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)

FINANCIAL HIGHLIGHTS

Turnover : RMB2,300,223,000
Net Loss : RMB59,490,000
Loss Per Share : RMB7.58 cents

The board of directors (the "Directors") of First Tractor Company Limited (the "Company") announced the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2002, which have been prepared in accordance with accounting principles generally accepted in Hong Kong, together with 2001 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 2002 RMB'000	2001 RMB'000
Turnover	(3)	**2,300,223**	1,863,824
Cost of sales		**(2,034,741)**	(1,625,739)
Gross profit		**265,482**	238,085
Other revenue and gains		**93,115**	99,697
Selling and distribution costs		**(114,341)**	(89,516)
Administrative expenses		**(205,735)**	(216,242)
Other operating expenses		**(68,017)**	(95,505)
Loss from operating activities	(4)	**(29,496)**	(63,481)
Finance costs		**(16,546)**	(20,168)
Share of profits and losses of:			
Jointly-controlled entity		**2,162**	830
Associates		**8,178**	(14,788)
Negative goodwill recognised as income on acquisition of an associate		**606**	—
Loss before tax		**(35,096)**	(97,607)
Tax	(5)	**(16,776)**	(16,786)
Loss before minority interests		**(51,872)**	(114,393)
Minority interests		**(7,618)**	(3,406)
Net loss from ordinary activities attributable to shareholders		**(59,490)**	(117,799)
Transfers to reserves	(6)	**2,430**	1,358
Dividend		**—**	—
Loss per share - Basic	*(7)*	**RMB7.58 cents**	RMB15.01 cents

Notes:

1. Basis of presentation

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. The results of the year have been prepared under the historical cost convention, except for the periodic remeasurement of debt and equity investments.

2. Impact of new and revised Statements of Standard Accounting Practice ("SSAPs")

The following recently-issued and revised SSAPs are effective for the first time for the current year's financial statements:

SSAP 1 (Revised)	:	"Presentation of financial statements"
SSAP 11 (Revised)	:	"Foreign currency translation"
SSAP 15 (Revised)	:	"Cash flow statements"
SSAP 34	:	"Employee benefits"

The changes in accounting policies resulting from the adoption of the above SSAPs do not have any significant effect on the financial statements of the Group.

3. Turnover and segment information

Turnover represents the invoiced value of goods sold, net of trade discounts and returns, and excludes sales taxes and intra-group transactions.

For the year ended 31 December 2002, the Group's revenue and profit/(loss) by business segments are as follows:

2002	Tractors RMB'000	Road machinery RMB'000	Construction machinery RMB'000	Harvesting machinery RMB'000	Financial operations RMB'000	Others RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment revenue:								
Sales to external customers	1,475,760	583,190	198,078	31,325	—	11,870	—	2,300,223
Intersegment revenue	22,102	—	27,758	—	2,393	—	(52,253)	—
Other revenue and gains	—	—	—	—	7,528	—	—	7,528
Total	1,497,862	583,190	225,836	31,325	9,921	11,870	(52,253)	2,307,751
Segment results	(87,922)	48,550	5,285	(19,920)	5,017	(493)	—	(49,483)
Interest, dividend, investment income and negative goodwill recognised as income								23,649
Unallocated expenses								(3,662)
Loss from operating activities								(29,496)
Finance costs								(16,546)
Share of profits and losses of:								
Jointly - controlled entity	2,162	—	—	—	—	—	—	2,162
Associates	—	—	—	—	—	8,178	—	8,178
Negative goodwill recognised as income on acquisition of an associate	—	—	—	—	—	606	—	606
Loss before tax								(35,096)
Tax								(16,776)
Loss before minority interests								(51,872)
Minority interests								(7,618)
Net loss from ordinary activities attributable to shareholders								(59,490)
Other segment information:								
Depreciation	88,235	8,594	1,890	872	183	512	—	100,286
Impairment losses of fixed assets and construction in progress recognised in the profit and loss account	10,000	—	—	—	—	—	—	10,000
Other non - cash expenses:								
Provision/(reversal of provision) for bad and doubtful debts	17,134	12,113	(2,400)	—	—	—	—	26,847
Provision/(reversal of provision) for obsolete inventories	(624)	3,250	—	2,400	—	—	—	5,026
Provision for loans receivable	—	—	—	—	825	—	—	825

For the year ended 31 December 2001, the Group's revenue and profit/(loss) by businesse segments are as follows:

2001	Tractors RMB'000	Road machinery RMB'000	Construction machinery RMB'000	Harvesting machinery RMB'000	Financial operations RMB'000	Others RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment revenue:								
Sales to external customers	1,300,242	433,218	89,989	32,192	—	8,183	—	1,863,824
Intersegment revenue	33,596	—	88,582	—	—	—	(122,178)	—
Other revenue and gains	—	—	—	—	—	—	—	—
Total	1,333,838	433,218	178,571	32,192	—	8,183	(122,178)	1,863,824
Segment results	(135,667)	34,793	(2,828)	(14,690)	—	6,667	—	(111,725)
Interest, dividend, investment income and negative goodwill recognised as income								48,888
Unallocated expenses								(644)
Loss from operating activities								(63,481)
Finance costs								(20,168)
Share of profits and losses of:								
Jointly-controlled entity	830	—	—	—	—	—	—	830
Associates	—	—	—	—	—	(14,788)	—	(14,788)
Negative goodwill recognised as income on acquisition of an associate	—	—	—	—	—	—	—	—
Loss before tax								(97,607)
Tax								(16,786)
Loss before minority interests								(114,393)
Minority interests								(3,406)
Net loss from ordinary activities attributable to shareholders								(117,799)
Other segment information:								
Depreciation	75,515	6,819	2,516	723	—	468	—	86,041
Impairment losses of fixed assets and construction in progress recognised in the profit and loss account	48,000	411	—	—	—	—	—	48,411
Other non-cash expenses:								
Provision/(reversal of provision) for bad and doubtful debts	5,486	15,000	2,500	—	—	—	—	22,986
Provision/(reversal of provision) for obsolete inventories	(4,900)	1,400	(4,700)	2,400	—	—	—	(5,800)
Provision for loans receivable	—	—	—	—	—	—	—	—

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. Loss from operating activities

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

	2002 RMB'000	2001 RMB'000
Depreciation of fixed assets	**100,286**	86,041
Interest income	**(22,003)**	(32,523)
Negative goodwill recognised as income on acquisition of subsidiary	**(117)**	—
Profit from sundry sales	**(16,997)**	(8,886)
Rental income	**(3,254)**	(3,220)
Trademark licence fee	**(9,753)**	(10,320)
Investment income from short term listed investments	**(6,600)**	(7,400)
Gain on disposal of short term listed investments	**(1,251)**	(7,715)
Dividend income from long term unlisted investments	**(1,061)**	(1,250)

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)

5. Tax

	2002 RMB'000	2001 RMB'000
The Company and subsidiaries:		
PRC income tax provided for the year	**16,322**	19,124
Deferred tax	**(1,234)**	(2,468)
	15,088	16,656
Share of tax attributable to		
Jointly-controlled entity	**664**	130
Associates	**1,024**	—
Tax charge for the year	**16,776**	16,786

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 2002 and 2001.

The PRC income tax for the Company and its subsidiaries is calculated at rates ranging from 12% to 33% (2001: 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 rate applicable in its jurisdiction.

The PRC income tax of the associates and jointly-controlled entity is calculated at rates ranging from 18% to 33% (2001: 15% to 33%) on the respective company's assessable profits determined in accordance with the relevant PRC laws and regulations.

There was no material unprovided deferred tax during the year or at the balance sheet date (2001: Nil).

6. Transfers to reserves

	2002 RMB'000	2001 RMB'000
Statutory surplus reserve	**877**	409
Statutory public welfare fund	**877**	409
Other reserve funds	**676**	540
	2,430	1,358

In accordance with the Company Law of the PRC and the Company's articles of association, the Company is required to appropriate 10% and 5% to 10% of its annual statutory profit after tax, as determined in accordance with PRC accounting standards and regulations, to a statutory surplus reserve ("SSR") and a statutory public welfare fund ("PWF"), respectively. No allocation to the SSR is required after the balance of the Company's SSR reaches 50% of its registered capital.

The SSR may only be used to offset accumulated losses, to expand the production operations of the Company, or to increase its paid-up capital.

The PWF is used for the collective welfare of the staff and workers of the Company.

No transfer to SSR and PWF has been proposed by the directors because the Company incurred a loss during the year.

During the year, the subsidiaries' aggregate appropriations to reserves dealt with in the Group's financial statements were RMB2,430,000.

7. Loss per share

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of RMB59,490,000 (2001: RMB117,799,000) and the weighted average of 785,000,000 (2001: 785,000,000) ordinary shares in issue during the year.

No diluted loss per share is presented as the Company does not have any dilutive potential ordinary shares.

8. Comparative amounts

Certain comparative amounts have been reclassified to conform with the current year's presentation.

BUSINESS REVIEW

In 2002, the Group's loss dropped by 49% against the same period last year because:

1. The Board of Directors and the management of the Company undertook a major restructuring under which the new decision-making level and the new management level formulated development strategies aimed at stepping up the agricultural and construction machinery business, specializing in the parts and components business, integrating the operations of subsidiaries and seeking international cooperation. According to a comprehensive analytic consultants' proposal of A. T. Kearney Co., Ltd. for the Company, implementation of internal reform and management innovation, identification of correct positioning and clarification of mindset would serve as the basis for the Company to return to growth in the Company's results in 2002.

2. The Company's principal business grew and turnover revenue increased by 23% over 2001. Sales volume of tractor products recorded a substantial growth of which: (1) the sales volume of large-wheeled tractors was 1,372 units, representing an increase of 968 units over the same period last year, up 2.4 times; (2) the sales volume of medium-wheeled tractors was 2,080 units, representing an increase of 278 units, up 15.4%; (3) the sales volume of small four-wheeled tractors was 65,351 units, representing an increase of 12,587 units, up 23.9%; and (4) other operating revenue increased by 109% over the same period last year.

3. Profit from the Company's investments increased. Profit attributable to the Company from associates and jointly-controlled entity increased by RMB24,000,000 over the same period last year. The sales volume of products of subsidiaries of the Group grew rapidly, of which: (1) the sales volume of industrial bulldozers was 666 units, representing an increase of 452 units over the same period last year, up 2.1 times; (2) the sales volume of road rollers was 1,588 units, representing an increase of 358 units over the same period last year, up 29.1%; (3) the sales volume of pavers was 310 units, representing an increase of 146 units over the same period last year, up 89%; (4) the sales volume of mixing machinery was 101 units, representing an increase of 53 units over the same period last year, up 2.1 times; and (5) the sales volume of harvesters was 522 units, representing an increase of 33 units over the same period last year, up 6.75%.

4. Remarkable results were achieved by the Company in management fees by means of appraisal, control of procurement costs, integration of the sales business of tractors and construction machinery, and development of new products.

During the period, the Company failed to turn loss into profit mainly because the business of crawler tractors which supported the Company's profit failed to grew and the Company's growth products have not yet been on scale. However, the management innovation and adjustment of product mix in 2002 laid down a foundation for the Company's sustained growth.

1. Agricultural machinery business. The substantial growth in the Company's agricultural machinery business in 2002 benefited from: (1) the sales volume in the nation-wide tractor market ceased sliding after three consecutive years and began to pick up; (2) the marketing plan for agricultural machinery was changed in response to changes in the market. Achievements were made in tracing closely the market, raising the awareness for accountability, subjectivity and proprietorship , and overcoming the disadvantages of marketing management; and (3) the Company kept in close pace with changes in the market with its key products. The method of development was changed and the development cycle shortened such that the speed of development of new products was in line with changing market needs. For the research, production and sale of 50 HP and 70 HP wheeled tractors, these tractors were produced and sold in the same month so as to scramble for the market, making themselves a new star among the Company's new products.

2. Construction machinery business. In 2002, construction machinery such as rolling machinery, earthwork machinery and road machinery of Brilliance China Machinery Holdings Limited ("BCM") recorded a substantial growth due to: (1) a rapid rise in the sales volume of construction machinery products as a result of the implementation of the grand development strategies for the western part of China, and investment in the construction of infrastructure such as roads; and (2) remarkable achievements made in minimizing internal competition and sharing marketing, production and management resources to step up cooperation as a result of integration of the marketing of products such as rolling machinery and earthwork machinery.

RESEARCH AND DEVELOPMENT OF PRODUCTS AND PRODUCT QUALITY

In 2002, a mechanism was established, through restructuring the Company's internal operations, for rapid market response, development and manufacture of marketable products and development of products for customers'satisfaction.

Research and development of agricultural machinery products: (1) modified products on the basis of the technology of crawler tractors mainly included Dongfanghong- 1362-80 crawler mobile power station, Dongfanghong-1302R/1502R rubber crawler tractor, Dongfanghong-WY10(R) hydraulic excavator, Dongfanghong-YZ1000 agricultural wheeled tractor and Dongfanghong-120R earth mover; (2) modified products of wheeled tractor mainly included Dongfanghong-X700/704, X750, X804, X904 and X1004/1204, etc., the high power "Century Star" series; Dongfanghong-500, 300-1, 354-3 and 404-1, etc. and the medium power series; (3) "King of the Field" low-price products of small wheeled tractor series have been launched in the market; (4) approval of the launch of harvesters such as Dongfanghong-4LZ2.5 "Star of Harvest" and Dongfanghong-4LZ-180 rice combine harvester; and (5) ancillary products for Dongfanghong tractors such as the rotary cultivator series, the earth auger series and the straw thresher series, etc. The new products have been well-received after being launched in the market.

Construction machinery products: (1) by adjusting the product mix, the Company kept in pace with the market for rolling machinery, and developed and launched new products such as Models LR22030, LDD210, LY9X16, 3Y21X24, etc.; (2) the development of new products of industrial bulldozer moved towards two directions with the launch of Dongfanghong T80, T140 and other products; (3) ZL50 loaders have been developed and launched in the market; (4) the development of pavers moved towards the provision of both large and mini, full-range and specialized, high-grade and multi-purpose as well as intelligent and reliable products. Multi-purpose SP125 pavers, four-wheeled milling machinery and HTH6000 sliding cement pavers were developed by the Company itself; and (5) mixing equipment such as ABH2500 asphalt mixers, BUDI20, BUDI300 storeyed cement mixers and imported 8m^3 chassis mixers were researched and developed by the Company itself. The development of these products provides an assurance so that the Company possesses the core competitiveness to participate in market competition.

The Company's policy on product quality is to meet market needs, seek customers' satisfaction, continue with improvement and raise brand value. During the reporting period, 139 management standards were revised or replaced in accordance with the ISO9000 Standards for enhancing the unification, coordination and applicability of the management standards. Customers' satisfaction of our products was further increased.

BUSINESS DEVELOPMENT STRATEGY

The Group's strategic target is to become the most prominent manufacturer of agricultural and construction machinery in China. In 2003, our strategies are:

1. Strengthening and expanding the agricultural and construction machinery businesses in line with the trend.

   (1) Agricultural machinery business

   The Company's agricultural machinery products must be able to meet the needs of agriculture, farms and farmers. While the conventional tractor business is under restructuring and consolidation, focus must be placed on the research, manufacture and development of modified products on the basis of the technology of crawler tractors in line with market's and customers' needs. In particular, a breakthrough must be made in the development and marketing of crawler excavators. For the series of wheeled tractors within the range between 15 HP and 120 HP, focus will be placed on the development of wheeled tractors with over 50 HP. The development of harvester business and ancillary agricultural machinery business will be stepped up. The Company provides customers not only with the principal machinery but also its ancillary agricultural machinery for greater development of the agricultural machinery business. The internal combustion engine business will be opened up for the market for medium power tractors, medium-sized carriers and ancillary agricultural vehicles.

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)

(2) Construction machinery business

The Group has to seize the opportunity arising from China's stepping up of infrastructure construction and grand development of the western part of the country. Led by products such as the road machinery, earthwork machinery and rolling machinery series, focus will be placed on the development of loaders and mixing machinery products by targeting the construction machinery with a large market size in combination with the Group's comprehensive resource advantage to create a broad series of various construction machinery products for customers so that new progress will be made in the operating results of the construction machinery products.

2. The Company's parts and components factory will take full advantage of its existing skills, technology and scale to establish a press and casting centre. While improving its internal ancillary market, it will strive to open up the market for ancillary parts and components for expanding room for development.
3. Speed up asset restructuring, optimize resource allocation and carry out merges, cooperation, lease, subcontracting and lease in respect of some of the assets for maximizing the operation efficiency of assets.
4. Continue with integrating and restructuring the business of subsidiaries for increasing the Company's investment return.
5. Seek international cooperation in a proactive approach by importing foreign state-of-the-art products, technology, management and experience.

COMMIT TO DEVELOPMENT BY POOLING TOGETHER STRATEGIES AND EFFORTS

The Company's new management team will focus on establishing regulatory corporate governance for the Company and is committed to the development of the Company for maintaining the interest of shareholders. The Company will response to the changing environment in a positive way by absorbing advanced management concept and experience, innovating management and profiteering methods and achieving efficiency. An efficient results management system for operators will be established for stimulating their initiative and creativity in production operation.

ANALYSIS OF FINANCIAL RESULTS

For the year ended 31 December 2002, the Group recorded a turnover of RMB 2,300,223,000, representing an increase of 23.41% over the same period last year. The consolidated loss after tax and minority interests amounted to RMB59,490,000, representing a decrease of 49.5% over the same period last year. The loss per share was RMB7.58 cents.

Classification by business	January - December 2002	January - December 2001
	RMB'000	*RMB'000*
Tractor business	1,497,862	1,333,838
Road machinery business	583,190	433,218
Construction machinery business	225,836	178,571
Harvesting machinery business	31,325	32,192

From the above, it could be observed that during the year, the turnover of the Group's three major products other than harvesting machinery products, namely tractor, road rolling and construction machinery products, was on the increase. The road rolling machinery recorded the highest growth in turnover, representing an increase of 34.62% over the same period last year.

In 2002, the Company's management proposed a management concept that growth in quantity would be led by marketing; quality of economic operation would be ensured by management; and room for development would be opened up by products. Through the integration of marketing of construction machinery business, allocation of marketing resources was optimized; through the disintegration of marketing organizations for agricultural machinery business, accountability of the marketing staff was increased. These measures yielded satisfactory results in terms of the sales volume of tangible goods in various businesses. In 2002, the sales volume of the Company's lead product - tractor - increased by 26% over the same period last year. The sales volume of construction machinery products also grew by one time over the same period last year. Their sales revenue also increased as indicated in the above table.

ANALYSIS OF COSTS

With respect to cost control, the Company started with the sources. On the basis of the strategic procurement method formulated by A. T. Kearney Co., Ltd. and by means of procurement of large quantities to reduce the procurement prices for materials, the Company's procurement costs of material showed a downward trend in 2002 over last year.

In the production management process, changes were made in the cost and marginal profit. By means of a management method whereby the accountability chain was shortened and accountability area was narrowed, operators would be able to be aware of the management loopholes quickly and make rectification on a timely basis. In 2002, apart from the decline in gross profit of single unit of small tractors as result of the adoption of a price-market sales strategy, the gross profit of single unit of other products was up.

With respect to management fee control, the Company still adopted the target control method by setting a fee control target for various departments to increase the utilization of funds. For the year ended 31 December 2002, the administrative expenses of the Group amounted to RMB205,735,000, down 4.86% against last year, which completely demonstrated that the management yielded good results.

CAPITAL LIQUIDITY AND FINANCIAL ANALYSIS

The detailed table of the Group's major current assets

	31 December 2002	31 December 2001	Increase/ (decrease)
	RMB'000	*RMB'000*	
Cash and bank deposits	989,935	913,354	8.38%
Accounts receivables, net	260,794	354,333	(26.40)%
Inventories, net	629,704	559,455	12.56%

In 2002, the Group adopted an order-credit management system for new accounts receivables, under which different sell-on-credit policies were introduced on the basis of the credit rating of customers. Internally, a sales-payment "life-long" accountability system was adopted, under which the recovery of receivables was linked to the interest of the person-in-charge. Furthermore, settlement of long overdue receivables was stepped up by legal means. By adoption of the various aforesaid means, there was a substantial decline in receivables in 2002.

With respect to inventory control, the management applied a colored accounts books management method in which inventories in different periods were recorded in different colors so that the duration of inventories was clear. The above table indicates a rise in inventory fund. On the basis of the needs for the overall development of the Group, there will be a greater growth in the sales volume of various products in 2003. In view of the characteristics of construction machinery, road machinery and harvesting machinery, a certain amount of finished product stock should be kept in the fourth quarter of 2002 in order to meet the sales volume in 2003.

As at 31 December 2002, the Group's bank loans amounted to RMB170,050,000, down 33.85% over 2001. The Group did not have any long-term bank loan.

INVESTMENTS

For the year ended 31 December 2002, satisfactory growth was maintained in the performance of two subsidiaries of the Company, namely, Zhenjiang Huachen Huatong Road Machinery Company Limited and Yituo (Luoyang) Construction Machinery Co., Ltd.. The profit generated by these two subsidiaries amounted to RMB33,160,000 and RMB5,810,000 respectively, representing an increase of 94% and turning loss to profit over the same period last year. The loss of First Tractor Qingjiang Tractor Company Limited declined to RMB6,240,000 in 2002. Performance of First Tractor Shenyang Tractor Company Limited and Yituo (Luoyang) Harvester Co., Ltd. was not satisfactory as loss was still recorded in 2002.

PLEDGE OF ASSETS

As at 31 December 2002, the Group's certain buildings and machinery with an aggregate carrying value of approximately RMB39,990,000, time deposits of approximately RMB5,301,000 and bills receivable of approximately RMB2,431,000, were pledged to banks to secure certain short term bank loans granted to the Group.

In addition, the Group's deposits amounting to approximately RMB152,568,000 are pledged to banks to secure certain bills payables of the Group.

As at 31 December 2002, the Group's deposits amounting to RMB16,210,000 are pledged to a bank for securing certain performance bonds issued by that bank on behalf of a related company.

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.

THE COMPANY'S STAFF AND TRAINING FOR STAFF

As at 31 December 2002, the Company had a total of 14,645 staff members of whom 9,016 were production staff, 490 were engineering technicians, 227 were financial staff and 1,270 were administrative staff.

In 2002, the Company conducted "training as required" in a number of ways. 2,312 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 year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2002, the following shareholders holding interests of 10% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the Securities (Disclosure of Interests) Ordinance of Chapter 396 of the laws of Hong Kong ("SDI Ordinance"):

Shareholders	Class	Number of shares	Percentage of total shares
		('000 shares)	*(%)*
China First Tractor Group Company Limited	State-owned legal person shares	450,000	57.32
The HKSCC Nominees Limited	H shares	329,060	41.92

Save as disclosed above, no other parties held any interest in the share capital of the Company as required to be recorded in the register of issued shares kept by the Company under Section 16(1) of the SDI Ordinance.

SIGNIFICANT EVENTS

(1) On 30 May 2002, the Board of Directors decided to revoke the resolution on an additional investment of RMB15,695,000 in the Company's subsidiary Yituo (Luoyang) Harvester Co., Ltd.("YLHC"), and made a resolution on 25 October 2002 on an additional investment of RMB3,600,000 in YLHC. Upon completion of the capital increase, the Company holds 93.91% of the equity interest in YLHC.

(2) In June 2002, the Company acquired a 79.67% equity interest in China First Tractor Group Finance Company Limited ("FTGF") for approximately RMB240,000,000 and carried out a restructuring. The acquisition would help the Group in strengthening centralized management of internal financial resources and provide a platform for the Group's internal financing.

(3) On 2 September 2002, the Board of Directors made a resolution approving the confirmation of the 125MN hotdie forging press project of the forge. The project would involve a total investment of approximately RMB121,450,000. The commencement of production by the project will help raise the Company's technical standards and capabilities, offering strength assurance to the Company's leading products in their participation in the competition on the Chinese domestic and international market.

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)

(4) On 25 October 2002, the Board of Directors made a resolution approving the comprehensive design proposal for the power diesel engine project in the investment of the YTR105 series. Phases I and II of the project are expected to involve an additional investment of RMB80,910,000 for establishing an output capacity of 40,000 units of medium power diesel engine.

(5) On 18 November 2002, amendments to the Articles of Association of the Company were approved at an extraordinary general meeting of the Company. In the amended Articles of Association, "dealing in import and export of products made by the Company (including its members) and related technology." was included into the business scope of the Company.

(6) On 3 December 2002, the Company established Yituo (Luoyang) Building Construction Machinery Co., Ltd. ("YLBC") with third parties by cash contribution of approximately RMB6,406,000. The Company holds 35% of its registered capital. The principal business of YLBC is the manufacture and sale of road and building machinery as well as parts and related products.

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).

DESIGNATED DEPOSIT AND DEPOSIT DUE

The Company had a sum of RMB80,433,000 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 First Tractor Group Company Limited (including the Company and its subsidiaries). The Company did not have any deposits other than those aforesaid deposited with any non-banking financial institution.

The Company granted a loan of RMB70,000,000 and a loan of RMB2,000,000 to two of its subsidiaries, Yituo (Luoyang) Building Machinery Co., Ltd. and Guizhou Zhenning Biological Industrial Co., Ltd. respectively. These loans were granted in the form of designated deposits deposited with FTGF and a commercial bank in the PRC. The Company did not have any designated deposit other than those aforesaid. 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.

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, the Company shall make contribution to the basic medical insurance calculated at a certain percentage of the total wages of the staff which is stated as staff welfare. Upon completion of an assessment, the Company believed that the implementation of the policy would not create a significant impact on the financial statements of the Company as the medical expenses for the staff were also stated as staff welfare in the past.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the fiscal period covered by the annual report.

MATERIAL LITIGATION

During the reporting period, 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 2003 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
Dong Yong An
Chairman

Luoyang, the PRC
25 April 2003

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 2002 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, 13 June 2003 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 2002;
   2. To consider and approve the Report of the Supervisory Committee for the year 2002;
   3. To consider and approve the audited financial report for the year 2002;
   4. To consider and approve the dividend distribution proposal for the year ended 31 December 2002;
   5. To consider and approve the re-appointment of Ernst & Young as auditors of the Company for the year ending 31 December 2003 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 consider, approve and confirm the extension of the term of office of the second Board of Directors and the second Supervisory Committee to 30 June 2003;
   8. To elect members of the third Board of Directors and determine on their term of office with effect from 1 July 2003 for a term of three years;
   9. To elect and determine supervisors from shareholders for the third Supervisory Committee for a term of three years with effect from 1 July 2003; and
   10. 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;
   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; or

      (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 2003.

Candidates for directors and supervisors, and profile of newly nominated candidate:

Except Mr. Cui Qi Hong, other members of the second Board of Directors were nominated as candidates for executive directors and independent non-executive directors of the third Board of Directors. Mr. Zhao Yan Shui was a newly nominated candidate for executive director of the third Board of Directors.

With respect to the third Supervisory Committee, Mr. Liu A Nan, Mr. Zhao Zhong Hai and Mr. Xu Wei Lin were still nominated as candidates for supervisors represented by shareholders in the third Supervisory Committee.

Profile of Mr. Zhao Yan Shui:

Mr. Zhao Yan Shui, aged 39. Mr. Zhao joined China First Tractor Group in 1983 where he was a Section Head and Deputy Factory Manager and was the Deputy Chief Engineer and Deputy General Manager of China First Tractor Group Company Ltd. He is currently the Deputy General Manager of China First Tractor Group Company Ltd. He has substantial experience in product development and design, and technical management. He completed his studies at the University of Hokkaido and the University of Kyoto in Japan for a year as a visiting scholar in 1994 and 2001 respectively. He is currently the Deputy Governor of the Association of Construction Engineering Industry of China and the Association of Agriculture Machinery of China as well as a member of the 9th editorial board for the magazine *Construction Machinery*. He studied at the Agricultural Machinery Department of the Technical Institute of Jiangsu and was a postgraduate of the Technical Institute of Jiangsu with a bachelor's and a master's degree in engineering. He holds the title of Senior Engineer.

By order of the Board
Zhang Guo Long
Company Secretary

Luoyang, the PRC
25 April 2003

Notes:

1. The register of members of the Company's shares will be temporarily closed from 14 May 2003 to 13 June 2003 (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 13 May 2003 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 13 May 2003 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 Friday, 23 May 2003.
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