,449	9,616
Profit/(loss) from operating activities															52,363	(11,546)
Finance costs															(6,067)	(10,617)
Share of profits and losses of:																
Jointly-controlled entity	990	2,109	—	—	—	—	—	—	—	—	—	—	—	—	990	2,109
Associates	—	—	—	—	—	—	—	—	—	—	5,770	2,016	—	—	5,770	2,016
Negative goodwill recognised as income on acquisition of an associate	—	—	—	—	—	—	—	—	—	—	303	—	—	—	303	—
Profit/(loss) before tax															53,359	(18,038)
Tax															(15,288)	(5,083)
Profit/(loss) before minority interests															38,071	(23,121)
Minority interests															(14,140)	(963)
Net profit/(loss) from ordinary activities attributable to shareholders															23,931	(24,084)

(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	
	2003 Unaudited RMB'000	2002 Unaudited RMB'000
Interest income	3,952	8,113
Interest income from financial operations	7,220	—
Profit from sundry sales	5,324	9,264
Rental income	2,391	1,046
Dividend income from long term unlisted investments	379	1,503
Gain on disposal of fixed assets	684	—
Others	9,091	8,112
	29,041	28,038

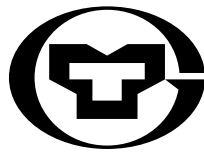
4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	For the six months ended 30 June	
	2003 Unaudited RMB'000	2002 Unaudited RMB'000
Depreciation of fixed assets	49,110	50,765
Impairment of fixed assets	—	10,000
Impairment of construction in progress	7,405	—
Provision for doubtful debts	3,424	13,000
Interest income	(3,952)	(8,113)
Interest income from financial operations	(7,220)	—
Dividend income from long term unlisted investments	(379)	(1,503)
Negative goodwill recognised as income on acquisition of a subsidiary	(118)	—

5. TAX

	For the six months ended 30 June	
	2003 Unaudited RMB'000	2002 Unaudited RMB'000
The Company and subsidiaries:		
PRC corporate income tax	14,284	5,648
Deferred tax	—	(1,234)
	14,284	4,414
Share of tax attributable to:		
Jointly-controlled entity	312	422
Associates	692	247
Total tax charge for the period	15,288	5,083



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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 period ended 30 June 2003 (six months ended 30 June 2002: Nil).

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 2002: 12% to 33%) on their estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof.

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 2002: 18% 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 has 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. TRANSFER TO RESERVES

	For the six months ended 30 June	
	2003	2002
	Unaudited	Unaudited
	RMB'000	RMB'000
Reserve fund	587	—
Enterprise expansion fund	587	—
	<u>1,174</u>	<u>—</u>

No appropriations were made to the statutory surplus reserve and statutory public welfare fund by the Company for the six months ended 30 June 2003 (six months ended 30 June 2002: Nil). Such appropriations will be made at the year end in accordance with the PRC Company Law and the Company's articles of association.

During the period, the subsidiaries' aggregate appropriations to reserves dealt with in the Group's condensed consolidated interim financial statements were approximately RMB1,174,000.

7. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2003 (six months ended 30 June 2002: Nil).

8. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net profit from ordinary activities attributable to shareholders for the period of approximately RMB23,931,000 (six months ended 30 June 2002: loss of approximately RMB24,084,000) and the weighted average of 785,000,000 (six months ended 30 June 2002: 785,000,000) shares in issue during the period.

No diluted earnings/(loss) per share is presented as the Company does not have any dilutive potential shares.

BUSINESS REVIEW AND OPERATION ANALYSIS

During the first half of 2003, the national economy was able to overcome the adverse effect of SARS on the economy and maintained a rapid growth of 8.2% generally. During the first half of the year, in the tractors market, sales of large and medium tractors increased by 25.19% over the corresponding period last year while sales of four-wheeled small tractors decreased by 6.6% over the corresponding period last year. Because of SARS, harvesters were restricted from being used in other areas, thus stimulating a sharp demand for harvesters in major wheat producing regions. As a result, both production and sales boomed.

During the reporting period, the Company sold 5,680 large and medium tractors, of which 2,674 are crawler tractors, representing an increase of 37.1% over the corresponding period last year. 3,006 large- and medium-wheeled tractors were sold, representing an increase of 1.28 times over the corresponding period last year, while 58,450 small-wheeled tractors were sold, representing an increase of 103.6% over the corresponding period last year. Harvesters grew by ten times over the corresponding period last year.

During the period, there was a major change in the Company's tractor product mix in the sense that the sales volume of large- and medium-wheeled tractors exceeded that of crawler tractors for the first time. The development of new products was speeded up and as a result the debugging and modeling of WY10R crawler excavator were completed. The Company is almost able to carry out mass production of it. Mass production of wheeled tractors within the range between 25 HP and 28 HP has commenced for launch in the market. Wheeled tractors within the range between 60 HP and 65 HP have come into mass production. Trial fitting of multi-modeled short-range medium power diesel engine 105 series has been completed and the product will soon be launched in the market. As a result, the capability of the Company to adapt itself to the market and to counter risk exposure is further enhanced.

During the reporting period, although the external market environment has not fundamentally improved and the adverse effect of SARS and surge in the prices of raw materials has been made on its operation, the Company was positive in exploring markets externally, providing services to customers, regulating sales channels and appointing regional agents to enhance the initiative of dealers so that the sales growth was increased. Internally, performance appraisal was strengthened by establishing a performance appraisal system based on benefit, efficiency and product mix. The management of account receivables was strengthened. Given a substantial growth in the revenue from principal business, account receivables should be controlled efficiently. After the capability to explore the market for parts and components was enhanced, revenue from the new business increased by RMB45,130,000 over the corresponding period last year.

In the first half of the year, the increase of 29.7% in infrastructure investment in China led to the continuous rapid growth of construction machinery market, of which the first five enterprises with the largest sales of road rolling machines achieved a growth in sales by 53.28% over the corresponding period in previous year; and there was also relatively significant growth for bulldozer and pavers whereby 4,312 sets and 512 sets respectively were sold in the first half of the year.

During the reporting period, the Group generated foreign exchange of US\$4,855,000 from export due to the substantial growth in export, representing an increase of two times over the corresponding period last year. Of the export, 156 tractors of various models were exported, representing an increase of 2.9 times over the corresponding period last year; two pavers and cultivators were exported; and 130 rollers were exported, representing an increase of nearly 5 times over the corresponding period last year. The foresaid products were mainly exported to Southeast Asia, Northeast Asia, Africa, South America, North America, Europe, etc.

During the reporting period, there was a significant rise in the sales volume of the construction machinery products of subsidiary companies as compared with the same period of last year and operating results increased rapidly. Sales volume of rolling machinery products increased by 47.9% over the corresponding period last year. Sales volume of industrial bulldozer products increased by 104.2% as compared with the same period last year. Sales volume of pavers and mixing machinery increased by 38.4% over the same period last year. The revenue from the principal construction machinery operations of Yituo (Luoyang) Construction Machinery Co., Ltd., Yituo (Luoyang) Building Machinery Co., Ltd., Zhenjiang Huatong Aran Machinery Company Limited and Zhenjiang Huachen Huatong Road Machinery Company Limited increased by 90% in the first half of the year over the same period last year. There was a substantial growth in profit over the same period last year. Yituo (Luoyang) Harvester Co., Ltd. changed from a loss position to a profitable situation. However, Yituo Shenyang Tractor Company Limited and Yituo Qingjiang Tractor Company Limited continued to incur losses.

BUSINESS DEVELOPMENT STRATEGY

Based on the foundation of becoming profitable and maintaining a recovery growth in the first half of the year, the Company will continue to strengthen the Company's business development strategy of "further expanding and strengthening agricultural machinery and construction machinery; achieving further specialisation and enhancing professional practices for factories specialised in production of spare parts; integrating and reorganising the businesses of subsidiary companies and enhancing return on investments; actively searching for international co-operation and introducing overseas advanced products, technology, management and experience; and speeding up the adjustment on assets structure, enhancing the resources allocation and adopting various methods to maximise the operating efficiency of assets" in order to ensure overall growth in the Company's businesses and achieve the operating targets for 2003.

AGRICULTURAL MACHINERY

- Crawler tractors. On the basis of maintaining the existing traditional competitive advantages in crawler tractors, the Company will increase sales volume and put more efforts in development of modified products on the basis of crawler chassis technology. The Company will strive to ensure that WY10R hydraulic excavator will achieve a breakthrough in its development and commence mass production for sales in the market as soon as possible.
- Large-wheeled and medium-wheeled tractors. The Company will seize the opportunity of growth in large-wheeled and medium-wheeled tractor industry to enhance quality and expand the scale of operations on the basis of active response to the changes in customers so that the Company can maintain the leading position and increase sales volume.
- Small-wheeled tractors. In view of the low technology level of the product and keen competition in the market, the Company will utilise its competitive advantages of its brands, adopt effective measures to reduce costs, expand the sales volume in the market and maintain and increase the existing market share.
- Agricultural machinery. Yituo (Luoyang) Harvester Company Limited will summaries the experience of development in the past three years. On the basis of rapid growth in the first half of the year, it will strive to achieve a breakthrough in its rice harvester. At the same time, it will speed up the development of the ancillary agricultural machinery businesses in line with the main equipment such as rotary cultivators and straw threshers.

CONSTRUCTION MACHINERY

The Group's construction machinery businesses are mainly carried out by five subsidiary companies. The further and faster development of construction machinery business will have significant impact on the Group's operating results. The Group will closely seize the strategic opportunities of overall rapid growth of construction machinery industry and focus on the following areas:

- The Company will improve the corporate governance structure and provide the subsidiary companies with a systematic platform for the rapid development.
- In addition to consolidating the market position for the existing product groups, the Company will increase the market share. The Company will continue to maintain the leading position in the rolling machinery and paver sectors.
- The Company will integrate the advantages in resources, focus on those construction machinery products with large market potential such as industrial bulldozers, loaders and commercial cement-mixing machinery in order to properly adjust the Group's product structure in construction machinery. On the basis of the good results achieved in the first half of the year, the Group will consolidate and further develop the construction machinery market.

SPARE PARTS

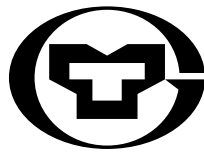
In respect of the Company's spare parts business, the Company will fully utilise the existing technical skills, technology and economies of scale of the established casting centre, welding centre and gear factory. In addition to active establishment of a proper internal market, the Company will actively develop the external market of spare parts and accessories to enlarge the operating base.

NEW MANAGEMENT PRACTICES

The Company's board of directors has established the Remunerations and Performance Evaluation Committee to study and establish a remuneration policy and plan for the Company's senior management with the purpose of stimulating the initiative and creativity of operating management teams.

In the second half of the year, the Company will continue to strengthen the management over accounts receivable, inventories and capital to enhance the quality of economic operation. At the same time, the Company will actively adopt new measures similar to advanced enterprises in respect of staff training, remuneration packages and adjustment in organisation structure.

The Company's board of directors believes that the above measures will further enhance the Company's operating results in the second half of the year and provide a satisfactory investment returns to shareholders.



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LIQUIDITY AND FINANCIAL ANALYSIS

As at 30 June 2003, the cash and bank deposits of the Group amounted to approximately RMB1,069,026,000 which had increased by approximately RMB79,091,000, representing an increase of 7.99% compared with the end of 2002.

As at 30 June 2003, the Group's bank loans amounted to RMB192,530,000, an increase of RMB22,480,000 compared to the end of 2002. The Group had no long term bank loans.

As at 30 June 2003, net trade receivables of the Group amounted to approximately RMB407,367,000, increased by RMB146,573,000 or 56.20% compared with the end of 2002. The increase in trade receivables was mainly due to the substantial growth in the sales volume of rolling machinery and construction machinery products over the corresponding period last year, which resulted in an increase in receivables. However, the growth was far lower than that of operating results.

Financial Statistics:

Items	Basis of calculation	As at	As at
		30 June 2003	31 December 2002
Gearing ratio	Total liabilities/total assets x 100%	45.06%	38.55%
Current ratio	Current assets/current liabilities	1.75	2.00
Quick ratio	(Current assets – inventories)/current liabilities	1.31	1.47
Debt equity ratio	Total liabilities/shareholders' equity x 100%	82.03%	62.75%

APPLICATION OF THE PROCEEDS FROM THE H SHARES ISSUE

The Company raised approximately RMB1,615,500,000 (approximately HK\$1,507,500,000) by the issue of 335,000,000 new H shares under the initial public offering of the Company's H Shares listed on The Stock Exchange of Hong Kong Limited on 23 June 1997 and two subsequent partial exercises of over-allotment option.

Save for the proceeds of RMB1,180,725,000 which have already been used as disclosed in previous annual results announcement, the proceeds from the H Shares issue were used in the first half of the year as follows:

- approximately RMB41,621,100 is still being applied to the technological renovation project for 100/105 medium power diesel engine.
- as to the balance for the Company's additional general working capital.

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 debt is mainly applied to the payment of commissions outside China 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.

As at 30 June 2003, the Group has not pledged any of its foreign currency deposits.

CONTINGENT LIABILITIES

As at 30 June 2003, the Group did not have any significant contingent liabilities.

PLEDGE OF ASSETS

As at 30 June 2003, the Group's certain buildings and machinery with an aggregate carrying value of approximately RMB36,586,000 deposits of approximately RMB11,537,000 were pledged to banks to secure certain short term bank loans granted to the Group.

In addition, the Group's deposits amounting to approximately RMB208,878,000 and bills receivable of approximately RMB6,670,000 are pledged to banks to secure other banking facilities granted to the Group.

As at 30 June 2003, the Group's deposits amounting to RMB3,210,000 are pledged to bank for securing certain performance bonds issued by that bank on behalf of a related company.

SHARES HELD BY DIRECTORS AND SUPERVISORS

None of the directors, supervisors or members of the senior management of the Company or their associates had any interests in the shares or debentures of the Company or any of its associated corporations during the period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the shares of the Company during the six months ended 30 June 2003.

DISCLOSURE OF SIGNIFICANT EVENTS

- As the terms of office of the Company's second board of directors and supervisory committee expired, the Company's 2002 Annual General Meeting was held on 13 June 2003, at which Mr. Dong Yongan, Mr. Liu Dagong, Mr. Liu Wenyong, Mr. Xiao Haicheng, Mr. Li Tengjiao, Mr. Zhao Yanshui, Mr. Zhang Jing, Mr. Liu Shuangcheng and Mr. Huang Yanzhao were elected as the executive directors of the third board of directors of the Company; Mr. Lu Zhongmin, Mr. Tao Xiang, Mr. Chen Zhi and Mr. Chen Xiushan were elected as the independent non-executive directors; and Mr. Liu Anan, Mr. Zhao Zhonghai, Mr. Xu Weilin, Ms Wang Aiyong and Mr. Zhao Jianxin were elected as the members of the third supervisory committee of the Company. Mr. Liu Anan acts as chairman of the Supervisory Committee. The terms of office of the third board of directors and supervisory committee of the Company are effective from 1 July 2003 for three years.
- The first meeting of the third board of directors of the Company elected Mr. Dong Yongan as the Chairman of the Company and Mr. Liu Dagong as the Vice-chairman and resolved to continue to appoint Mr. Zhao Haicheng as the general manager, Mr. Du Huanglin, Mr. Yang Youliang, Mr. Guo Zhiqiang and Mr. Zhang Youyu as the deputy general manager, Mr. Xie Jianghua as the chief accountant and Mr. Zhang Guolong as the secretary to the board of directors.

- To further improve the corporate governance structure, establish scientific and rational system in remuneration and performance evaluation of senior management and promote continuous development of the Company, the first meeting of the third board of directors of the Company resolved to establish the Remuneration and Performance Appraisal Committee of the Board of Directors. The Committee comprises independent directors Mr. Chen Zhi and Mr. Lu Zhongmin and the executive director Mr. Dong Yongan. Mr. Chen Zhi acts as the convener. The major duties of the Remuneration and Performance Evaluation Committee are: (1) to study the performance evaluation standards of directors and senior management, carry out evaluation and submit recommendations; and (2) to study and review the remuneration policy and plan of directors and senior management.
- On 22 July 2003, the Company, Henan Construction Investment Company, China Yituo Group Corporation Limited (the "Holding"), Luoyang Yituo Dongfang Industrial Company Limited and Mr. Liu Zheng Min entered into the Promoters' Agreement of Luoyang First Motors Company Limited for the establishment of Luoyang First Motors Company Limited ("First Motors"). The registered capital of First Motors will be RMB200,000,000. The Company will invest RMB59,000,000, representing 29.5% of the total capital. First Motors will be principally engaged in the design, manufacture and sales of motor vehicles, special vehicles, hanging vehicles chassis for motor vehicles and related spare parts. (Please refer to the announcement dated 24 July 2003 for details).
- As the Company's subsidiary company Yituo Qingjiang Tractor Company Limited ("YTQT") continued to incur losses, the Company and Jiansu Qingjiang Tractor Group Company ("Qingtuo Group") entered into an agreement on 10 August 2003 for the transfer of 51% equity interests in YTQT after the comprehensive consideration of the conditions of the assets and liabilities of YTQT. Pursuant to the agreement, the Company transferred 51% equity interests in YTQT to Qingtuo Group at a consideration of RMB10,000. After the transfer of equity interests, the Company no longer held any equity interests in YTQT.
- The extraordinary general meeting of the Company was held on 6 August 2003 approving the Financial Service Agreement between the Company's subsidiary company China First Tractor Group Finance Company Limited ("FTGF") and the Holding and the connected transactions as disclosed. The Stock Exchange of Hong Kong Limited (the "HKSE") had granted a waiver from strict compliance with the requirements in accordance with paragraph 14.26 of the Rules Governing the Listing of Securities on HKSE.

SHARE HELD BY SUBSTANTIAL SHAREHOLDERS

As at 30 June 2003, the register of shareholders maintained pursuant to the Securities and Futures Ordinance ("SFO") shows that the following shareholders with interests representing 5% or more of the Company's issued share capital:

Name of Shareholder	Class of shares	Number of shares	Percentage of total share capital (%)
China Yituo Group Corporation Limited	State-owned legal person shares	450,000,000	57.32
The HKSCC Nominees Limited	H shares	328,783,998	41.88

Save as disclosed herein, the Board is not aware of any persons directly or indirectly interested in 5% or more in the shares of the Company as recorded in the register required to be kept under SFO.

STAFF AND REMUNERATION

As at 30 June 2003, there was a total of 14,466 staff in the Company. Remuneration totalled RMB80,855,000 were the total emoluments of the staff during the reporting period.

DESIGNATED DEPOSITS

All deposits of the Company were placed in the PRC State-owned banks and the Company's subsidiary FTGF. The Company has granted loans of RMB40,000,000 and RMB2,000,000 to its subsidiaries, namely, Yituo (Luoyang) Building Machinery Co., Ltd. and Guizhou Zhenning Biological Industrial Co., Ltd, respectively. However, in accordance with the requirement of prohibition of inter-company loans in the PRC, certain financial institutions such as banks have been appointed to handle the loan matter. Such amount has been eliminated upon the preparation of the Group's condensed consolidated balance sheet. Save as aforesaid, all deposits of the Company were not in the form of designated deposits with the banks and FTGF and there were no unrecovered fixed deposits upon maturity.

STAFF QUARTER

As all staff quarters have been retained by the Holding, the Company does not have any staff quarters to sell to its staff. Pursuant to its existing policy, the staff of the Company shall buy the staff quarters at their own expenses (including quarters retained by the Holding).

MATERIAL LITIGATION

During the period, the Company was not involved in any material litigation or arbitration of any material importance.

POLICY ON UNIFIED INCOME TAX

For the six months ended 30 June 2003, 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 Board, the Company has complied with the Code of Best Practice as set out in Appendix 14 to the Listing Rules during the period ended 30 June 2003.

INFORMATION DISCLOSURE

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 HKSE on or before 30 August 2003 for publishing the same on the website of HKSE.

By Order of the Board
Dong Yong An
Chairman

Luoyang, Henan Province, the PRC
22 August 2003