

REPORT OF THE DIRECTORS

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2004.

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 of the Company 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. RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2004 and the state of financial affairs of the Company and the Group as at 31 December 2004 are set out in the financial statements on pages 43 to 108.

The Directors do not recommend the payment of a final dividend for the year of 2004.

3. FIVE YEARS FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below. This summary does not form part of the audited financial statements.

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

Consolidated results

	Year ended 31 December				
	2004	2003	2002	2001	2000
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	4,246,554	3,277,297	2,300,223	1,863,824	1,997,314
Profit/(loss) before tax	28,523	56,872	(35,096)	(97,607)	(168,056)
Tax	(18,663)	(23,847)	(16,776)	(16,786)	(13,142)
Profit/(loss) before minority interests	9,860	33,025	(51,872)	(114,393)	(181,198)
Minority interests	2,101	(16,697)	(7,618)	(3,406)	24,145
Net profit/(loss) from ordinary activities attributable to Shareholders	11,961	16,328	(59,490)	(117,799)	(157,053)

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Consolidated assets, liabilities and minority interests

	As at 31 December				
	2004	2003	2002	2001	2000
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	3,649,665	3,660,072	3,334,388	3,088,579	3,292,787
Total liabilities	(1,412,889)	(1,465,153)	(1,180,321)	(914,200)	(1,000,726)
Minority interests	(159,645)	(129,749)	(105,225)	(66,047)	(65,930)
Total	2,077,131	2,065,170	2,048,842	2,108,332	2,226,131

4. FIXED ASSETS

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

5. SHARE CAPITAL, CONVERTIBLE SECURITIES, OPTIONS AND WARRANTS

There was no change in the registered or issued share capital of the Company during the year.

During the year of 2004, the Company did not issue any convertible securities, options, warrants or similar rights.

6. PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the PRC which would oblige the Company to offer new shares of the Company (the "Shares") on a pro rata basis to its existing Shareholders.

7. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the reporting period.

8. RESERVES

Details of movements in the reserves of the Group during the year are set out in note 34 to the financial statements.

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9. DISTRIBUTABLE RESERVES

Details of the distributable reserves of the Company as at 31 December 2004 are set out in note 34 to the financial statements.

10. MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2004, the five largest customers and suppliers of the Group respectively accounted for less than 30% of the total sales and purchases of the Group. None of the Directors, Supervisors, their associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the share capital of the Company) had an interest in the major suppliers or customers of the Group.

11. DIRECTORS AND SUPERVISORS

During the year, the Directors and Supervisors of the Company are as follows:

Executive Directors:

Mr. Liu Da Gong	
Mr. Dong Yong An	(Resigned on 28 October 2004)
Mr. Liu Wen Ying	
Mr. Zhao Yan Shui	
Mr. Yan Lin Jiao	(Appointed on 18 June 2004)
Mr. Li Teng Jiao	
Mr. Shao Hai Chen	
Mr. Zhang Jing	
Mr. Li You Ji	(Appointed on 28 October 2004)
Mr. Liu Shuang Cheng	
Mr. Zhao Fei	(Appointed on 28 October 2004)
Mr. Huang Yan Zhao	(Resigned on 28 October 2004)

Independent non-executive Directors:

Mr. Lu Zhong Min
Mr. Tao Xiang
Mr. Chan Sau Shan
Mr. Chen Zhi

Supervisors:

Mr. Liu A Nan
Mr. Zhao Zhong Hai
Mr. Xu Wei Lin
Ms. Wang Ai Ying
Mr. Shao Jiang Xin

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12. DIRECTORS', SUPERVISORS' AND THE GENERAL MANAGER BIOGRAPHIES

Biographical details of the Directors, Supervisors and the General Manager of the Company are set out on pages 19 to 22 of the Annual Report.

13. SERVICE CONTRACTS OF THE DIRECTORS AND THE SUPERVISORS

Mr. Liu Da Gong, Mr. Dong Yong An, Mr. Liu Wen Ying, Mr. Zhao Yan Shui, Mr. Li Teng Jiao, Mr. Shao Hai Chen, Mr. Zhang Jing, Mr. Liu Shuang Cheng, Mr. Huang Yan Zhao, Mr. Liu A Nan, Mr. Zhao Zhong Hai, Mr. Xu Wei Lin, Ms. Wang Ai Ying and Mr. Shao Jian Xin entered into service contract with the Company on 30 June 2003. Mr. Yan Lin Jiao entered into a service contract with the Company on 28 October 2004. 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 contract to 30 June 2006; the respective service contracts of Mr. Dong Yong An and Mr. Huang Yan Zhao were terminated on 28 October 2004.
- (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
- (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 or Supervisors has entered into any service contract with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

The Company has received the annual confirmation letter issued by each of the independent non-executive Directors in respect of their independence in accordance with Rule 3.13 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company considers that all of the independent non-executive Directors are independent.

14. 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.

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15. DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2004, save as disclosed below, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in any shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("the SFO")), which would have to be unified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies:

Name	Name of associated corporation	Capacity	Registered capital held (Note 2)	Approximate percentage in the entire registered capital of the associated corporation
Yan Lin Jiao (Director)	Yituo (Luoyang) Lutong Construction Machinery Co., Ltd. ("Lutong Company") (Note 1)	Beneficial owner	RMB290,000 (L)	0.5%

Notes:

1. Lutong Company is a limited company established in the PRC. Its total registered capital is RMB 58,000,000. Mr Yan Lin Jiao contributed RMB 290,000 to the total registered capital of Lutong Company and therefore holding 0.5% of the total registered capital of Lutong Company.
2. The letter "L" represents the person's long position in the registered capital of the associated corporation.

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16. CONTRACTS OF SIGNIFICANCE

None of the Company or any of its subsidiaries has entered into any contract of significance, other than those as disclosed in the paragraph headed "connected transactions", with the controlling shareholder of the Company at any time during the year ended 31 December 2004.

17. CHANGE IN SHAREHOLDING AND STRUCTURE OF EQUITY INTERESTS OF SHAREHOLDERS

As at 31 December 2004, the total issued Shares amounted to 785,000,000 Shares. Its structure of equity interests was as follows:

Type of Shares	Number of Shares	Percentage(%)
(1) Non-circulating state-owned legal Shares	450,000,000	57.32
(2) Circulating and listed in the Stock Exchange (H Shares)	335,000,000	42.68
Total number of Shares in issued	785,000,000	100.00

18. SUBSTANTIAL SHAREHOLDERS

As at 31 December 2004, the following shareholders (other than a Director, Supervisor or chief executive of the Company) have interests or short positions of the shares and underlying shares in the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Domestic Shares

Name of Shareholder	Nature of interest	Number of Shares (Note 1)	Approximate percentage of the total issued share capital of the Company
China Yituo	Beneficial owner	450,000,000 (L)	57.32%

H Shares

Name of Shareholder	Nature of interest	Number of Shares (Note 1)	Approximate percentage of the total issued H Shares of the Company
GE Asset Management Incorporated	Investment manager	42,710,000 (L)	12.74%

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Notes:

1. The letter "L" represents the entities' long position in the shares of the Company.
2. According to the Corporate Substantial Shareholder Notice submitted by State Street Corporation to the Company dated 11 May 2004, State Street Corporation is the holding company of an approved lending agent and 21,372,000 H Shares are held in a lending pool.

Save as disclosed, there is no other person (other than a Director, Supervisor or chief executive of the Company) who, as at 31 December 2004, had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

On the basis of publicised information and to the best knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules as at the date of this report.

19. DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were any rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Directors, Supervisors, or their respective spouse or minor children, or were any rights exercised by them; nor was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or Supervisors to acquire such rights in any other body corporate.

20. CONNECTED TRANSACTIONS

Details of the Group's connected transactions (as defined in the Listing Rules) are set out in note 40 to the financial statements.

Since the five connected transactions such as Supply Agreement entered between the Company and China First Tractor Group on 29 May 2001 had expired, the Company and China Yituo had entered into the four connected transactions such as Yituo Supply Agreement, Group Supply Agreement, Composite Service Agreement and Energy Supply Services Agreement for a term of three years and had entered into the Import and Export Agency Agreement for a term of three years with Yituo International Economic and Trade Company Limited ("Yituo Trade"), the subsidiary of China First Tractor Group, on 19 August 2004. The Company had made disclosures pursuant to the relevant provisions under the Listing Rules. As on 28 October 2004, the aforesaid five agreements of continuing connected transactions and new caps related the connected transactions were approved by the Shareholders at the extraordinary general meeting of the Company on 28 October 2004.

After reviewing the current year's continuing connected transactions, the independent non-executive Directors of the Company confirmed that such connected transactions were:

- (1) entered into in the ordinary and usual course of business of the Group;
- (2) conducted 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 available comparison) on terms no less favorable than those available to or from independent third parties; and
- (3) entered into on terms that are fair and reasonable so far as the Shareholders are concerned.

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Save as the above continuing connected transactions, the Group also entered into the following connected transactions (as defined in Listing Rules):

On 2 June 2004, the Company's subsidiary, FTGF, entered into the New Agreement on Financial Services with the Company's controlling shareholder, China Yituo, pursuant to which FTGF will provide China Yituo and its subsidiaries, in which China Yituo has equity interests or controlling rights, with financial services. The Company has made disclosures pursuant to the provisions in relation with these connected transactions under the Listing Rules. The New Agreement on Financial Services and the new cap contemplated thereunder were approved by the Shareholders at the extraordinary general meeting of the Company on 16 August 2004.

Upon review of the connected transactions under the New Agreement on Financial Services, the independent non-executive Directors confirmed that such connected transactions were:

- (1) entered into in the ordinary and usual course of business of the Group;
- (2) conducted either on normal commercial terms (as compared with transactions of similar nature carried out by similar entities); or (if no available comparison) on terms no less favourable than those available to or from independent third parties; and
- (3) entered into on terms that are fair and reasonable so far as the Shareholders are concerned.

For the disclosure requirement under Rule 13.20 of the Listing Rules, details of the total advances granted by FTGF to entities as at 31 December 2004 are as follows:

Entities	Date of loan agreement	Advances as at 31 December 2004 RMB (million)	Interest rate per annum	Maturity date	Notes
China Yituo	28 January 2003	19	5.49%	28 January 2006	1
	7 November 2003	20	5.49%	7 November 2006	2
	7 January 2004	20	5.49%	7 January 2006	1
	7 January 2004	14	5.49%	7 January 2006	1
	21 July 2004	15	5.49%	21 July 2007	2
	30 July 2004	20	5.49%	30 July 2007	2
	9 September 2004	25	5.49%	9 September 2007	1
	10 September 2004	25	5.49%	10 September 2007	1
	21 September 2004	30	5.49%	21 September 2006	3
	24 November 2004	8	5.76%	24 November 2006	1

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Notes:

- (1) These advances represent loans to China Yituo as working capital and are unsecured, due on the maturity date, and guaranteed by Yituo (Luoyang) Diesel Co., Ltd. As at the date of this report, no advances had been due or repaid.
- (2) These advances represent loans to China Yituo as working capital and are unsecured, due on the maturity date, and guaranteed by Yituo Trade. As at the date of this report, no advances had been due or repaid.
- (3) These advances represent loans to China Yituo as working capital and are unsecured, due on the maturity date, and guaranteed by Yituo (Luoyang) Casting & Forging Company Limited, which is owned as to 25% by the Company, 50% by China Yituo and 25% by an independent third party. As at the date of this report, no advances had been due or repaid.

21. 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 under the initial public offering of the H Shares listed on the Stock Exchange on 23 June 1997 and two subsequent partial exercises of over-allotment option.

The proceeds, other than those amounting to RMB1,249,095,000 which have been used and disclosed in the previous annual reports of the Company, were also applied to the following purposes during the year:

- approximately RMB94,320,000 were applied to finance technological renovations including the capacity expansion of 100/105 diesel machine of medium power series, large and medium wheeled tractors and intensive processing of components and 125MN hotdie forging; and
- the remaining balance of the proceeds were used as additional working capital of the Company.

22. DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, none of the Directors or Supervisors 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.

23. EMOLUMENT POLICY

The pay levels of the employees are commensurate with their responsibilities, performance and contribution. The emolument policy of the employees of the Group is set up by the personnel department on the basis of their merit, qualification and competence.

24. STAFF QUARTER

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

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25. 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 which are not yet 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 of 2004.

26. STAFF'S BASIC MEDICAL INSURANCE

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

27. DESIGNATED DEPOSIT AND DEPOSIT DUE

The Company deposited a sum of RMB123,273,000 with 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 the group members of China Yituo. Save as the aforesaid deposits, the Company did not have any deposits deposited with any non-banking financial institution.

The Company granted a loan of RMB62,000,000 to its subsidiaries. The loan was granted in the form of designated deposits deposited with FTGF. The Company did not have any designated deposit other than the aforesaid. Save for the above-mentioned deposits in FTGF, all the cash deposits of the Company were deposited with commercial banks in the PRC in compliance with the relevant laws and regulations. The Company has not experienced any incident of not being able to withdraw bank deposits when due.

28. POLICIES ON UNIFIED INCOME TAX

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

29. LAND USE RIGHTS

Under the land leasing agreement entered into between the Company and its controlling Shareholder, China Yituo, 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.

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30. AUDIT COMMITTEE

The Company has set up an independent audit committee of the Company (the "Audit Committee") as required under the Listing Rules in order to perform the functions of reviewing and inspecting the procedures for the Group's financial reporting and internal surveillance. The Audit Committee comprises of three independent non-executive Directors.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters of the Group including a review of the audited accounts of the Group for the year ended 31 December 2004.

31. SIGNIFICANT EVENTS

Save for the connected transactions disclosed in paragraph 20 of this report, the Company had the following significant events during 2004:

1. On 17 April 2004, the Board resolved that Mr. Dong Yongan ceased to serve as a member of the remuneration and auditing committee of the Company due to work rearrangement and his position was replaced by Mr. Liu Dagong.
2. On 2 July 2004, the Board appointed Mr. Yuan Rongqing as the deputy general manager of the Company as nominated by Mr. Yan Linjiao, the general manager.
3. On 2 July 2004, the Board approved the project for technological renovation of large/mid wheeled tractor projects with estimated investment of RMB150,000,000. Upon completion of the projects, the Company will be able to produce 30,000 units of large/mid wheeled tractors. This is a significant initiative of the Company in adjusting the product mix to achieve new business growth.
4. On 23 July 2004, the Board approved that Luoyang Changxing Agricultural Machinery Co., Ltd ("Changxing") be jointly established by the Company and Luoyang Changhong High Technology Trading Co., Ltd ("Changhong"). The registered capital of Changxing is RMB3,000,000, of which RMB2,100,000 in cash representing 70% equity interests and RMB900,000 in cash representing 30% equity interests were contributed respectively by the Company and Changhong. Changxing is mainly engaged in sale of large/mid wheeled tractors.
5. On 28 October 2004, an Extraordinary General Meeting of the Company was held to approve that Mr. Dong Yongan be ceased to serve as a Director due to work rearrangement and Mr. Li You Ji and Mr. Zhao Fei were appointed as executive Directors. Also, the amendments to the Articles of Association in accordance with the revised Listing Rules were approved.
6. On 26 August 2004, the Board resolved to contribute additional RMB200,000,000 to FTGF, thus increasing the registered capital of FTGF to RMB500,000,000. In accordance with Management Methods on Corporate Group Finance Company newly issued by China Banking Regulatory Commission ("CBRC") in 2004, the business scope of FTGF will be broadened following the additional investment. FTGF will be able to provide more extensive financial support and services for the production and operation of the Group. The additional investment was approved by CBRC on 11 November 2004.

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7. On 6 December 2004, the Board approved that Yituo (Luoyang) Agricultural Tools Co., Ltd. ("Agricultural Tools Company") be jointly established by the Company, Luoyang Yituo Dongfang Industry Co., Ltd. ("Dongfang Industry") and natural persons. The registered capital of Agricultural Tools Company is RMB10,000,000, of which RMB7,300,000 in cash representing 73% equity interests was contributed by the Company, the remaining RMB2,000,000 representing 20% equity interests was contributed by Dongfang Industry and RMB700,000 in cash representing 7% equity interests was contributed by natural persons. Agricultural Tools Company is engaged in research and development, manufacturing and trade of agricultural machinery and agriculture sideline production processing machinery, as well as manufacturing and trade of various machinery spare parts.
8. On 10 December 2004, the Board approved that Yituo Construction be jointly established by the Company, Yituo (Luoyang) Building Machinery Co., Ltd ("Building Machinery Company"), Yituo (Luoyang) Construction Machinery Co., Ltd ("Construction Machinery Company"), Yituo (Luoyang) Building Construction Machinery Co., Ltd ("Building Construction Company") and Lutong Company. The registered capital of Yituo Construction is RMB8,000,000, of which RMB3,200,000 in cash, RMB1,600,000 in cash, RMB1,600,000 in cash, RMB400,000 in cash and RMB1,200,000 in cash were respectively contributed by the Company, Building Machinery Company, Construction Machinery Company, Building Construction Company and Lutong Company, representing 40%, 20%, 20%, 5% and 15% equity interests therein respectively. Yituo Construction is engaged in sale and after-sale services of construction machinery and components, building machinery and components, agricultural machinery and components as well as farm vehicle and components.
9. As at 1 November 2004, Construction Machinery Company, the subsidiary of the Company, Mr. Yan Lin Jiao, and other natural persons, jointly established Lutong Company. The registered capital of Lutong Company is RMB58,000,000. Construction Machinery Company contributed RMB26,680,000 cash to the registered capital of Lutong Company, representing 46% of the registered capital of Lutong Company. Mr. Yan Lin Jiao contributed RMB290,000 cash to the registered capital of Lutong Company, representing 0.5% of the registered capital of Lutong Company. Other natural persons in aggregate contributed in cash and in kind amounted to RMB31,030,000 to the registered capital of Lutong Company, representing 53.5% of the registered capital of Lutong Company. The scope of operation of Lutong Company includes manufacturing and sales of construction machinery and components.

32. POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group is set out in note 42 to the financial statements.

33. CODE OF BEST PRACTICE

The Board considered that the Company was compliance with the requirements of the Code of Best Practice as set out in Appendix 14 to the Listing Rules during the whole accounting period as covered in this annual report.

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34. MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted a code of practice (the "Model Code") with standards not lower than those prescribed in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules for securities transactions conducted by the Directors. During the reporting period, all Directors have complied with the Model Code in relation to securities transactions conducted by the Directors.

35. MATERIAL LITIGATION

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

36. AUDITORS AND QUALIFIED ACCOUNTANT

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

Pursuant to Rule 3.24 of the Listing Rules, the Company must employ an individual with the specified qualifications set out in Rule 3.24 of the Listing Rules as a qualified accountant (the "Qualified Accountant") of the Company. As at the date of this report, the Company has not yet been able to find a suitable candidate to work as the Qualified Accountant. The Company will use its best effort to find a suitable candidate to assume such position as soon as possible. The Company will keep the Shareholders informed of the progress of appointment.

By order of the Board

Liu Da Gong

Chairman

Luoyang, the PRC
22 April 2005