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**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)

## **CHANGE IN ACCOUNTING POLICY**

The Ministry of Finance of the People's Republic of China issued the "Accounting Standards for Business Enterprises Interpretation No. 16" on 30 November 2022, which stipulates the relevant contents of "Accounting for the non-applicability of the initial recognition exemption for deferred income tax relating to assets and liabilities arising from a single transaction".

The Interpretation No. 16 as implemented by First Tractor Company Limited (the "**Company**") with effect from 1 January 2023 has no significant impact on the Company's profits.

### **I. OVERVIEW OF CHANGE IN ACCOUNTING POLICY**

#### **(i) Reasons for Change in Accounting Policy**

On 30 November 2022, the Ministry of Finance issued the Accounting Standards for Business Enterprises Interpretation No. 16 (Cai Kuai [2022] No.31) (hereinafter referred to as the "Standards Interpretation No. 16") which stipulates the relevant contents of the "Accounting for the non-applicability of the initial recognition exemption for deferred income tax relating to assets and liabilities arising from a single transaction". The Company has made relevant change to its accounting policy in accordance with the above requirement.

**(ii) Date of Change of Accounting Policy**

The Company has implemented the Standards Interpretation No. 16 since 1 January 2023.

**(iii) Accounting Standards Adopted Prior to the Change**

Prior to the change in accounting policy, the Company implemented the Accounting Standards for Business Enterprises – Basic Standards and various specific accounting standards, the subsequently issued and revised Accounting Standards for Business Enterprises, application guidance to the Accounting Standards for Business Enterprises, interpretations announcements to the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance.

**(iv) Accounting Standards Adopted Subsequent to the Change**

After the change in accounting policy, the Company will implement the Standards Interpretation No. 16 if a transaction is not a business combination and affects neither the accounting profit nor taxable income (or deductible losses) at the time of the transaction, and such transaction is a single transaction (including the lease transaction in which the lessee initially recognizes a lease liability and includes the right-of-use asset at the beginning of the lease term, and the transaction in which the lessee recognizes an estimated liability and includes the cost of the related asset due to the existence of abandonment obligations for fixed assets, etc.) in which the initial recognition of assets and liabilities results in an equal amount of taxable temporary differences and deductible temporary differences, and will separately recognize corresponding deferred income tax liabilities and deferred income tax assets. The Company will still follow the other unchanged parts in accordance with the Accounting Standards for Business Enterprises - Basic Standards and various specific accounting standards, application guidance to the Accounting Standards for Business Enterprises, interpretations announcements to the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance in the previous period.

## II. THE IMPACT OF THE CHANGE IN ACCOUNTING POLICY ON THE COMPANY

The change in accounting policy, which did not have a material impact on the Company's profits, has resulted in the following retrospective adjustments to the related items in the balance sheet as at 31 December 2022:

Unit: ten thousand (RMB)

Affected items	Consolidated statement of shares			Statement of the parent company of shares		
	Before change	Impact amount	After change	Before change	Impact amount	After change
Deferred income tax assets	13,271	542	13,813	4,911	387	5,298
Deferred income tax liabilities	11,486	542	12,028	2,481	387	2,868

This change in accounting policy is made to implement the latest publication of the Accounting Standards for Business Enterprises Interpretation by the Ministry of Finance. It will not have any material impact on the Company's financial position, results of operations and cash flows. There is no circumstance that damages the interests of the Company and all of its shareholders.

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

Luoyang, the PRC  
28 August 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