



## FIRST TRACTOR COMPANY LIMITED

### 第一拖拉機股份有限公司

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

## CONNECTED TRANSACTION

### Establishment of Yituo (Luoyang) Engine Machinery Company Limited

The board of directors of First Tractor Company Limited wishes to announce that on 28 November 2003, the Company entered into the Joint Venture Agreement with Yituo Diesel, Mr. Li Xibin (李希斌先生) and The Eighteen Parties pursuant to which all twenty one parties agreed to set up the YMEC to engage in the research, design, manufacture, sales and servicing of engine, engine compact, generator and the accessories, electromechanical and other non-standardized products as well as providing professional technology consultation services (the scope of business of YMEC is subject to the final approval as stated on the business licence issued by the Administration for Industry and Commerce of Luoyang Province).

The registered capital of YMEC is RMB38,000,000 (approximately HK\$35,680,751), of which RMB15,960,000 (approximately HK\$14,985,915) (constituting 42% thereof) is contributed by the Company, RMB19,000,000 (approximately HK\$17,840,375) (constituting 50% thereof) is contributed by Yituo Diesel and RMB3,040,000 (approximately HK\$2,854,460) (constituting 8% thereof) is contributed by Mr. Li Xibin (李希斌先生) together with The Eighteen Parties.

China Yituo Group is the controlling shareholder (as defined in the Listing Rules) of the Company and is interested in approximately 57.32% of the issued share capital of the Company. It is also the controlling shareholder of Yituo Diesel which holds 75% of the issued share capital of Yituo Diesel. Mr. Li Xibin (李希斌先生) is the director and general manager of Yituo Diesel. Accordingly, the aforesaid transaction constitutes a connected transaction for the Company under Rule 14.23(1)(a) of the Listing Rules. The investment amount of the Company contemplated under the Joint Venture Agreement for the establishment of YMEC exceeds HK\$1,000,000 but 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 Investment is therefore subject to the disclosure requirement under Rule 14.25 of the Listing Rules. Details of the Investment as required under Rule 14.25(1)(A) to (D) of the Listing Rules will be disclosed in the Company's next published annual report and accounts.

The Directors have noted the recent increases in the price and trading volume of shares of the Company. Except for the matter mentioned below, the Company is not aware of any reasons for such increases.

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|-------|---|--|
| 5.    | Registered capital and total investment amount              | RMB38,000,000 (approximately HK\$35,680,751)   |
| 6.    | Shareholding structure and the mode of capital contribution |  |
| (i)   | The Company   | the capital contribution of RMB15,960,000 (approximately HK\$14,985,915) representing 42% of the registered capital thereof will be made by way cash, such investment amount is sourced from the internal resources of the Company   |
| (ii)  | Yituo Diesel  | the capital contribution of RMB19,000,000 (approximately HK\$17,840,375) representing 50% of the registered capital thereof will be made by way cash   |
| (iii) | Mr. Li Xibin and The Eighteen Parties                       | the capital contribution of RMB3,040,000 (approximately HK\$2,854,460) representing 8% of the registered capital thereof will be made by way cash, of which Mr. Li Xibin and The Eighteen Parties each contributed an amount ranging from RMB107,460 (approximately HK\$100,901) to RMB377,960 (approximately HK\$354,892) |

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

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|-----|------------------------------|--|
| 7.  | Date of capital contribution | All parties to the Joint Venture Agreement shall contribute their respective capital contributions to YMEC within five days from the date of signing the Joint Venture Agreement. All shareholders of YMEC will mutually agree to appoint an authorised PRC accountant firm in order to verify and issue a capital verification report   |
| 8.  | The board of directors       | the board of directors of YMEC comprises of 5 directors in total; 2 directors are appointed by Yituo Diesel; 2 directors are appointed by the Company and the remaining 1 director would be appointed by Mr. Li Xibin and The Eighteen Parties   |
| 9.  | Profit Distribution          | the profit distribution and the responsibilities of risk will be allocated in proportion to the shareholding of the shareholders of YMEC   |
| 10. | Approval authorities         | an application for the business licence will be made to the Administration of Industry and Commerce of Luoyang Province on or before 5 December 2003, it is expected that the business licence will be issued within two weeks from the date of application in normal circumstances. Apart from obtaining the approvals from the relevant government authorities in respect of the establishment of YMEC, there are no other approval required for its establishment. YMEC will come into operation after its business license is issued |
| 11. | Duration of YMEC             | there is no expiring period for the duration of YMEC until YMEC applies for its termination  |

## ESTABLISHMENT OF YMEC

### 1. The Joint Venture Agreement

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|----|-------------------|--|
| 1. | Date              | 28 November 2003   |
| 2. | Parties           | (i) the Company<br>(ii) Yituo Diesel<br>(iii) Mr. Li Xibin<br>(iv) The Eighteen Parties  |
| 3. | Form of YMEC      | a limited liability company to be incorporated under the Company Law   |
| 4. | Scope of business | engaged in the research, design, manufacture, sales and servicing of engine, engine compact, generator and the accessories, electromechanical and other non-standardized products as well as providing professional technology consultation services (the scope of business of YMEC is subject to the final approval as stated on the business licence issued by the Administration for Industry and Commerce of Luoyang Province) |



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### Establishment of Yituo (Luoyang) Engine Machinery Company Limited

#### 2. Reason for the establishment of YMEC

The principal business of the Company is the production and sale of the agricultural tractors and the engagement in the construction machinery business. The Directors consider that the engineering machinery business is a growing business and has a good prospect in China. However, the Company presently only involves in the production of some very old model engines and the technology level is not advanced enough which no longer meets the growing needs of the market. As Yituo Diesel is mainly engaged in the design, manufacture and sale of diesel engine and its ancillary products and has been in the engineering machinery business for more than ten years with advanced technology and Mr. Li Xibin has also been engaging in the engineering machinery sector for more than twenty years and possesses rich knowledge and experience in the engineering sector, the Directors consider that with Mr. Li Xibin taking up the position of the general manager of YMEC, it is a good opportunity for the Company to capitalize the skills and experience of Yituo Diesel and Mr. Li Xibin to establish YMEC in order to develop the engineering machinery products which in return enhances the profitability of the Company. Accordingly, the Directors (including the independent Directors) consider that the Investment is in the best interest of the Company and the terms of the Joint Venture Agreement are fair and reasonable to the shareholders of the Company as a whole.

#### 3. Listing Rules Implications

China Yituo Group is the controlling shareholder (as defined in the Listing Rules) of the Company and is interested in approximately 57.32% of the issued share capital of the Company. It is also the controlling shareholder of Yituo Diesel which holds 75% of the issued share capital of Yituo Diesel. Mr. Li Xibin (李希斌先生) is the director and general manager of Yituo Diesel. Accordingly, the aforesaid transaction constitutes a connected transaction for the Company under Rule 14.23(1)(a) of the Listing Rules. The investment amount of the Company contemplated under the Joint Venture Agreement for the establishment of YMEC exceeds HK\$1,000,000 but 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 Investment is therefore subject to the disclosure requirement under Rule 14.25 of the Listing Rules. Details of the Investment as required under Rule 14.25(1)(A) to (D) of the Listing Rules will be disclosed in the Company's next published annual report and accounts.

#### GENERAL

The board of Directors (the "Board") has noted the recent increases in price and the trading volume of shares of the Company and wish to state that save as disclosed herein, the Company is not aware of any reasons for such increases.

The Board confirms that save as disclosed herein, there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under paragraph 3 of the Listing Agreement, neither is the Board aware of any matter discloseable under the general obligations imposed by paragraph 2 of the Listing Agreement, which is or may be price-sensitive nature.

Made by the order of the Board, the Directors individually and jointly accept responsibility for the accuracy of the information contained in this announcement.

#### DEFINITIONS

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

"China Yituo Group" China Yituo Group Corporation Limited (中國一拖集團有限公司), a PRC company with limited liability, the controlling shareholder and holding company of the Company, holding approximately 57.32% of the equity interests of the Company

"Company"	First Tractor Company Limited (第一拖拉機股份有限公司), a joint stock limited company incorporated under the Company Law
"Company Law"	the Company Law of the PRC (中華人民共和國公司法), as enacted by the Standing Committee of the Eighth National People's Congress (全國人民代表大會) on 29 December 1993 and came into force on 1 July 1994, as amended, supplemented or otherwise modified from time to time
"Directors"	directors of the Company
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Investment"	the contribution of the Company of RMB15,960,000 (approximately HK\$14,985,915) (being the maximum capital commitment of the Company) to the registered capital of YMEC
"Joint Venture Agreement"	the joint venture agreement dated 28 November 2003 entered into between the Company, Yituo Diesel, Mr. Li Xibin (李希斌先生) and The Eighteen Parties for the joint establishment of YMEC
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"The Eighteen Parties"	Mr. Shi Song Min (石松民先生), Mr. Zeng Qing Ling (曾慶龍先生), Mr. Meng Zhan Tong (孟湛通先生), Mr. Chen Tai Ling (陳泰嶺先生), Mr. Huang Da Wei (黃大煒先生), Madam Yang Ka Meng (楊卡萌女士), Mr. Zhou Ji Chun (周紀春先生), Mr. Cao Hui Zhi (曹會智先生), Madam He Yan Ling (賀艷玲女士), Mr. Zhao Zongtao (趙宗濤先生), Mr. Chang Jinxing (常金星先生), Mr. Wang Linjun (王林軍先生), Mr. Yang Yong'an (楊永安先生), Mr. Gao Jie (高杰先生), Mr. Liu Guozhu (劉國柱先生), Mr. Wang Yimin (王義民先生), Mr. Ye Zhijian (葉志健先生) and Mr. Chang Jianbo (常劍波先生), all of whom are not a connected person (as defined in the Listing Rules) of the Company
"Yituo Diesel"	First Tractor (Luoyang) Diesel Engine Company Limited (一拖(洛陽)柴油機有限公司), a company incorporated in the PRC, of which its shareholding is held as to 75% by China Yituo Group and 25% by Brilliance China Machinery Holdings Limited (華晨中國機械控股有限公司)
"YMEC"	Yituo (Luoyang) Engine Machinery Company Limited (一拖(洛陽)動力機械有限公司), a limited liability company to be incorporated under the Company Law
"PRC"	the People's Republic of China
"HK\$"	Hong Kong dollars, the lawful currency in Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC

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

By order of the board of  
**First Tractor Company Limited**  
**Zhang Guo Long**  
 Company Secretary

Luoyang, Henan Province, the PRC, 2 December 2003