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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

FINANCIAL HIGHLIGHTS

Turnover :	**RMB3,277,297,000**
Net Profit :	**RMB16,328,000**
Earnings Per Share :	**RMB2.08 cents**

The board of directors (the "Directors") of First Tractor Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2003, which have been prepared in accordance with accounting principles generally accepted in Hong Kong, together with 2002 comparative figures, set out (unless otherwise stated, the figures contained in this announcement are denominated in Renminbi) as follows:

AUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

(PREPARED UNDER HONG KONG ACCOUNTING STANDARDS)

	Notes	Year ended 31 December 2003 RMB'000	2002 RMB'000
TURNOVER	3	**3,277,297**	2,300,223
Cost of sales		**(2,912,313)**	(2,034,741)
Gross profit		**364,984**	265,482
Other revenue and gains		**109,814**	93,115
Selling and distribution costs		**(126,616)**	(114,341)
Administrative expenses		**(237,211)**	(205,735)
Other operating expenses		**(55,885)**	(68,017)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	4	**55,086**	(29,496)
Finance costs	5	**(9,770)**	(16,546)
Share of profits and losses of:			
Jointly-controlled entity		**2,506**	2,162
Associates		**8,444**	8,178
Negative goodwill on acquisition of an associate recognised as income during the year		**606**	606
PROFIT/(LOSS) BEFORE TAX		**56,872**	(35,096)
Tax	6	**(23,847)**	(16,776)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		**33,025**	(51,872)
Minority interests		**(16,697)**	(7,618)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		**16,328**	(59,490)
DIVIDEND	7	**—**	—
EARNINGS/(LOSS) PER SHARE - Basic	8	**2.08 cents**	(7.58) cents

1. **Basis of preparation**

The results of the year have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice ("SSAPs"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of debt and equity investments.

2. **Impact of revised SSAP**

SSAP 12 (Revised) : "Income taxes" is effective for the first time for the current year's financial statements.

This SSAP prescribes new accounting measurements and disclosure practices. SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

The SSAP has had no significant impact for these financial statements on the amounts recorded for income taxes. However, the related note disclosures are now more extensive than previously required. These disclosures are detailed in notes to the financial statements and include a reconciliation between the accounting profit and the tax expense for the year.

3. **Turnover and segment information**

	Tractors		Road machinery		Construction machinery		Harvesting machinery		Financial operations		Others		Eliminations		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue:																
Sales to external customers	**2,014,219**	1,475,760	**886,514**	583,190	**263,099**	198,078	**109,036**	31,325	**—**	—	**4,429**	11,870	**—**	—	**3,277,297**	2,300,223
Intersegment revenue	**22,366**	22,102	**—**	—	**27,585**	27,758	**—**	—	**7,310**	2,393	**—**	—	**(57,261)**	(52,253)	**—**	—
Other revenue and gains	**—**	—	**—**	—	**—**	—	**—**	—	**20,737**	7,528	**—**	—	**—**	—	**20,737**	7,528
Total	**2,036,585**	1,497,862	**886,514**	583,190	**290,684**	225,836	**109,036**	31,325	**28,047**	9,921	**4,429**	11,870	**(57,261)**	(52,253)	**3,298,034**	2,307,751
Segment results	**(56,368)**	(87,922)	**62,729**	48,550	**3,936**	5,285	**(2,780)**	(19,920)	**15,560**	5,017	**2,879**	(493)	**—**	—	**25,956**	(49,483)
Interest, dividend, investment income and negative goodwill recognised as income															**9,530**	23,649
Gain on disposal of subsidiaries															**41,000**	—
Gain on disposal of an associate															**3,600**	—
Unallocated expenses															**(25,000)**	(3,662)
Profit/(loss) from operating activities															**55,086**	(29,496)
Finance costs															**(9,770)**	(16,546)
Share of profits and losses of:																
Jointly-controlled entity	**2,506**	2,162	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**2,506**	2,162
Associates	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**8,444**	8,178	**—**	—	**8,444**	8,178
Negative goodwill on acquisition of an associate recognised as income during the year	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**606**	606	**—**	—	**606**	606
Profit/(loss) before tax															**56,872**	(35,096)
Tax															**(23,847)**	(16,776)
Profit/(loss) before minority interests															**33,025**	(51,872)
Minority interests															**(16,697)**	(7,618)
Net profit/(loss) from ordinary activities attributable to shareholders															**16,328**	(59,490)

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.

4. **Profit/(loss) from operating activities**

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

	2003 ***RMB'000***	2002 *RMB'000*
Cost of inventories sold	2,912,313	2,034,741
Depreciation	99,801	100,286
Impairment of construction in progress	6,405	–
Impairment/(reversal of impairment) of fixed assets, net	(11,800)	10,000
Provision for bad and doubtful debts, net	271	26,847
Provision for loans receivable	4,383	825
Provision for obsolete inventories	3,308	5,026
Provision for other receivable	25,000	–
Loss on disposal of fixed assets	14,727	156
Gain on disposal of subsidiaries	(41,000)	–
Gain on disposal of an associate	(3,600)	–
Investment income from short term listed investments	(2,100)	(6,600)
Gain on disposal of short term listed investments	(14)	(1,251)
Dividend income from long term unlisted investments	(1,602)	(1,061)
Gain on disposal of long term unlisted investments	(50)	–
Interest income	(5,529)	(14,620)
Interest income from financial operations	(18,693)	(7,383)
Negative goodwill on acquisition of a subsidiary recognised as income during the year	(235)	(117)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

5. **Finance costs**

	2003	2002
	RMB'000	*RMB'000*
Interest on bank and other loans wholly repayable within five years	**9,770**	16,546

6. **Tax**

	2003	2002
	RMB'000	*RMB'000*
Group:		
PRC income tax provided for the year	**21,641**	16,322
Deferred tax	**—**	(1,234)
	21,641	15,088
Share of tax attributable to:		
Jointly-controlled entity	**808**	664
Associates	**1,398**	1,024
Total tax charge for the year	**23,847**	16,776

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 years ended 31 December 2003 and 2002.

The PRC income tax for the Company and its subsidiaries is calculated at rates ranging from 12% to 33% (2002: 12% to 33%) on their estimated assessable profits for the year 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 profit tax has been made for the Group as there were no assessable profits for the year (2002: Nil).

The PRC income tax of the associates and jointly-controlled entity is calculated at rates ranging from 15% to 33% (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 the unused 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.

7. **Dividend**

The Directors do not recommend the payment of any dividend for the year ended 31 December 2003 (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 year of RMB16,328,000 (2002: net loss of RMB59,490,000), and the weighted average of 785,000,000 (2002: 785,000,000) ordinary shares in issue during the year.

No diluted earnings/(loss) per share amounts are presented as the Company does not have any dilutive potential ordinary shares in both years presented.

BUSINESS REVIEW

During the reporting period, principal business of the Group maintained an upward trend. The Group realized a turnover of RMB3,277,297,000, and profit increased by RMB75,818,000 to RMB16,328,000 over 2002. After loss-making for three consecutive years, the Group finally achieved a turnaround from loss to profit.

In 2003, the Group made a noticeable progress in its business because:

1. The Directors seized the opportunities and made swift decisions in its development strategy and material events. The management adopted market-oriented operating guideline to explore market share, and progresses were made in various fields such as restructures of product mix and internal business.

2. The Group's agricultural machinery business recorded an all-around growth. Turnover increased by 41% over 2002, of which:

   — the sales volume of crawler tractors was 4,564 units, up 24% over the same period last year;

   — the sales volume of large-wheeled tractors was 3,201 units, up 133% over the same period last year with a market share increased to 20% from 5%;

   — the sales volume of medium-wheeled tractors was 2,663 units, up 28% over the same period last year;

   — the sales volume of small-wheeled tractors was 120,754 units, up 85% over the same period last year;

   — the sales volume of harvesting machinery was 1,867 units, up 258% over the same period last year.

3. The Group's construction machinery products maintained a growth in sale volume and turnover increased 47% over 2002, of which:

   — the sales volume of industrial bulldozer was 941 units, up 41% over the same period last year;

   — the sales volume of road rollers was 2,754 units, up 73% over the same period last year;

   — the sales volume of pavers was 333 units, up 7% over the same period last year;

   — the sales volume of mixing equipment was 156 units, up 54% over the same period last year.

4. The Group's export recorded a slight growth over 2002. The Group exported various types of tractors totaling 258 units, 152 units of road rollers (up 700% over the same period last year), 5 units of pavers, 8 units of mixing equipment, 2 units of road maintenance machines and 2 units of milling machinery. Most of the said products were exported to Southeast Asia, Northeast Asia, South Asia, Africa, South America, North America and Europe.

Agricultural machinery business. The substantial growth in the Group's agricultural machinery business in 2003 benefited from that: (1) the Group proactively introduced new marketing ideas such as local agency for principal machine, licensing operation for accessory and optimization of marketing network, so as to secure more market share; (2) in line with agricultural restructure, the Group launched modified models of crawler tractors and new series of large/mid wheeled tractors to address customers' demand; (3) as for small wheeled tractors, the Group capitalized on its brand advantage of "Dongfanghong". By virtue of joint ventures and cooperation, scale sales recorded an increase and market share for 2003 climbed to 23% from 9% for 2002; (4) with a perfection strategy for harvesting machinery, the Group captured market opportunities to strengthen mid China market and develop western market, thereby achieving a historical new high in its sales volume.

Construction machinery business. Leveraging such opportunities as the fast growing infrastructures of the nationwide road and construction in small rural towns during 2003, the Group took full use of the respective advantages of its five subsidiaries engaged in construction machinery business under an overall strategy. By various initiatives including effective industry layout and specialization, subdivision of market, efforts in development of new products, improvement in after-sales service network, flexible promotion policies and continuous improvement in product quality, the Group introduced to market its construction machinery products such as industrial bulldozer, road roller, paver, loader and mixing machinery to cater for customers' demand. As a result, the Group's construction machinery business maintained a fast growth.

PRODUCT QUALITY AND RESEARCH AND DEVELOPMENT OF NEW PRODUCTS

In light of its "humanized, quality-oriented, improving and customer-satisfied" product quality policy, the Group took efforts in increasing customers' satisfaction, improvement of product durability and quality, and noticeable achievement was made.

During 2003, the Group kept abreast of the market situation and developed and launched a number of new products, mainly comprising:

AGRICULTURAL MACHINERY:

— Based on the technology for crawler tractors, the Group accordingly improved WY10 series hydraulic excavator which has been introduced into market in batch;

— New large/mid wheeled tractors such as Dongfanghong-250 series, Dongfanghong-X904 and X800 were developed in response to market demands;

— At the small wheeled tractors front, the Group took its brand advantage of "Dongfanghong". According to requirements from different regions, the Group subdivided market, developed and produced more than 10 products including "King of Northeast" and "King of Upland" which have been introduced to markets with respective characteristics.

— At the harvesting machinery front, "Star of Harvest" series for Dongfanghong and "Century Wind" series of horseless rice combine harvester were developed and achieved a sales volume of 1,014 units;

— At the agricultural machinery front, in line with the latest changes in agricultural planting structure, the Group developed ancillary agricultural machinery to its Dongfanghong series products, including 9 types of rotary cultivators, 2 types of straw threshers and 4 types of earth auger.

CONSTRUCTION MACHINERY PRODUCT :

Catering for military needs, the Group developed TG80 bulldozer which has passed adaptive test, gained users' acknowledgement and received purchasing orders. According to road construction and market demands, the Group also improved YZC12B and YZC12BD rolling machinery, meanwhile developed and launched 5 types of ZJY cement mixing trucks; 12.5M, 7.5M and 9M pavers; 1.3M and 2M milling machinery; as well as 5 types of cement mixing machinery.

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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

Business Reorganization

While tapping on new fields in 2003, the Group continued to integrate and reorganize its internal resources.

1. **Internal business reorganization**

   — Disposal of loss-making subsidiaries and associates. In order to minimize losses, the Group disposed its interests in certain companies during 2003, including Shanghai Yitianxia Property Development Company Limited, Yituo Qingjiang Tractor Company Limited and Yituo (Zhenjiang) Harvester Co., Ltd., which maintained a poor profitability or had no prospect of eliminating loss.

   — reorganization of Engine Machinery business: The Company took out its engine machinery business to establish a joint venture Yituo (Luoyang) Engine Machinery Company Limited with Yituo (Luoyang) Diesel Company Limited which owns leading technology and management in production of diesel engines.

   — reorganization of spare parts business: By utilizing its standby resources, the Company established two joint ventures, namely Yituo (Luoyang) Standard Components Company Limited and Yituo (Luoyang) Casting and Forging Company Limited respectively with a private company and China Yituo. With a conversion in operating mechanism, the Company took initiatives to explore ancillary market of spare parts, thus broadening its product lines.

2. **Expansion in new fields**

   — Taking full use of the financial platform provided by its China First Tractor Group Finance Company Limited ("FTGF"), the Group put more efforts in integration of its financial resources and achieved obvious effect in 2003;

   — Based on prospect estimation of the PRC motorlorry market, the Group made investment in Luoyang First Tractor Motors Company Limited and held a 29.5% stake thereof.

CORPORATE GOVERNANCE

In accordance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"), the Company further established a remuneration and auditing committee in addition to the established auditing committee under the Board during 2003. The remuneration and auditing committee is responsible for determination of remuneration policy and scheme for directors and senior management, with an aim to further improve corporate governance structure. During the year, the Board performed its duties stipulated in the Articles of Association of the Company under the supervision of the Supervisory Committee. Supervisor attended the Board meetings, and gave their opinions with respect to major decisions made by the Board when performing their supervisory duties.

BUSINESS OUTLOOK AND OPERATING STRATEGY

The Group dedicated its effort to become the most prominent manufacturer of agricultural and construction machinery in China. Focusing on products operations, we will carry out development strategy designed to maximize the Group's advantages and maintain continuous growth in its core operation, so as to realize its operating goal set for 2004.

1. Strengthening and expanding the agricultural and construction machinery businesses based on their respective advantages.

   (1) Agricultural machinery business

   — Crawler tractors: On the basis of its traditional advantages, the Group will put efforts in increasing sales volume and developing modified models based on crawler chassis technology, so as to exploit new market of crawler tractors;

   — Large/mid wheeled tractors: Taking opportunities from growth of the whole industry of large/mid wheeled tractors, the Group will make quick response to changes in customers' demand, and increase its investments in technological renovation and capability of large wheeled tractors, aiming to an fast growing production scale, a leading position and an increase in sales volume.

   — Small wheeled tractors: In view of its low technological content and intensified market competition, the Company will tap its brand advantage and cost-effective means to secure a larger market share.

   — Agricultural machinery. Based on its experience in the past three years and the foundation of fast growth in the year, Yituo (Luoyang) harvesting machinery Company Limited sets its target at a breakthrough in rice harvesting machinery, namely, to provide complete sets of agricultural machinery to customers and speed up development of ancillary agricultural machinery under its brand advantages, including rotary cultivator, straw thresher and earth auger.

   (2) Construction machinery business

   Most of the Group's construction machinery business was undertaken by its five subsidiaries. The Group will seize the strategic opportunities arising from the fast growing construction machinery industry, while focusing its efforts to:

   — rationalize the corporate governance structure, and create a system platform for fast growth of subsidiaries; under the Group's unified strategy, fully exert the respective advantages of subsidiaries, meanwhile make reasonable product positioning and development strategy to maximize synergy effect.

   — reinforce and expand market share of the existing products lines; maintain the leading position of road rollers and pavers, aiming to be the No.1 player in the industry.

   — with the Group's advantages in resources, focus on development of construction machinery products with good market demand, such as industrial bulldozer, loader, hydraulic excavator, commercial cement equipment and small construction machinery products for industrial use, so as to restructure the Group's construction machinery products.

2. Spare parts business

   Leveraging its existing process, technology and scale advantages as well as the integrated resources of the established Yituo (Luoyang) Casting and Forging Company Limited and Yituo (Luoyang) Standard Components Company Limited, the Group will start from improvement in its internal ancilliary market, meanwhile proactively explore external market, especially the spare part ancilliary market for motor vehicle and construction machinery. By means of increasing investment in technological renovations, the Group is committed to become a professional vendor of spare parts business, targeting an increase in product value-addition and broadened operating fields.

3. In 2004, the Group will actively seek opportunities of multilevel international cooperation in product, technology and capital. In addition, the Group will improve its product export which will become a pivot of its business. In 2004, the Group will first focus on a breakthrough in export of agricultural machinery and construction machinery, then gradually increase coverage of its international marketing network and foster a stable base of customers and channels by taking initiatives to explore overseas market, thereby enhancing competitive edge and recognition of the Group's products in international market.

4. The Group will advance reorganization and integration of its resources, aiming at an increase in results and return on investment.

COMMITTED TO REBUILDING IMAGE BY INNOVATIONS

The Group's management team will take efforts in establishing regulatory corporate governance, meanwhile focus on restructure of products and industries as well as expansion and integration of businesses. Furthermore, the Group will respond to the changing environment in a positive way by absorbing advanced management concept and experience, innovating management and profiteering methods and achieving efficiency. By improving its operating performance and results, the Group is committed to a long term development and rebuilding its image in the industry and investors.

ANALYSIS OF FINANCIAL RESULTS

For the year ended 31 December 2003, the Group recorded a turnover of RMB3,277,297,000, representing an increase of 42% over the same period last year. Profit after tax and minority interests amounted to RMB16,328,000, representing an increase of RMB75,818,000 over the same period last year. Earnings per share was RMB2.08 cents.

The Group's turnover by business classification for 2002 and 2003

Classification by business	**January - December 2003** *RMB'000*	January - December 2002 *RMB'000*	Increase / (decrease)
Tractor business	**2,014,219**	1,475,760	36%
Road machinery business	**886,514**	583,190	52%
Construction machinery business	**263,099**	198,078	33%
Harvesting machinery business	**109,036**	31,325	248%
Others	**4,429**	11,870	(62)%
Turnover	**3,277,297**	2,300,223	42%

ANALYSIS OF COSTS

The Group implemented a comprehensive strategic procurement mode, namely, to minimise procurement cost of steel products by bulk purchase. Therefore, despite of the significant increase about 30%-50% in steel product prices in 2003, the Group successfully controlled its procurement cost.

With control on procurement cost, the Group also strengthen control on production and operating cost. Continuing its management method whereby the accountability chain was shortened, the management was able to be aware of the management loopholes quickly and make timely arrangement to cut down production cost. Among the Group's tractor business, gross profit margin of large wheeled tractors recorded an increase over last year, whereas the same of crawler tractors and small wheeled tractors recorded a slight decrease from last year due to dual impacts, i.e., the increased steel product prices and the decrease in their selling prices. Among construction machinery and road machinery, gross profit margins of pavers and milling machinery were up.

For 2003, the administrative expenses of the Group amounted to RMB237,211,000, up 15% against last year.

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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

CAPITAL LIQUIDITY AND FINANCIAL ANALYSIS

The detailed table of the Group's major current assets

	31 December 2003 *RMB'000*	31 December 2002 *RMB'000*	**Increase/ (decrease)**
Cash and bank deposits	**800,584**	989,935	(19)%
Accounts receivable and bills receivable	**410,611**	319,263	29%
Inventories	**773,847**	629,704	23%

Trade receivable control: In 2003, the Group continued its order-credit management system for accounts receivables. Besides, a new "Ten-Ten" management method was introduced, under which receivables will be classified according to respective amounts and ageing status whereby the top ten debtors in terms of amounts or ageing will be taken as the focus of recovery of receivables. Accordingly, the auditing department linked the recovery of receivables to the interest of the person-in-charge, thereby responsibility of the person-in-charge was enhanced. By adoption of the various aforesaid means, the Group achieved a significant growth in turnover, while trade receivable increased by 29% as compared with 2002.

Inventory control: The headquarter has applied a colored accounts books management method since 2002. In view of its good performance for a year, the method was implemented throughout the Group in 2003. The Group's inventory for 2003 amounted to RMB773,847,000, representing an increase of 23% from last year due to scale production of harvesting machinery and road machinery as well as the industry characteristics.

As at 31 December 2003, the Group's bank loans amounted to RMB65,297,000, down 62% over 2002. The Group did not have any long-term bank loan.

INVESTMENTS

During the reporting period, Yituo (Luoyang) Diesel Company Limited (an associate of the Group) and First Tractor Ningbo C.S.I. Tractor & Automobile Corp. Ltd., (a jointly controlled entity of the Group) contributed profit of RMB9,222,000 and RMB1,698,000 respectively to the Group. Other associates, Yituo (Luoyang) Casting and Forging Company Limited and Luoyang First Motors Company Limited ("LFMC") incurred loss of RMB999,000 and RMB1,177,000 respectively for the Group.

ANALYSIS OF ASSETS AND FINANCIAL POSITION OF THE GROUP

There was no material change in the assets and financial position of the Group during the year.

PLAN FOR SIGNIFICANT INVESTMENT AND ACQUISITION OF CAPITAL ASSETS OF THE GROUP IN FUTURE

The Group's proposed investment in Brilliance China Machinery Holdings Limited, one of its subsidiaries, by USD19,500,000 (equivalent to approximately RMB0.16 billion) in 2002 has not been completed during the year and the Company is expected to continue with the investment in 2004.

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.

PLEDGE OF ASSETS

As at 31 December 2003, the Group's certain buildings and machinery with an aggregate net carrying value of approximately RMB27,779,000 (2002: RMB39,990,000), time deposits of approximately RMB13,233,000 (2002: RMB5,301,000), and inventories of approximately RMB8,967,000 (2002: Nil) are pledged to banks to secure certain short term bank loans granted to the Group.

In addition, the Group's deposits amounting to approximately RMB103,714,000 (2002: RMB152,568,000) and certain bills receivable of the Group amounting to RMB16,000,000 (2002: Nil) are pledged to banks to secure certain banking facilities (including issuance of bills payable) of the Group.

As at 31 December 2003, the Group's deposits of RMB3,210,000 (2002: RMB16,210,000) are pledged to a bank for securing a performance bond issued by that bank on behalf of a related company.

THE COMPANY'S STAFF AND TRAINING FOR STAFF

As at 31 December 2003, the Company had a total of 13,818 staff members of whom 8,689 were production staff, 480 were engineering technicians, 164 were financial staff, 1,135 were administrative staff, and 3,350 were service, marketing and other staff.

In 2003, the Company conducted "training as required" in a number of ways. 14,870 staff in different areas were trained so that the professional quality of the staff was raised.

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 reporting period.

STAFF QUARTER

As all staff quarters have been retained by the controlling shareholder, 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 controlling shareholder).

STAFF'S BASIC MEDICAL INSURANCE

Since September 2001, the Company has been implementing the staff's basic medical insurance scheme of Luoyang towns and townships. Under the procedures and their implementing rules, basic medical insurance and subsidy to serious illness of the Company's existing staff are stated as staff welfare.

DESIGNATED DEPOSIT AND DEPOSIT DUE

The Company had a sum of RMB87,125,000 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 Corporation Limited. 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.

POLICIES ON UNIFIED INCOME TAX

The corporate income tax of the Company is subject to 33% tax rate based on its assessable profits.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirement of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal control. The audit committee comprises three independent non-executive directors of the Company.

SIGNIFICANT EVENTS

1. On 22 July 2003, the Company entered into a Promoter Agreement with Henan Construction and Investment Corporation ("HCIC"), China Yituo, Luoyang Yituo East Industry Company Limited("East Industry") and Mr. Liu Zhen Min, pursuant to which LFMC was to be established under joint investment. Registered capital of LFMC was RMB200,000,000, of which the Company contributed RMB59,000,000 by way of cash, representing 29.5% of its registered capital, HCIC contributed RMB120,000,000 by way of cash, representing 60% of its registered capital, China Yituo contributed RMB18,000,000 by way of cash, representing 9% of its registered capital, East Industry contributed RMB2,000,000 by way of cash, representing 1% of its registered capital, and Mr. Liu Zhen Min contributed RMB1,000,000 by way of cash, representing 0.5% of its registered capital.
2. As the Company's subsidiary, Yituo Qingjiang Tractor Company Limited ("YTQT") continued to incur losses as adjusted in accordance with Hong Kong Accounting Principles, 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.
3. On 27 September 2003, the Company entered into a joint venture agreement with China Yituo and the Accessories Plant of First Tractor Construction Machinery Co., Ltd ("Yituo Accessories"), pursuant to which Yituo (Luoyang) Casting and Forging Company Limited ("YLCF") was to be established under joint investment of the Company, China Yituo and Yituo Accessories. Registered capital of YLCF was RMB20,000,000, of which China Yituo contributed RMB10,000,000 by way of valued assets, representing 50% of its registered capital, Yituo Accessories contributed RMB5,000,000 by way of cash, representing 25% of its registered capital, and the Company contributed RMB5,000,000 by way of cash, representing 25% of its registered capital.
4. On 28 November 2003, the Company entered into the Agreement on Joint Venture of Yituo (Luoyang) Engine Machinery Company Limited and Yituo (Luoyang) Diesel Company Limited ("YLDC") and other management members including Mr. Li Xibin. Registered capital of Yituo (Luoyang) Engine Machinery Company Limited ("Engine Company") was RMB38,000,000, of which YLDC contributed RMB19,000,000 by way of cash, representing 50% of its registered capital, the Company contributed RMB15,960,000 by way of cash, representing 42% of its registered capital, and management members including Mr. Li Xibin contributed RMB3,040,000 by way of cash, representing 8% of its registered capital.

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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

5. On 22 December 2003, the Company entered into the Agreement on Joint Venture of Yituo (Luoyang) Standard Components Company Limited ("YLSC") with Yuyao Jieyu Mechinery Company Limited ("Jieyu Company") and other parties including Mr. Liu Rui Jiang, pursuant to which YLSC was to be established under joint investment. Registered capital of YLSC was RMB8,000,000, of which the Company contributed RMB3,055,000 by way of cash and RMB2,145,000 by way of valued assets, representing 65% of its registered capital, Jieyu Company contributed RMB2,000,000 by way of cash, representing 25% of its registered capital, other management members including Mr. Liu Rui Jiang contributed RMB800,000 in total, representing 10% of its registered capital. YLSC is principally engaged in process, manufacture and trade of standard and non-standard parts, mechinery spare parts and metal materials; manufacture and trade of agricultural machinery. YLSC was established on 16 January 2004.

6. On 16 March 2004, Mr. Liu Da Gong was elected as Chairman of the Company at the 9th meeting of the third Board of Directors. Mr. Yan Lin Jiao was appointed as the Genreal 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, Mr. Du Huan Lin and Mr. Yang You Liang ceased to serve as the General Manager and Deputy General Managers of the Company respectively.

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

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the fiscal period covered by the annual report.

MATERIAL LITIGATION

During the period of this report, none of the Company, the Directors, Supervisors nor senior officers of the Company had engaged in any material litigation or arbitration.

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

The Company will submit a CD Rom to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") by 30 April 2004 containing all the information required by paragraphs 45(1) to 45(3) (both paragraphs inclusive) of Appendix 16 of the Listing Rules for publication on the website of the Stock Exchange.

By Order of the Board of Directors
Liu Da Gong
Chairman

Luoyang, the PRC
17 April 2004

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 2003 Annual General Meeting ("AGM") of First Tractor Company Limited ("the Company") will be held at No.154, Jianshe Road, Luoyang, Henan Province, the People's Republic of China ("PRC") on Friday, 18 June 2004 at 9:00 a.m. for the purpose of passing the resolutions as listed below:

1. AS ORDINARY RESOLUTIONS:

1. To consider and approve the Report of the Board of Directors for the year 2003;
2. To consider and approve the Report of the Supervisory Committee for the year 2003;
3. To consider and approve the audited financial report for the year 2003;
4. To consider and approve the dividend distribution proposal for the year ended 31 December 2003;
5. To consider and approve the re-appointment of Ernst & Young as auditors of the Company for the year ending 31 December 2004 and to authorise the Board of Directors of the Company to determine the terms for such appointment;
6. To consider and approve the remuneration proposals for the directors and supervisors of the Company;
7. To elect Mr. Yan Lin Jiao as an additional executive director of the Company with a term of office same as that of the 3rd Board of Directors of the Company.
8. Other matters.

2. AS SPECIAL RESOLUTIONS:

1. Subject to the stipulations of Article 12 of the "Company Law of the People's Republic of China", to authorise the Board of Directors of the Company to determine any investment plan or proposal in respect of other limited companies, joint stock limited companies or other economic entities or projects, including but not limited to decisions on projects of investment, the companies or other economic entities to be invested, the amount, the investment method (including by way of issuance of the domestic shares or overseas listed foreign shares) and the time of investment and the execution of the relevant agreements and other documents; and
2. To approve the Company of placing, issuing or dealing with domestic shares and H shares solely or jointly within the relevant period (as defined hereunder) with an amount of no more than 20% of the issued shares of that class of shares provided that Hong Kong Exchange and Clearing Ltd. and the China Securities Regulatory Commission grant relevant approval, and to authorize the Board of Directors of the Company to handle the matters in relation to such placement or issue;

   For the purpose of this resolution, "relevant period" means the period from the date of passing this resolution to the earlier of:

   (a) the last day of the 12 months from the date of passing this resolution; and

   (b) the date on which the authorization under this resolution is revoked or amended by a special resolution passed at a general meeting of the Company.
3. To authorise the Board of Directors of the Company to declare an interim dividend to the shareholders of the Company for the half year ended 30 June 2004.

Note: Biography of Mr. Yan Lin Jiao

Mr. Yan Lin Jiao, aged 49, joined China First Tractor Group in 1982 where he had been the Deputy Workshop Director and Section Chief. He had also been the Deputy Chief Engineer and Deputy General Manager of Yituo (Luoyang) Diesel Company Limited and Deputy Chief Engineer and Deputy General Manager of China Yituo. He is currently Chairman of Yituo (Luoyang) Diesel Engine Company Limited, Yituo (Luoyang) Diesel Injection Company Limited and Yituo (Luoyang) Engine Machinery Company Limited, and the General Manager of the Company. Mr. Yan is familiar with design and manufacture of machinery. He has rich experience in corporate management, production and operation. He had studied in Luoyang Industry College, Xi'an Jiaotong University where he was granted a bachelor's degree and a master's degree in engineering respectively. He holds the title of Senior Engineer.

By order of the Board
Zhang Guo Long
Company Secretary

Luoyang, the PRC
17 April 2004

Notes:

1. The register of members of the Company's shares will be temporarily closed from 19 May to 18 June 2004 (both days inclusive) during which no transfer of shares will be registered in order to determine the list of shareholders for attending the AGM. The last lodgement for share transfer should be made on 18 May 2004 at Hong Kong Registrars Limited by or before 4:00 p.m. The Company's shareholders or their proxies being registered before the close of business on 18 May 2004 are entitled to attend the AGM by presenting their identity documents. The address of H share registrar of the Company, Hong Kong Registrars Limited is Room 1901-1905, 19/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
2. Each shareholder having the rights to attend and vote at the AGM is entitled to appoint one or more proxies (whether a shareholder or not) to attend and vote on his behalf. Should more than one proxy be appointed by one shareholder, such proxy shall only exercise his voting rights on a poll.
3. Shareholders can appoint a proxy by an instrument in writing (i.e. by using the Proxy Form enclosed). The Proxy Form shall be signed by the person appointing the proxy or an attorney authorised by such person in writing. If the Proxy Form is signed by an attorney, the power of attorney or other documents of authorisation shall be notarially certified. To be valid, the Proxy Form and the notarially certified power of attorney or other documents of authorisation must be delivered to the above legal address of the Company in not less than 24 hours before the time scheduled for the holding of the AGM.
4. Shareholders or proxies who intend to attend the AGM are requested to deliver the reply slip for attendance duly completed and signed to the Company in person, by post or by facsimile on or before Thursday, 29 May 2004.
5. Shareholders or their proxies shall present proofs of their identities upon attending the AGM. Should a proxy be appointed, the proxy shall also present the Proxy Form.
6. The AGM is expected to last for less than one day. The shareholders and proxies attending the AGM shall be responsible for their own travelling and accommodation expenses.
7. The Company's registered address:
   No. 154, Jianshe Road, Luoyang, Henan Province, the PRC
   Postal code: 471004
   Telephone: 86-379-4967038
   Facsimile: 86-379-4967438
   Email: msc0038@vip.317.net