

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



第一拖拉机股份有限公司
FIRST TRACTOR COMPANY LIMITED*

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

(Stock Code: 0038)

ANNOUNCEMENT ON MAKING PROVISIONS FOR IMPAIRMENT OF ASSETS

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

At the tenth meeting of the ninth session of the Board of Directors of First Tractor Company Limited* (the “**Company**”), the Resolution on Making Provisions for Impairment of Assets of the Company for 2022 was considered and approved. Details of the Making of Provisions for Impairment of Assets are as follows:

I. MAKING PROVISIONS FOR IMPAIRMENT OF ASSETS

In accordance with the Accounting Standards for Business Enterprises and the accounting policies of the Company, adhering to the principle of prudence, the Company conducted impairment tests on relevant assets of the Company and its subsidiaries for the year ended 31 December 2022, and a total of RMB131.84 million was made for provision of asset impairment and credit impairment based on the results of the impairment test.

(i) **Provision for Impairment of Assets**

Details of the provision for impairment of assets for 2022

Unit: RMB ten thousand

Item	Provision Amount	Explanation
Provision for impairment of inventories	1,130	As some of the inventories showed signs of impairment, the Company provided for impairment of inventories totaling RMB11.30 million based on the difference between the carrying value and net realizable value
Provision for impairment of fixed assets	2,003	In order to accelerate product transformation and upgrade, the Company gradually replaced and eliminated inefficient and high-consuming equipment and made a provision of RMB20.03 million for impairment of fixed assets based on the impairment test results
Provision for impairment of construction in progress	357	A provision of RMB3.57 million was made for impairment of construction in progress with no value in use held by individual subsidiaries that were in an abnormal operating condition
Provision for impairment of other current assets	700	Due to the tax credit rating of M for individual subsidiaries of the Company that are not in normal operating status, the retained tax credits could not be refunded or used for tax credits in production and operation business, and an impairment provision of RMB7 million was made for the unused retained input tax credits

Item	Provision Amount	Explanation
Provision for impairment of prepayments	173	Provision for impairment of RMB1.73 million was made for certain prepayments that showed indications of impairment and were likely to be unrecoverable
Total	4,363	/

(2) Provision for credit impairment

Details of the provision for credit impairment for 2022

Unit: RMB ten thousand

Item	Provision Amount	Explanation
Provision for impairment of receivables	11,490	Provision for impairment of receivables of RMB114.90 million was made based on expected loss rates for a portfolio of receivables classified according to credit risk characteristics
Provision for impairment of loan assets	-2,669	China YTO Group Finance Company Limited, a subsidiary of the Company, implemented the restructuring and the business was gradually terminated, the loans and other assets were recovered and the loan impairment provision was reversed by RMB26.69 million
Total	8,821	/

II. EFFECT OF MAKING PROVISIONS FOR IMPAIRMENT OF ASSETS ON THE FINANCIAL POSITION OF THE COMPANY

The Company's provisions for impairment of assets resulted in an increase of RMB131.84 million in its impairment losses in consolidated statements and a decrease of RMB131.84 million in its total profit in consolidated statements for 2022.

III. OPINION OF THE BOARD OF DIRECTORS

The Company's provisions for impairment of assets were in compliance with the Accounting Standards for Business Enterprises and its accounting policies, and reflected its assets position and operating conditions for 2022 in an objective and fair manner, and the Board of Directors agreed the provisions for impairment of assets of RMB131.84 million.

IV. OPINION OF THE INDEPENDENT DIRECTORS

The Company's provisions for impairment of assets were in compliance with the Accounting Standards for Business Enterprises and its accounting policies and also in line with the actual situation of the Company. The provision for impairment of assets has performed the corresponding decision-making procedures and reflected the condition of the assets position and operating conditions of the Company in an objective manner, and there was no damage to the interests of the Company and its shareholders. The independent directors agreed the Company's provision for impairment of assets.

V. OPINION OF THE BOARD OF SUPERVISORS

The Company's provisions for impairment of assets were in compliance with the Accounting Standards for Business Enterprises and its accounting policies, and reflected the actual situation of its assets, and the decision-making process was legal and compliant. The Board of Supervisors agreed the Company's provision for impairment of assets.

By Order of the Board
FIRST TRACTOR COMPANY LIMITED*
YU Lina
Company Secretary

Luoyang, the PRC
29 March 2023

As at the date of this announcement, the Board comprises Mr. Liu Jiguo (Chairman) as executive Director; Mr. Zhang Zhiyu, Mr. Fang Xianfa and Mr. Zhang Bin as non-executive Directors; and Mr. Edmund Sit, Mr. Wang Shumao and Mr. Xu Liyou as independent non-executive Directors.

* *For identification purposes only*