

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2001.

### 1. Principal Activities

The principal activities of the Company comprise the production and sale of agricultural tractors. Details of the principal activities of the subsidiaries are set out in note 16 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

### 2. Segment Information

An analysis of the Group's turnover and contribution to results by principal activity and geographical area for the year ended 31 December 2001 is set out in note 4 to the financial statements.

### 3. Results and Dividends

The Group's loss for the year ended 31 December 2001 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 46 to 108.

The directors do not recommend the payment of a final dividend for the year 2001.

董事會謹此提呈本公司及本集團截至二零零一年十二月三十一日止年度之報告書及經審核財務報表。

### 1. 主營業務

本公司主營業務為農業拖拉機生產及銷售。附屬公司的主營業務詳情載於財務報表附註16。年內本集團之主營業務性質並無重大改變。

### 2. 分類資料

本集團截至二零零一年十二月三十一日止年度按主營業務及地區分佈劃分之營業額及業績貢獻的分析載於財務報表附註4。

### 3. 業績及股息

本集團截至二零零一年十二月三十一日止年度之虧損及本公司與本集團於該日之財務狀況載於財務報表第46頁至第108頁。

董事會建議不派發二零零一年年度末期股息。

## 4. Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below. The amounts for 1997, 1998 and 1999 have been adjusted for the effects of the retrospective changes in accounting policy for dividend declared after the respective balance sheet dates.

The financial summary has been prepared in accordance with the Hong Kong accounting standards.

### Consolidated results

		Year ended 31 December 截至十二月三十一日止年度				
		2001 二零零一年 RMB'000 人民幣千元	2000 二零零零年 RMB'000 人民幣千元	1999 一九九九年 RMB'000 人民幣千元	1998 一九九八年 RMB'000 人民幣千元	1997 一九九七年 RMB'000 人民幣千元
Turnover	營業額	1,863,824	1,997,314	2,865,137	2,703,563	3,087,345
Profit/(loss) before tax	除稅前溢利/(虧損)	(97,607)	(168,056)	138,009	227,444	428,777
Tax	稅項	(16,786)	(13,142)	(44,294)	(75,972)	(141,014)
Profit/(loss) before minority interests	未計少數股東權益前溢利/(虧損)	(114,393)	(181,198)	93,715	151,472	287,763
Minority interests	少數股東權益	(3,406)	24,145	(13,594)	(19,033)	(3,916)
Net profit/(loss) from ordinary activities attributable to shareholders	股東應佔日常業務溢利/(虧損)淨額	(117,799)	(157,053)	80,121	132,439	283,847

## 4. 財務概要

本集團最近五年之業績及資產及負債概要(摘自已刊印之經審核財務報表)載列如下。一九九七年、一九九八年及一九九九年年度之數額已作出調整,以反映就各結算日後宣派股息之會計政策之追溯變更影響。

財務概要乃按香港會計準則編制。

### 綜合業績

		Year ended 31 December 截至十二月三十一日止年度				
		2001 二零零一年 RMB'000 人民幣千元	2000 二零零零年 RMB'000 人民幣千元	1999 一九九九年 RMB'000 人民幣千元	1998 一九九八年 RMB'000 人民幣千元	1997 一九九七年 RMB'000 人民幣千元

Turnover	營業額	1,863,824	1,997,314	2,865,137	2,703,563	3,087,345
Profit/(loss) before tax	除稅前溢利/(虧損)	(97,607)	(168,056)	138,009	227,444	428,777
Tax	稅項	(16,786)	(13,142)	(44,294)	(75,972)	(141,014)
Profit/(loss) before minority interests	未計少數股東權益前溢利/(虧損)	(114,393)	(181,198)	93,715	151,472	287,763
Minority interests	少數股東權益	(3,406)	24,145	(13,594)	(19,033)	(3,916)
Net profit/(loss) from ordinary activities attributable to shareholders	股東應佔日常業務溢利/(虧損)淨額	(117,799)	(157,053)	80,121	132,439	283,847

## 4. Financial Summary (continued)

Consolidated assets and liabilities

		As at 31 December 於十二月三十一日				
		2001	2000	1999	1998	1997
		二零零一年	二零零零年	一九九九年	一九九八年	一九九七年
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Total assets	總資產	3,088,579	3,292,787	3,657,209	3,540,244	3,160,491
Total liabilities	總負債	(914,200)	(1,000,726)	(1,022,644)	(959,653)	(731,974)
Minority interests	少數股東權益	(66,047)	(65,930)	(195,409)	(180,831)	(67,126)
Total	合計	2,108,332	2,226,131	2,439,156	2,399,760	2,361,391

## 4. 財務概要(續)

綜合資產及負債

## 5. Fixed Assets

Details of movements in the fixed assets of the Company and the Group during the year are set out in note 13 to the financial statements.

## 5. 固定資產

本公司及本集團於本年度內固定資產之變動詳情載於財務報表附註13。

## 6. Share Capital

Details of movements in the share capital of the Company during the year are set out in note 32 to the financial statements.

## 6. 股本

本公司於本年度內股本之變動詳情載於財務報表附註32。

During the year of 2001, the Company did not issue any convertible securities, options, warrants or similar rights.

本公司於二零零一年內並無發行任何可兌換證券、購股權、認股權證或類似權利。

### 7. Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the People's Republic of China (the "PRC") which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

### 8. 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.

### 9. Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 33 to the financial statements.

### 10. Distributable Reserves

Details of the distributable reserves of the Company as at 31 December 2001 are set out in note 33 to the financial statements.

### 11. Major Customers and Suppliers

For the year ended 31 December 2001, the five largest customers and suppliers respectively accounted for less than 30% of the total sales and purchases of the Group. Accordingly, information for the major customers and suppliers needed not be further disclosed.

### 7. 優先購買權

根據本公司之章程及中華人民共和國(「中國」)法律，並無規定本公司需對現有的股東按其持股比例給予他們優先購買新股之權利。

### 8. 購買、出售或贖回公司上市股份

年內，本公司或其任何附屬公司概無購買、出售或贖回任何本公司上市股份。

### 9. 儲備

本公司及本集團本年度內各項儲備之變動詳情載於財務報表附註33。

### 10. 可供分配儲備

本公司於二零零一年十二月三十一日之可供分配儲備詳情載於財務報表附註33。

### 11. 主要客戶及供應商

截至二零零一年十二月三十一日止年度，本集團最大的前五名客戶和供應商分別佔本集團之總銷售額及總採購額不足30%。故此，不需為主要客戶及主要供應商作出進一步披露。

## 12. Directors and Supervisors

The directors and supervisors of the Company during the year were as follows:

Executive directors:

Mr. Fang Gang  
Mr. Chen Li Wei  
Mr. Dong Yong An  
Mr. Liu Wen Ying  
Mr. Cui Qi Hong  
Mr. Li Teng Jiao  
Mr. Zhang Jing  
Mr. Wang Wen Ding (resigned on 24 August 2001)  
Mr. Cao Chun Guo

Independent non-executive directors:

Mr. Lu Zhong Min  
Mr. Tao Xiang  
Mr. Chan Sau Shan, Gary  
Mr. Chen Zhi  
Mr. Hon Fong Ming

Supervisors:

Mr. Liu A Nan  
Mr. Zhao Zhong Hai  
Mr. Xu Wei Lin  
Ms. Wang Ai Ying  
Mr. Yang You Liang

On 24 August 2001, the Extraordinary General Meeting of the Company approved the resignation of Mr. Wang Wen Ding as executive director of the Company.

As Mr. Yang You Liang resigned the duties of supervisor of staff representative, the Company elected Mr. Shao Jian Xin as supervisor of staff representative on 18 February 2002 in accordance with the Company's articles of association. The appointment was effective on 18 February 2002.

## 12. 董事及監事

於本年度內，本公司董事及監事如下：

執行董事：

方剛先生  
陳立威先生  
董永安先生  
劉文英先生  
崔起鴻先生  
李騰蛟先生  
張晶先生  
王穩定先生（於二零零一年八月二十四日辭任）  
曹春國先生

獨立非執行董事：

鹿中民先生  
陶湘先生  
陳秀山先生  
陳志先生  
韓方明先生

監事：

劉阿南先生  
趙中海先生  
許蔚林先生  
王愛英女士  
楊有亮先生

於二零零一年八月二十四日，本公司臨時股東大會批准王穩定先生辭去本公司執行董事職務。

由於楊有亮先生辭任職工代表的監事職務，於二零零二年二月十八日，本公司職工代表已根據本公司章程的規定選舉出邵建新先生為職工代表的監事。此項任期自二零零二年二月十八日起生效。

### 12. Directors and Supervisors (continued)

On 8 April 2002, the Extraordinary General Meeting was held by the Company to approve the resignation of Mr. Fang Gang and Mr. Chen Li Wei as executive directors of the Company, and to approve the appointment of Mr. Liu Da Gong, Mr. Shao Hai Chen and Mr. Liu Shuang Cheng as executive directors of the Company. The appointment was effective on 8 April 2002.

### 13. Directors' and Senior Management's Biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 18 to 22 of the Annual Report.

### 14. Service Contracts of the Directors and the Supervisors

Mr. Fang Gang, Mr. Chen Li Wei, Mr. Dong Yong An and Mr. Zhao Zhong Hai entered into service contracts with the Company on 8 May 2000. Mr. Liu Wen Ying, Mr. Cui Qi Hong, Mr. Li Teng Jiao, Mr. Zhang Jing, Mr. Cao Chun Guo, Mr. Wang Wen Ding, Mr. Liu A Nan, Mr. Xu Wei Lin, Ms. Wang Ai Ying and Mr. Yang You Liang have entered into service contracts with the Company on 12 September 2000. Mr. Shao Jian Xin has entered into service contract with the Company on 18 February 2002. Mr. Liu Da Gong, Mr. Shao Hai Chen, Mr. Liu Shuang Cheng have entered into service contracts with the Company on 8 April 2002. These service contracts are the same in all material respects, details of which are set out as below:

- (i) Each service contract commences from the date of the contract to 7 May 2003;
- (ii) The total annual salaries payable to each of the executive directors each year for the three years term will be RMB40,000, RMB44,000 and RMB48,400 respectively. The total annual salaries payable to each of the supervisors each year for the three years term will be RMB24,000, RMB26,400 and RMB29,040 respectively; and

### 12. 董事及監事(續)

本公司於二零零二年四月八日召開了臨時股東大會，批准方剛先生及陳立威先生辭去公司執行董事職務及通過委任劉大功先生、邵海晨先生及劉雙成先生為本公司之執行董事。此項委任自二零零二年四月八日起生效。

### 13. 董事及高級管理層簡歷

本公司董事及本集團高級管理層簡歷載於本年度報告第18至第22頁。

### 14. 董事及監事服務合約

方剛先生、陳立威先生、董永安先生及趙中海先生於二零零零年五月八日與本公司訂立服務合約。劉文英先生、崔起鴻先生、李騰蛟先生、張晶先生、曹春國先生、王穩定先生、劉阿南先生、許蔚林先生、王愛英女士及楊有亮先生已於二零零零年九月十二日與本公司訂立服務合約。邵建新先生於二零零二年二月十八日與本公司訂立服務合約。劉大功先生、邵海晨先生及劉雙成先生於二零零二年四月八日與公司訂立服務合約。此等合約在所有重大方面均相同，其細節茲列如下：

- (i) 每項服務合約由合約日期起至二零零三年五月七日；
- (ii) 於三年之服務期內，各年應付予每位執行董事的每年薪酬總額分別為人民幣40,000元、人民幣44,000元及人民幣48,400元。而於三年之服務期內，各年應付予每位監事的薪酬總額分別為人民幣24,000元、人民幣26,400元及人民幣29,040元；及

**14. Service Contracts of the Directors and the Supervisors (continued)**

(iii) Furthermore, each executive director or supervisor is entitled to a bonus upon completion of each full year of service. The bonuses payable to each of the executive directors each year for the three years term will not be more than RMB20,000, RMB22,000 and RMB24,200 respectively. The bonuses payable to each of the supervisors each year for the three years term will not be more than RMB12,000, RMB13,200 and RMB14,520 respectively.

Save as aforesaid, none of the directors has any service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

**15. Directors' and Supervisors' Interests in Contracts**

During the year, no director or supervisor had a material interest in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party.

**14. 董事及監事服務合約 (續)**

(iii) 此外，每名執行董事及監事在每完成一年的服務後有權收取獎金。於三年之服務期內各年應付予每位執行董事的獎金總額分別為不多於人民幣20,000元、人民幣22,000元及人民幣24,200元。而於三年之服務期內各年應付予每位監事的獎金總額分別為不多於人民幣12,000元、人民幣13,200元及人民幣14,520元。

除上述者外，各董事與本公司均無訂立限制本公司於一年內不作賠償(法定賠償除外)便不可終止之服務合約。

**15. 董事及監事之合約權益**

於本年度內，並無任何董事或監事於本公司、其控股公司或其任何附屬公司或同系附屬公司所訂立而對本集團業務而言屬重要的合約之中，擁有任何重大權益。

### 16. Contracts of Significance

On 31 May 2001, the Company and its subsidiaries have entered into five conditional Renewal Agreements and three conditional Supplementary Agreements with their controlling shareholder China First Tractor Group Company Limited (the "Holding") and its subsidiaries, to renew and amend (as the case may be) the agreements made on 6 June 1997 and 21 September 1998, respectively. According to the Renewal Agreements and the Supplementary Agreements, all relevant parties conditionally agreed to renew the term of the five Renewal Agreements from 8 May 2001 to 7 May 2004; and to amend the term of the three Supplementary Agreements by extending it from 7 May 2002 and 8 October 2002, respectively, to expire on 7 May 2004. The eight agreements which constitute connected transactions in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") are set out below:

1. The Renewal Agreement of the Composite Services Agreement entered into between the Holding and the Company on 31 May 2001;
2. The Renewal Agreement of the Import and Export Agency Agreement entered into between Yituo International Economic and Trade Company Limited, a wholly-owned subsidiary of the Holding, and the Company on 31 May 2001;
3. The Renewal Agreement of the Materials Supply Agreement entered into between the Holding and the Company on 31 May 2001;
4. The Renewal Agreement of the Materials Supply Agreement entered into between Holding and Yituo (Luoyang) Construction Machinery Co., Ltd., ("YCMC") a subsidiary of the Company, on 31 May 2001;
5. The Renewal Agreement of the Composite Services Agreement entered into between the Holding and YCMC on 31 May 2001;

### 16. 重大合約

本公司及其附屬公司於二零零一年五月三十一日與其控股股東中國一拖集團有限公司(「控股公司」)及其附屬公司訂立五份有條件之更新協議及三份有條件之補充協議，以更新及修訂(視情況而定)分別於一九九七年六月六日及一九九八年九月二十一日簽訂之協議。根據該等更新協議及補充協議，所有有關方面有條件地同意將五份更新協議的期限更新，由二零零一年五月八日至二零零四年五月七日，及三份補充協議的有效期限由二零零二年五月七日及二零零二年十月八日修訂至二零零四年五月七日。根據香港聯合交易所有限公司上市規則(「上市規則」)構成關連交易之八份協議書列載如下：

1. 控股公司與本公司於二零零一年五月三十一日簽訂之綜合服務協議之更新協議；
2. 本公司與控股公司之全資附屬公司一拖國際經濟貿易有限公司於二零零一年五月三十一日簽訂之進出口代理協議之更新協議；
3. 控股公司與本公司於二零零一年五月三十一日簽訂之供貨協議之更新協議；
4. 控股公司與本公司之附屬公司一拖(洛陽)工程機械有限公司(「工程機械」)於二零零一年五月三十一日簽訂之供貨協議之更新協議；
5. 控股公司與工程機械於二零零一年五月三十一日簽訂之綜合服務協議之更新協議；



16. Contracts of Significance (continued)

6. The Supplementary Agreement of the Projects Construction and Installation Contracting Agreement entered into between the Holding and the Company on 31 May 2001;
7. The Supplementary Agreement of the Energy Supply Services Agreement entered into between the Holding and the Company on 31 May 2001;
8. The Supplementary Agreement of the Composite Services Agreement entered into between the Holding and Yituo (Luoyang) Building Machinery Co., Ltd. ("YBMC"), a subsidiary of the Company, on 31 May 2001.

Due to the ongoing nature of these connected transactions, the transactions stated in the above agreements are collectively known as the "Ongoing Connected Transactions".

On 24 August 2001, the extraordinary general meeting of the Company approved the agreements of the Ongoing Connected Transactions. The Company has applied on 16 July 2001 to The Stock Exchange of Hong Kong Limited for the grant of and has been granted on 14 September 2001 a waiver from compliance with the relevant ongoing disclosure requirements of the Listing Rules in respect of the Ongoing Connected Transactions.

Save as disclosed above, none of the Company or any of its subsidiaries has entered into any contract of significance with the controlling shareholder at any time during the year ended 31 December 2001.

16. 重大合約 (續)

6. 控股公司與本公司於二零零一年五月三十一日簽訂之建築安裝工程委託協議之補充協議；
7. 控股公司與本公司於二零零一年五月三十一日簽訂之關於提供動能的協議之補充協議；
8. 控股公司與本公司之附屬公司一拖(洛陽)建築機械有限公司(「建築機械」)於二零零一年五月三十一日簽訂之綜合服務協議之補充協議。

由於該等關連交易屬持續性質，因此上述協議中所述之交易統稱為「持續關連交易」。

於二零零一年八月二十四日，本公司之臨時股東大會已批准上述之持續關連交易協議。本公司已於二零零一年七月十六日向香港聯合交易所有限公司申請授出及已於二零零一年九月十四日獲得豁免遵照上市規則就該等持續關連交易作出持續披露之要求。

除上述持續關連交易協議外，本公司或其任何附屬公司概沒有於截至二零零一年十二月三十一日止年度的任何時間內與控股股東訂立任何重大合約。

## 17. Substantial Shareholders

As at 31 December 2001, the following 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 (’000 shares) 股份 (千股)	Percentage of total shares (%) 佔總股本比例
股東	類別		
China First Tractor Group Company Limited 中國一拖集團有限公司	State-owned legal person shares 國有法人股	450,000	57.32
The HKSCC Nominees Limited 香港中央結算(代理人)有限公司	H shares H股	329,456	41.97

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

## 18. Directors’ and Supervisors’ Interests in Shares

As at 31 December 2001, none of the directors or supervisors of the Company held any shares in the Company. None of the directors or supervisors had interest in the share capital in, or debentures of, the Company or any of its associated companies (as defined in the SDI Ordinance). The Company did not grant to any directors and supervisors or their respective spouse or children under 18 years of age any right to subscribe for securities in, or debenture of, the Company and none of the above persons exercised any of such right.

## 17. 主要股東

於二零零一年十二月三十一日，根據本公司按香港法例第396章證券(披露權益)條例(「披露權益條例」)第16(1)條所規定而存置之權益登記冊所記錄，擁有本公司已發行股本10%或以上之股東如下：

除上述披露者外，概無人士於本公司之股本中擁有須根據披露權益條例第16(1)條予以記錄之權益。

## 18. 董事及監事之股份權益

於二零零一年十二月三十一日，本公司各位董事及監事均無持有本公司任何股份。各董事及監事並沒有擁有本公司或其任何聯營公司(定義見披露權益條例)之股本或債券權益；各董事、監事及其配偶及其十八歲以下子女概無獲本公司授予可認購本公司之股本或債券的權利，亦沒有出現任何該等人士行使任何該等權利的情況。

## 19. Connected Transactions

The Group's connected transactions as defined in the Listing Rules are set out in note 39 to the financial statements.

Save for such transactions, the Company also has the following connected transactions:

- (i) the Company has granted a loan of RMB2 million to a 70% owned subsidiary, Guizhou Zhenning Biological Industrial Co., Ltd. during the year. Such balance was granted in the form of designated deposit through a bank in the PRC.
- (ii) On 21 November 2001, Brilliance China Machinery Holdings Limited (“BCM”), a subsidiary of the Company, entered into an acquisition agreement with Hong Kong Shuntat Technological Industrial Company (an independent third party), for the acquisition of the 25% shareholding of Yituo (Luoyang) Diesel Company Ltd. (“YLDC”) from Hong Kong Shuntat Technological Industrial Company for a cash consideration of USD1.5 million. YLDC is a Sino-foreign equity joint venture company incorporated in the PRC with registered capital of USD 6 million, of which the Holding held a 75% equity interest.
- (iii) On 1 December 2001, the Holding and YCMC entered into an “Asset Leasing Agreement” in supplement of the “Equipment Leasing Agreement” and the “Building Leasing Agreement” executed by them on 6 June 1997 wherein the building rental and the equipment rental for the period from 1 January 2001 to 31 December 2001 are RMB2,143,157 and RMB2,115,236, respectively, amounting to an aggregate of RMB4,258,393. The other terms pursuant to the “Equipment Leasing Agreement” and the “Building Leasing Agreement” remain unchanged.

## 19. 關連交易

本集團的關連交易(其定義見上市規則)載列於財務報表附註39。

除該等交易外，本公司亦有進行下列關連交易：

- (i) 年內，本公司向其擁有70%權益之附屬公司貴州鎮寧生物工業有限公司授出為數人民幣2,000,000元之貸款。該貸款是以中國一家銀行之委託存款之方式授出。
- (ii) 於二零零一年十一月二十一日，本公司附屬公司華晨中國機械控股有限公司(「華晨機械」)與香港迅達科技實業公司(獨立第三方)訂立收購協議，以現金代價1,500,000美元向香港迅達科技實業公司購入一拖(洛陽)柴油機有限公司(「一拖柴油機」)25%之股權。一拖柴油機為於中國註冊成立之中外合資經營公司，其註冊資本為6,000,000美元，而其75%股權由控股公司持有。
- (iii) 於二零零一年十二月一日，控股公司與工程機械簽訂《資產租賃協議》以補充雙方於一九九七年六月六日簽訂的《設備租賃協議》和《房屋租賃協議》。雙方協定二零零一年一月一日至二零零一年十二月三十一日的房屋租金和設備租金分別為人民幣2,143,157元及人民幣2,115,236元，合計人民幣4,258,393元。上述《設備租賃協議》和《房屋租賃協議》的其他原條款維持不變。

### 19. Connected Transactions (continued)

- (iv) On 1 December 2001, the Holding and YBMC entered into an “Asset Leasing Agreement” in supplement of the “Equipment Leasing Agreement” executed by them on 21 September 1998 wherein the building rental and the equipment rental for the period from 1 January 2001 to 31 December 2001 are RMB145,663 and RMB396,592, respectively, amounting to an aggregate of RMB542,255. The other terms pursuant to the “Equipment Leasing Agreement” remain unchanged.
- (v) On 25 August 2001, China Yituo Group Finance Limited Company and YBMC entered into an agreement to increase the registered capital of China First Tractor Group Finance Limited Company wherein YBMC had invested an additional capital of RMB10,000,000 to China First Tractor Group Finance Limited Company on 30 August 2001.

After reviewing the current year's connected transactions, the independent non-executive directors of the Company confirm that:

- (i) the transactions were carried out in the normal and usual course of business of the Group;
- (ii) the transactions were carried out either (a) on normal commercial terms (as compared with transactions of similar nature carried out by similar entities in the PRC) or (b) (if no similar condition to be compared with) on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
- (iii) the transactions were carried out (a) in accordance with the terms of agreement governing such transactions or (b) if no relevant agreement, on terms no less favourable than terms available to the third parties.

### 19. 關連交易 (續)

- (iv) 於二零零一年十二月一日，控股公司與建築機械簽訂《資產租賃協議》以補充雙方於一九九八年九月二十一日簽訂的《設備租賃協議》。雙方協定二零零一年一月一日至二零零一年十二月三十一日的房屋租金和設備租金分別為人民幣145,663元及人民幣396,592元，合計人民幣542,255元。上述《設備租賃協議》的其他原條款維持不變。
- (v) 於二零零一年八月二十五日，中國一拖集團財務有限責任公司與建築機械簽訂《投資入股協議》，於二零零一年八月三十日，一拖(洛陽)建築機械有限公司同意對中國一拖集團財務有限責任公司增加人民幣一千萬元的投資資本。

經過審閱本年度之關連交易後，本公司獨立非執行董事作出確認如下：

- (i) 本集團是在正常及一般業務情況下達成各項交易；
- (ii) 交易(a)以正常商業條款(與中國境內類似實體所作的類似性質交易比較)或(b)(倘無類似情況可供比較)按對本公司股東而言屬公平合理的條款達成；及
- (iii) 交易(a)乃根據規限該等交易的有關協議條款或(b)倘無有關協議，則按相對獨立第三者等同或更佳條件進行。

### 20. Application of the Proceeds from the H Shares Issue

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

The proceeds from the H Shares issue were used in accordance with the Prospectus as follows:

- as to approximately RMB87,900,000 for payment of new issue expenses;
- as to approximately RMB281,395,000 for the acquisition of shares in BCM, Shanghai Qiangnong (Group) Company Limited and First Tractor Ningbo C.S.I. Tractor & Automobile Corp., Ltd. as well as investment in First Tractor Qingjiang Tractor Company Limited, First Tractor Shenyang Tractor Company Limited, Yituo (Luoyang) Harvester Co., Ltd. ("YLHC") and YCMC;
- as to approximately RMB323,920,000 for the acquisition of fixed assets and additional construction in progress (for production lines of 100-120 horse-power wheeled tractors and 100-120 horse-power crawler tractors and large pressure die-casting lines and other technological improvement projects);
- as to approximately RMB305,900,000 for the repayment of bank loans and approximately RMB102,000,000 for the repayment of a debt owing to Holding; and
- as to the balance for the Company's additional general working capital.

### 20. H股募集資金使用情況

本公司於一九九七年六月二十三日，公開發售在香港聯合交易所有限公司上市的H股連隨後兩次行使部分超額配股權配售在內的新H股335,000,000股，共籌得約人民幣1,615,500,000元（約港幣1,507,500,000元）。

本公司發行H股募集所得資金按招股書運用如下：

- \* 約人民幣87,900,000元用於支付新股發行費用；
- \* 約人民幣281,395,000元用於收購華晨機械、上海強農(集團)股份有限公司、一拖寧波中策拖拉機汽車有限公司及投資一拖清江拖拉機有限公司、一拖瀋陽拖拉機有限公司、一拖(洛陽)收穫機械有限公司(「洛陽收穫機」)及工程機械；
- \* 約人民幣323,920,000元用於購買固定資產和增置在建工程(用於100-120馬力輪式拖拉機項目、100-120馬力履帶拖拉機及大型鑄鐵件靜壓造型生產線及其它技改技措項目)；
- \* 約人民幣305,900,000元用於償還銀行貸款和約人民幣102,000,000元用於償還應欠控股公司的款項；及
- \* 其餘用作補充本公司的營運資金。

### 21. Directors' and Supervisors' Interests in Competing Business

During the year and up to the date of this report, none of the directors or supervisors of the Company are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

### 22. Staff Quarter

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

### 23. Housing Policy

Regarding the allocation of housing subsidies policy promulgated by the State, the Company has not yet received the details of the implementation rules and the policy still cannot be implemented. The Company currently does not have any plans or intention regarding the implementation of housing subsidies allocation policy. As such, the Company believes that the policy did not have any significant impact on the financial statements of the Company for the year 2001.

### 24. Designated Deposit and Deposit Due

The Company had no deposits with any non-banking financial institutions. In June 2001 and September 2001, the Company granted loans of RMB100 million and RMB2 million to its two subsidiaries, namely, YBMC and Guizhou Zhenning Biological Industrial Co., Ltd., respectively. The loans were granted in the form of designated deposits in certain commercial banks in the PRC. Save as aforesaid, the Company had no other designated deposits. All of the Company's cash deposits are placed with commercial banks in the PRC and are in compliance with the relevant laws and regulations. The Company has not experienced any incidence of not being able to withdraw bank deposit when due.

### 21. 董事及監事於競爭性業務之權益

於年內及截至本報告日期，本公司並無董事或監事被視為在直接或間接與本集團業務有競爭或可能有競爭之業務(定義見上市規則)中擁有權益。

### 22. 員工宿舍

由於所有員工宿舍均由控股公司保留，所以，本公司現在並無任何員工宿舍可售予其雇員。根據現行安排，本公司雇員自行負責購買員工宿舍(包括控股公司所保留之宿舍)的費用。

### 23. 住房政策

關於國家頒佈有關住房貨幣分配政策，本公司目前尚未收到有關具體操作細則，目前無法操作，本公司亦未有任何關於執行住房貨幣分配政策的計劃或意向。故本公司認為該政策對本公司二零零一年度財務報表不會構成任何重大影響。

### 24. 委託存款及到期存款

本公司並無任何存款存放在非銀行金融機構。於二零零一年六月及二零零一年九月，本公司向其兩間附屬公司，建築機械及貴州鎮寧生物工業有限公司分別授出人民幣100,000,000元及人民幣2,000,000元之貸款。貸款是以委託存款存放在中國若干商業銀行之方式授出。除上述者外，本公司並無其他委託存款。本公司之所有現金存款均存放在中國之商業銀行，並符合適用之法規及規則。本公司並未遇到銀行存款到期後而未能提取的情況。

### 25. Policies on Unified Income Tax

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

### 26. Land Use Rights

Under the land leasing agreement entered into between the Company and the Holding on 4 June 1997, the Company is entitled to the right of use of land for 50 years from the effective date of the agreement. Furthermore, the Company possesses the ownership certificates of the buildings.

### 27. Important Events

1. On 12 January 2001, subject to the approval of the Board of Directors, the Company further invested USD19,500,000 into its subsidiary BCM. The investment is classified as overseas investment and relevant approval procedures are proceeding now.
2. On 22 May 2001, the Company has further invested RMB15,695,000 in its subsidiary YLHC. The Company's percentage of shareholdings in YLHC has increased from 90% to 93.4%.
3. On 21 November 2001, BCM, a subsidiary of the Company, entered into an acquisition agreement with Shuntat Technology Industrial Company for the acquisition of the 25% shareholdings of Yituo (Luoyang) Diesel Engine Company Limited ("YLDC") at a consideration of USD1,500,000 (equivalent to approximately HK\$11,700,000). YLDC is engaged in the design, manufacture and sale of diesel engine and its ancillary products.
4. On 5 December 2001, the Company signed a Letter of Intent on Cooperation with Vatrál do Brasil S.A., a subsidiary of 芬蘭維創公司, pursuant to which both parties would cooperate to produce and sell big and medium power wheeled tractors. At present, the cooperation is in good progress and both parties will explore further cooperating opportunities.

### 25. 統一所得稅制度

本公司所得稅是以應課稅溢利的33%稅率計算。

### 26. 土地使用權

本公司根據一九九七年六月四日與控股公司所訂立之土地租賃協議享有從協議生效日起五十年的土地使用權，本公司亦擁有房屋的所有權證書。

### 27. 重要事項

1. 二零零一年一月十二日，本公司董事會通過決議，向本公司之附屬公司華晨機械追加投資1,950萬美元。該投資屬向境外投資，有關審批手續正在辦理之中。
2. 二零零一年五月二十二日，本公司向本公司之附屬公司洛陽收穫機追加投資人民幣15,695,000元。本公司於洛陽收穫機的股權比例自90%增加至93.4%。
3. 二零零一年十一月二十一日，本公司之附屬公司華晨機械與迅達科技實業公司訂立一項收購協議，以代價1,500,000美元（約等於港幣11,700,000元）收購一拖（洛陽）柴油機有限公司（「一拖柴油機」）25%的權益。一拖柴油機從事設計、生產和銷售柴油機及其零配件。
4. 二零零一年十二月五日，本公司與芬蘭維創公司的附屬公司Vatrál do Brasil S.A.簽訂合作意向書，在本公司合作生產和銷售大中功率輪式拖拉機。目前雙方合作正在順利推進和實施中，雙方並將共同探討進一步的深入合作。

### 27. Important Events (continued)

- On 18 February 2002, in a meeting held by the board of Directors of the Company, Mr. Dong Yong An was elected as the Chairman of the Company to replace Mr. Fang Gang who resigned from the position of the Chairman and Executive Director. Besides, Mr. Chen Li Wei also resigned from the position of Vice Chairman and Executive Director. The meeting also approved the resignation of Mr. Cui Qi Hong from General Manager of the Company. In the meeting, Mr. Shao Hai Chen was appointed as General Manager of the Company; Mr. Yang You Liang and Mr. Guo Zhi Qiang were appointed as the Deputy General Manager of the Company. On the same day, the staff representative of the Company elected Mr. Shao Jian Xin as Supervisor of staff representative in accordance with the Company's articles of association so as to replace Mr. Yang You Liang who resigned from the position of Supervisor of staff representative.
- On 8 April 2002, the extraordinary general meeting held by the Company approved the resignation of Mr. Fang Gang and Mr. Chen Li Wei as directors of the Company. Mr. Liu Da Gong, Mr. Shao Hai Chen and Mr. Liu Shuang Cheng were elected as the newly appointed directors of the Company.

### 28. Post Balance Sheet Event

Details of the significant post balance sheet event of the Group is set out in note 40 to the financial statements.

### 29. Code of Best Practice

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

### 27. 重要事項 (續)

- 二零零二年二月十八日，本公司董事會召開會議，選舉董永安先生為本公司董事長以代替辭任本公司董事長及執行董事的方剛先生；陳立威先生也辭任本公司副董事長及執行董事之職務。會議同時批准崔起鴻先生辭去本公司總經理職務，並委任邵海晨先生為本公司總經理，楊有亮先生、郭志強先生為本公司副總經理。本公司職工代表於同日根據本公司章程的規定選舉邵建新先生為代表職工的監事以代替辭任代表職工監事的楊有亮先生。
- 二零零二年四月八日，本公司召開臨時股東大會批准方剛先生、陳立威先生辭去本公司董事職務及選舉劉大功先生、邵海晨先生及劉雙成先生為本公司新任董事。

### 28. 結算日後事項

本集團之重大結算日後事項詳情載於財務報表附註40。

### 29. 最佳應用守則

董事會認為本公司於年報所涵蓋之整個會計期間內已遵守上市規則附錄14之最佳應用守則的要求。



### 30. 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.

### 31. Audit Committee

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

### 32. Auditors

Ernst & Young retired and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

By order of the Board of Directors

**Dong Yong An**

*Chairman*

Luoyang, the PRC

26 April 2002

### 30. 重大訴訟

於報告期內，本公司、本公司董事、監事、高級管理人員並無牽涉重大訴訟或仲裁事項。

### 31. 審核委員會

本公司已根據該守則的要求成立了審核委員會，以履行檢討及監察本集團的財務匯報程式及內部監控的職責。審核委員會由本公司的三位獨立非執行董事組成。

### 32. 核數師

安永會計師事務所任滿退任，關於續聘彼等為本公司核數師之決議將於應屆股東週年大會上提呈。

承董事會命

**董永安**

*董事長*

中國·洛陽

二零零二年四月二十六日