



FIRST TRACTOR COMPANY LIMITED

第一拖拉機股份有限公司

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

CONNECTED TRANSACTION

The board of directors of First Tractor Company Limited wishes to announce that on 21st November 2001, Brilliance China Machinery Holdings Limited, a subsidiary of the First Tractor Company Limited, entered into an acquisition agreement with Shuntat Technology Industrial Company for the acquisition of the 25% shareholding of First Tractor (Luoyang) Diesel Engine Company Limited at a consideration of USD1,500,000 (equivalent to approximately HK\$11,700,000).

First Tractor (Luoyang) Diesel Engine Company Limited is held as to 75% by China First Tractor Group Company Limited and as to 25% by Shuntat Technology Industrial Company. Although Shuntat Technology Industrial Company is an independent third party which is not connected with any director, supervisor, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules), China First Tractor Group Limited, being the controlling shareholder of First Tractor Company Limited, is interested in 75% of the capital of First Tractor (Luoyang) Diesel Engine Company Limited. Whilst Brilliance China Machinery Holdings Limited is held as to approximately 90.1% by First Tractor Company Limited. Accordingly, the aforesaid acquisition constitutes a connected transaction for the Company under Rule 14.23(1)(b) of the Listing Rules. The total consideration under the agreement represents less than 3% of the book value of the net tangible assets of the Company as disclosed in the latest Company's published accounts and accordingly, no shareholders' approval is required. The aforesaid acquisition is therefore subject to the disclosure requirement under Rule 14.25 of the Listing Rules. Details of the Acquisition as required under Rule 14.25(1) (A) to (D) of the Listing Rules will be disclosed in the Company's next published annual report and accounts.

Acquisition of 25% interest in First Tractor (Luoyang) Diesel Engine Company Limited

The Board announces that its subsidiary, Brilliance China has entered into an acquisition agreement with Shuntat Technology on 21st November 2001 for the acquisition of the 25% interest in FTDE.

Acquisition Agreement dated 21st November 2001

Purchaser : Brilliance China Machinery Holdings Limited, a subsidiary of the Company of which approximately 90.1% interest is held by the Company.

Vendor : Shuntat Technology Industrial Company, a sole proprietorship incorporated in Hong Kong which owns by Mr. Pat Wing Shun, an independent third party who is not connected with any director, supervisor, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules).

Acquisition : The 25% shareholding in FTDE with all rights attaching to the 25% shareholding in FTDE on the completion date and the right to receive dividend of FTDE for the year 2001 which has not been declared or paid as at the date of the agreement.

Consideration : USD1,500,000 (equivalent to approximately HK\$11,700,000) in cash within 90 days after the relevant government approval has been obtained. The consideration of USD1,500,000 is funded by Brilliance China's internal resources. The consideration was on the basis of the 25% shareholding in FTDE to be acquired by Brilliance China which is equivalent to the corresponding net tangible assets value of FTDE as at 31st December 2000. Therefore, the consideration was determined after arm's length negotiation.

Completion : Completion is expected to take place after the following procedures have been completed:-

(i) the relevant government authorities have approved the Acquisition Agreement and the revised joint venture contract and the articles of association of FTDE; and

(ii) the Local Administration for Industry and Commerce has registered the changed business license of FTDE,

of which the aforesaid procedures are expected to be completed within two months after the date of the Acquisition Agreement.

First Tractor (Luoyang) Diesel Engine Company Limited

FTDE, a subsidiary of China First Tractor, is a sino-foreign equitable joint venture company incorporated in the PRC on 28th December 1993. Its registered capital is USD6,000,000 which has been fully paid before June, 1994 (equivalent to approximately HK\$46,800,000). FTDE is held as to 75% by China First Tractor and as to 25% by Shuntat Technology. FTDE is engaged in the design, manufacture and sale of diesel engine and its ancillary products. It has the right to operate the aforesaid business for a period of 12 years commencing from 28th December 1993 to 27th December 2005.

The audited net tangible assets of FTDE as at 31st December 1999 and 31st December 2000 were approximately RMB53,094,495.12 and RMB61,124,499.66, respectively in accordance with the PRC Accounting Standards. Net Profit after taxation and extraordinary items for the two year ended 31st December 1999 and 2000 were approximately RMB8,819,618.40 and RMB8,764,966.38, respectively in accordance with the PRC Accounting Standards.

Reasons for the Acquisition

The principal business of the Company is engaged in the manufacture of agricultural tractors in the PRC. The Acquisition would strengthen the Group's development of large and medium tractor products and harvesting machinery product which would consolidate the position of agricultural machinery as the foundation of the Group's economic development. In addition, upon the completion of the Acquisition, the Group becomes the substantial shareholder of FTDE and therefore, the Acquisition would benefit the market expansion for the Group's tractor versions and agricultural machinery. The Directors (including the independent non-executive directors) believe that the Acquisition would further strengthen the Group's dominant position in the agricultural machinery market. Accordingly, the Acquisition is on normal commercial terms and is in the interest of the Company and taking into account the terms of the Acquisition Agreement, the aggregate consideration for the Acquisition is fair and reasonable so far as the shareholders of the Company are concerned.

Connected Transaction

Despite Shuntat Technology is an independent third party not connected with the connected persons of the Company and their respective associates, China First Tractor, being the controlling shareholder of the Company, is interested in 75% of the capital of FTDE and thus, a substantial shareholder of FTDE. Whilst Brilliance China is held as to approximately 90.1% the Company. Accordingly, the Acquisition constitutes a connected transaction for the Company under Rule 14.23(1)(b) of the Listing Rules. As the total consideration under the Acquisition Agreement represents less than 3% of the book value of the net tangible assets of the Company as disclosed in the latest Company's published accounts, no shareholders' approval is required but subject to the disclosure requirement under Rule 14.25(1) of the Listing Rules. Details of the Acquisition as required under Rule 14.25(1)(A) to (D) of the Listing Rules will be disclosed in the Company's next published annual report and accounts.

Definitions

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

"Acquisition" the acquisition of the 25% shareholding in FTDE by Brilliance China from Shuntat Technology

"Acquisition Agreement" the agreement entered into between Brilliance China and Shuntat Technology on 21st November 2001 in respect of the Acquisition

"Board" the board of directors of the Company

"Brilliance China" Brilliance China Machinery Holdings Limited (華晨中國機械控股有限公司), a company incorporated under the laws of Bermuda, of which approximately 90.1% shareholding is held by the Company

"China First Tractor" China First Tractor Group Company Limited (中國一拖集團有限公司), a PRC company with limited liability, the controlling shareholder and holding company of the Company

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

"Directors" directors of the Company

"FTDE" First Tractor (Luoyang) Diesel Engine Company Limited (一拖(洛陽)柴油機有限公司), a sino-foreign equitable joint venture company incorporated in the PRC, of which its shareholding is held as to 75% by China First Tractor and 25% by Shuntat Technology before the Acquisition

"Group" the Company and its subsidiaries

"HK\$" Hong Kong dollars, the lawful currency in Hong Kong

"Hong Kong" the Hong Kong Special Administrative Region of the PRC

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

"PRC" the People's Republic of China

"Shuntat Technology" Shuntat Technology Industrial Company (迅達科技實業公司), a sole proprietorship incorporated in Hong Kong which owns by Mr. Pat Wing Shun, an independent third party who is not connected with any director, supervisor, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules)

"USD" United States dollars, the lawful currency in the United States

In this announcement, unless otherwise stated, certain amounts denominated in USD have been converted (for information only) into HKD using an exchange rate of USD1.00: HK\$7.8.

By order of the board of
First Tractor Company Limited
Fang Gang
Chairman