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**Zoomlion Heavy Industry Science and Technology Co., Ltd.\***

**中聯重科股份有限公司**

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

**(Stock Code: 1157)**

## **ANNOUNCEMENT**

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## **PROPOSED AMENDMENTS TO THE ARTICLES**

The Board proposes to amend the Articles as follows (changes are marked):

<b>No.</b>	<b>Articles before amendment</b>	<b>Articles after amendment</b>
1	<b>Article 1</b> These Articles of Association (hereinafter referred to as the “Articles” or “Articles of Association”) are formulated in accordance with the Company Law of the People’s Republic of China (hereinafter referred to as the “Company Law”), the Securities Law of the People’s Republic of China (hereinafter referred to as the “Securities Law”), the State Council’s Special Regulations Regarding the Issue of Shares Overseas and the Listing of Shares Overseas by Companies Limited by Shares (hereinafter referred to as the “Special Regulations”), Mandatory Provisions for the Articles of Association of Companies Listed Overseas (hereinafter referred to as the “Mandatory Provisions”), Circular Regarding Comments on the Amendments to the	<b>Article 1</b> These Articles of Association (hereinafter referred to as the “Articles” or “Articles of Association”) are formulated in accordance with the Company Law of the People’s Republic of China (hereinafter referred to as the “Company Law”), the Securities Law of the People’s Republic of China (hereinafter referred to as the “Securities Law”), the State Council’s Special Regulations Regarding the Issue of Shares Overseas and the Listing of Shares Overseas by Companies Limited by Shares (hereinafter referred to as the “Special Regulations”), Mandatory Provisions for the Articles of Association of Companies Listed Overseas (hereinafter referred to as the “Mandatory Provisions”), Circular Regarding Comments on the Amendments to the

No.	Articles before amendment	Articles after amendment
	<p>Articles of Association of Companies Listed in Hong Kong (關於到香港上市公司對公司章程作補充修改的意見的函) (hereinafter referred to as the “Circular Regarding Comments on Amendments”), Guidelines for the Articles of Association of Listed Companies (as amended in 2006) (上市公司章程指引 (2006年修訂) and other relevant provisions to safeguard the legal interests of Zoomlion Heavy Industry Science and Technology Co., Ltd. (hereinafter referred to as the “Company”) and its shareholders and creditors, and to regulate the organisation and conducts of the Company.</p>	<p>Articles of Association of Companies Listed in Hong Kong (關於到香港上市公司對公司章程作補充修改的意見的函) (hereinafter referred to as the “Circular Regarding Comments on Amendments”), Guidelines for the Articles of Association of Listed Companies (as amended in <u>2019</u>) (上市公司章程指引 (<u>2019</u>年修訂) and other relevant provisions to safeguard the legal interests of Zoomlion Heavy Industry Science and Technology Co., Ltd. (hereinafter referred to as the “Company”) and its shareholders and creditors, and to regulate the organisation and conducts of the Company.</p>
2	<p><b>Article 3</b> On 10 September 2000, pursuant to an Approval by China Securities Regulatory Commission (hereinafter referred as to “CSRC”) (Zheng Jian Fa Xing Zi [2000] No.128), the Company issued 50,000,000 RMB-denominated ordinary shares for initial public offering. The shares were listed on the Shenzhen Stock Exchange on 12 October 2000. The shares issued by the Company for public offering are domestic shares for subscription in RMB by domestic investors.</p>	<p><b>Article 3</b> On 10 September 2000, pursuant to an Approval by China Securities Regulatory Commission (hereinafter referred as to “CSRC”) (Zheng Jian Fa Xing Zi [2000] No.128), the Company issued 50,000,000 RMB-denominated ordinary shares for initial public offering. The shares were listed on the Shenzhen Stock Exchange on 12 October 2000. <del>The shares issued by the Company for public offering are domestic shares for subscription in RMB by domestic investors.</del></p>

No.	Articles before amendment	Articles after amendment
3	<p><b>Article 13</b> According to the registration of the Company, the scope of business of the Company includes: development, manufacturing and sale of construction machinery, agricultural machinery, environmental and sanitary machinery, crane machinery and their specialised chassis, fire engines and their specialised chassis, aerial work machinery, other machinery and equipment, metal and nonmetal materials and photo-mechanical electronic integrated high and new technology products and the provision of leasing and after-sale services; sale of construction and decoration materials, construction vehicles, metals and chemicals and petrochemical products (except hazardous chemicals and controlled goods); engage in the import and export business of commercial products and technology; property investment with self-owned assets (not allowed to be engaged in business under national financial regulation and financial credit business such as deposit taking, fund raising and collecting, entrusted loans, issuing notes and granting loans); sale of second-hand cars; and dismantling and recycling of obsolete machinery and equipment. (Items subject to approval in accordance with the law shall only be conducted upon the approval by relevant departments)</p>	<p><b>Article 13</b> According to the registration of the Company, the scope of business of the Company includes: development, manufacturing and sale of construction machinery, agricultural machinery, environmental and sanitary machinery, crane machinery and their specialised chassis, fire engines and their specialised chassis, aerial work machinery, <u>emergency rescue equipment, mining machinery, coal mining machinery and equipment, material conveying equipment,</u> other machinery and equipment, metal and nonmetal materials and photo-mechanical electronic integrated high and new technology products and the provision of leasing and after-sale services; sale of construction and decoration materials, construction vehicles, metals and chemicals and petrochemical products (except hazardous chemicals and controlled goods); <u>sale of lubricating oils, lubricating greases and hydraulic oils (except sale of hazardous chemicals); retail sale of refined oils (may only be operated by branches with licences);</u> engage in the import and export business of commercial products and technology; property investment with self-owned assets (not allowed to be engaged in business under national financial regulation and financial credit business such as deposit taking, fund raising and collecting, entrusted loans, issuing notes and granting loans); sale of second-hand cars; and dismantling and recycling of obsolete machinery and equipment. (Items subject to approval in accordance with the law shall only be conducted upon the approval by relevant departments)</p>

No.	Articles before amendment	Articles after amendment
4	<p><b>Article 21</b> After completion of the issue of overseas listed foreign shares (H shares) and before the exercise of the over-allotment options, the Company had 5,797,219,562 ordinary shares in issue, including 4,840,678,482 domestic listed ordinary shares and 956,541,080 H shares (including 86,958,280 H shares held by the National Social Security Fund), representing 83.5% and 16.5% of the total issuable ordinary shares of the Company respectively.</p> <p>After completion of the issue of the overseas listed foreign shares (H shares) and the exercise of the over-allotment options, the Company had 5,927,656,962 ordinary shares in issue, including 4,827,634,742 domestic listed ordinary shares and 1,100,022,220 H shares (including 100,002,020 H shares held by the National Social Security Fund), representing 81.4% and 18.6% of the total issuable ordinary shares of the Company respectively.</p> <p>After the implementation of the profits distribution plan of 2010 passed at the annual general meeting and class general meeting of 2010 both held on 3 June 2011, the Company shall have 7,705,954,050 ordinary shares in issue, including 6,275,925,164 domestic listed ordinary shares (including shares subscribed by foreign investors and domestic investors in both cases in RMB) and 1,430,028,886 H shares, representing 81.4% and 18.6% of the total issued ordinary shares of the Company respectively.</p>	<p><b>Article 21</b> <u>The total number of shares of the Company is 8,666,612,984 shares. The share capital structure of the Company comprises: 8,666,612,984 ordinary shares in issue, including 7,084,648,436 domestic listed ordinary shares (including shares subscribed by foreign investors and domestic investors in both cases in RMB) and 1,581,964,548 H shares, representing 81.75% and 18.25% of the total issued ordinary shares of the Company respectively.</u></p>

No.	Articles before amendment	Articles after amendment
	<p>After the implementation of the repurchase of a portion of H Shares passed at the annual general meeting and class general meeting of 2014 both held on 29 June 2015, the Company shall have 7,664,132,250 ordinary shares in issue, including 6,275,925,164 domestic listed ordinary shares (including shares subscribed by foreign investors and domestic investors in both cases in RMB) and 1,388,207,086 H shares, representing 81.9% and 18.1% of the total issued ordinary shares of the Company respectively.</p> <p>After the implementation of the repurchase of a portion of A Shares passed at the annual general meeting and class general meeting of 2015 both held on 29 June 2016, the Company shall have 7,625,287,164 ordinary shares in issue, including 6,237,080,078 domestic listed ordinary shares (including shares subscribed by foreign investors and domestic investors in both cases in RMB) and 1,388,207,086 H shares, representing 81.8% and 18.2% of the total issued ordinary shares of the Company respectively.</p> <p>After the implementation of the first grants of the share option scheme and the restricted A share incentive scheme of 2017 approved at the first extraordinary general meeting, A shares class meeting and H shares class meeting of 2017 each held on 1 November 2017, the Company has 7,794,048,075 ordinary shares in issue, including 6,405,840,989 domestic listed ordinary shares (including shares subscribed by foreign investors and domestic investors in both cases in RMB) and 1,388,207,086 H shares, representing 82.2% and 17.8% of the total issued ordinary shares of the Company respectively.</p>	

No.	Articles before amendment	Articles after amendment
	<p>After the implementation of the repurchase and cancellation of options and restricted A shares held by certain participants according to the mandate granted at the first extraordinary general meeting, A shares class meeting and H shares class meeting of 2017 each held on 1 November 2017 and also approved at the eighth meeting of the fifth session of the Board held on 30 August 2018, the Company has 7,792,023,575 ordinary shares in issue, including 6,403,816,459 domestic listed ordinary shares (including shares subscribed by foreign investors and domestic investors in both cases in RMB) and 1,388,207,086 H shares, representing 82.2% and 17.8% of the total issued ordinary shares of the Company respectively.</p> <p>After the implementation of the grant of reserved options and restricted A shares under the share option scheme and restricted A share scheme of 2017 according to the mandate granted at the first extraordinary general meeting, A shares class meeting and H shares class meeting of 2017 each held on 1 November 2017 and also approved at the sixth extraordinary meeting of the fifth session of the Board of 2018 held on 10 September 2018, the Company has 7,810,578,433 ordinary shares in issue, including 6,422,371,317 domestic listed ordinary shares (including shares subscribed by foreign investors and domestic investors in both cases in RMB) and 1,388,207,086 H shares, representing 82.2% and 17.8% of the total issued ordinary shares of the Company respectively.</p>	

No.	Articles before amendment	Articles after amendment
	<p>After the implementation of the repurchase and cancellation of options and restricted A shares held by certain participants according to the mandate granted at the first extraordinary general meeting, A shares class meeting and H shares class meeting of 2017 each held on 1 November 2017 and also approved at the eighth extraordinary meeting of the fifth session of the Board of 2018 held on 6 November 2018, the Company has 7,808,536,633 ordinary shares in issue, including 6,420,329,547 domestic listed ordinary shares (including shares subscribed by foreign investors and domestic investors in both cases in RMB) and 1,388,207,086 H shares, representing 82.2% and 17.8% of the total issued ordinary shares of the Company respectively.</p>	
5	<p><b>Article 24</b> The registered capital of the Company is RMB7,808,536,633.</p>	<p><b>Article 24</b> The registered capital of the Company is RMB<u>8,666,612,984</u>.</p>



No.	Articles before amendment	Articles after amendment
6	<p><b>Article 28</b> Subject to approval of the relevant competent authority of the PRC, the Company may repurchase shares in one of the following ways:</p> <p>(1) making a general offer to its shareholders for the repurchase of shares on a pro rata basis;</p> <p>(2) repurchasing shares in open market on a stock exchange;</p> <p>(3) repurchasing shares over the counter by agreement;</p> <p>(4) other ways allowed by the laws and administrative regulations, the relevant competent authority and securities regulatory authority where the shares of the Company are listed.</p>	<p><b>Article 28</b> Subject to approval of the relevant competent authority of the PRC, the Company may repurchase shares in one of the following ways:</p> <p>(1) making a general offer to its shareholders for the repurchase of shares on a pro rata basis;</p> <p>(2) repurchasing shares in open market on a stock exchange;</p> <p>(3) repurchasing shares over the counter by agreement;</p> <p>(4) other ways allowed by the laws and administrative regulations, the relevant competent authority and securities regulatory authority where the shares of the Company are listed.</p> <p><u>Where the repurchase of shares of the Company by the Company falls under the circumstances stipulated in (3), (5) and (6) of the first paragraph of Article 27, the share repurchase shall be conducted via centralised public trading.</u></p>
7	<p><b>Article 59</b> The controlling shareholder and the actual controlling person shall not take advantage of their connected relationship to harm the interest of the Company. Any violation of such provision which results in losses to the Company shall be liable for compensation.</p>	<p><b>Article 59</b> The controlling shareholder and the actual controlling person shall not take advantage of their related relationship to harm the interest of the Company. Any violation of such provision which results in losses to the Company shall be liable for compensation.</p> <p><u>Actual controller or actual controlling person shall mean a person who, although is not a shareholder of the Company, is able to exert actual control over the conduct of the Company by virtue of investment or through agreements or any other arrangements.</u></p>



No.	Articles before amendment	Articles after amendment
8	<p><b>Article 62</b> The shareholders' general meeting is the body of authority of the Company and shall exercise the following powers in accordance with the laws:</p> <p>...</p> <p>(18) to consider other matters which, according to the laws, regulations, the Articles of Association and requirements of listing rules of the place where the Company is listed, need to be approved at the shareholders' general meeting.</p> <p>The abovementioned powers of the shareholders' general meeting may not be exercised by the board of directors or other bodies and individuals on its behalf by delegation.</p>	<p><b>Article 62</b> The shareholders' general meeting is the body of authority of the Company and shall exercise the following powers in accordance with the laws:</p> <p>...</p> <p>(18) <u>to consider share incentive schemes;</u></p> <p>(19) to consider other matters which, according to the laws, <u>administrative regulations, departmental rules,</u> the Articles of Association and requirements of listing rules of the place where the Company is listed, need to be approved at the shareholders' general meeting.</p> <p>The abovementioned powers of the shareholders' general meeting may not be exercised by the board of directors or other bodies and individuals on its behalf by delegation.</p>

No.	Articles before amendment	Articles after amendment
9	<p><b>Article 63</b> The following external guarantees of the Company must be considered and approved by the shareholders' general meeting:</p> <p>(1) any guarantee provided by the Company and its controlling subsidiary with a total amount reaching or exceeding 50% of the audited net assets in the latest period;</p> <p>(2) any guarantee provided by the Company with a total amount reaching or exceeding 30% of the audited total assets in the latest period;</p> <p>(3) guarantees provided to any guaranteed party whose gearing ratio exceeds 70%;</p> <p>(4) guarantees of which a single guarantee amount exceeds 10% of the audited net assets of the period most recently audited;</p> <p>(5) guarantees provided to the shareholders, actual controlling person and their related parties.</p> <p>A shareholder and other shareholders under the common control of a controlling person shall abstain from voting on a resolution for the provision of guarantee to such shareholders or controlling person or related parties and the resolution shall be passed by more than half of the voting shares represented by other shareholders presented at the shareholders' general meeting.</p>	<p>Article 63 The following external guarantees of the Company must be considered and approved by the shareholders' general meeting:</p> <p>(1) any guarantee provided by the Company and its controlling subsidiary with a total amount reaching or exceeding 50% of the audited net assets as of the latest period;</p> <p>(2) <u>guarantees provided in the preceding 12 months of which the cumulative amount exceeds 30% of the audited total assets of the Company as of the latest period;</u></p> <p>(3) guarantees provided to any guaranteed party whose gearing ratio exceeds 70%;</p> <p>(4) guarantees of which a single guarantee amount exceeds 10% of the audited net assets of the period most recently audited;</p> <p>(5) guarantees provided to the shareholders, actual controlling person and their related parties.</p> <p>(6) <u>guarantees provided in the preceding 12 months of which the cumulative amount exceeds 50% of the audited net assets of the Company as of the latest period and exceeds RMB50 million in absolute amount;</u></p>

No.	Articles before amendment	Articles after amendment
		<p><u>(7) other guarantees as prescribed under the listing rules of the place(s) where the Company is listed or the Articles of Association.</u></p> <p>Where a resolution for the provision of guarantee to a shareholder or an actual controlling person and its related parties is considered at the shareholders' general meeting, such shareholder or each shareholder under the control of such actual controlling person shall abstain from voting on the resolution, and the resolution shall be passed by more than half of the voting shares represented by other shareholders presented at the shareholders' general meeting. <u>A resolution approving any guarantee specified in (2) above shall be passed by more than two-thirds of the voting rights held by the shareholders present at the shareholders' general meeting.</u></p>
10	<p><b>Article 89</b> The proxy form that a shareholder issues to appoint another party to attend a general meeting on his behalf shall contain the following contents:</p> <p>(1) the name of the proxy;</p> <p>(2) whether the proxy has voting right;</p> <p>(3) the instruction on voting for or against or abstaining from voting for each of the matters listed on the agenda of the general meeting for consideration;</p> <p>(4) the date of issuance and effective period of the proxy form;</p> <p>(5) the signature (or seal) of the appointer.</p>	<p><b>Article 89</b> The proxy form that a shareholder issues to appoint another party to attend a general meeting on his behalf shall contain the following contents:</p> <p>(1) the name of the proxy;</p> <p>(2) whether the proxy has voting right;</p> <p>(3) the instruction on voting for or against or abstaining from voting for each of the matters listed on the agenda of the general meeting for consideration;</p> <p>(4) the date of issuance and effective period of the proxy form;</p> <p>(5) the signature (or seal) of the appointer. <u>The corporate seal shall be affixed if the appointer is a corporate shareholder.</u></p>

No.	Articles before amendment	Articles after amendment
11	<p><b>Article 121</b> Shareholders present at the general meeting shall cast their votes in favour of or against the proposed resolutions, or abstain from voting.</p> <p>...</p>	<p><b>Article 121</b> Shareholders present at the general meeting shall do one of the following: cast their votes in favour of or against the proposed resolutions, or abstain from voting. <u>This Article does not apply to securities registration and clearing houses which, as nominee holders of shares subject to the Mainland-Hong Kong Stock Connect, cast their votes in accordance with the intentions of the actual holders.</u></p> <p>...</p>
12	<p><b>Article 149</b> The board of directors exercises the following duties and powers:</p> <p>...</p> <p>(vii) to formulate plans for major acquisition, merger, division, dissolution and changing the form of the Company;</p>	<p>Article 149 The board of directors exercises the following duties and powers:</p> <p>...</p> <p>(vii) to formulate plans for major acquisition, <u>repurchase of shares of the Company or</u> merger, division, dissolution and changing the form of the Company;</p>

No.	Articles before amendment	Articles after amendment
13	<p><b>Article 152</b></p> <p>...</p> <p>(iii) Connected Transactions</p> <p>(1) Shareholders' general meeting: transaction between the Company and a connected party exceeding RMB30 million and representing more than 5% of the latest audited net asset value of the Company shall be disclosed in a timely manner, the subject matter of which shall be reviewed or evaluated by an external firm with relevant qualifications of securities and futures dealing appointed for such purpose and shall be put forward to the shareholders' general meeting for decision;</p> <p>(2) Board of directors: connected transaction between the Company and a connected party of RMB3 million (RMB3 million inclusive) to RMB30 million (RMB30 million exclusive) and representing 0.5% (0.5% inclusive) to 5% (5% exclusive) of the latest audited net asset value of the Company shall be decided by the board of directors;</p> <p>(3) In addition to (1) and (2) above, the Company shall also confirm the definition and scope of connected transactions based on the Hong Kong Listing Rules, and make relevant announcements and/or submit to the shareholders' general meeting for decision.</p> <p>...</p>	<p><b>Article 152</b></p> <p>...</p> <p>(iii) Related party transactions</p> <p>(1) Shareholders' general meeting: related party transaction between the Company and a related party <u>(except the acceptance of gift of cash assets or provision of guarantee by the Company)</u> exceeding RMB30 million and representing more than 5% of the audited net asset value of the Company as of the latest period shall be disclosed in a timely manner, the subject matter of which shall be reviewed or evaluated by an external firm with relevant qualifications of securities and futures dealing appointed for such purpose and shall be put forward to the shareholders' general meeting for decision;</p> <p>(2) Board of directors: <u>related party transaction between the Company and a related party who is a legal person exceeding RMB3 million and representing more than 0.5% of the audited net asset value of the Company as of the latest period, or related party transaction between the Company and a related party who is a natural person exceeding RMB300,000 shall be put forward to the board of directors for approval. If the transaction also falls under (1) above, it shall also be put forward to the shareholders' general meeting for approval;</u></p> <p>(3) In addition to (1) and (2) above, the Company shall also confirm the definition and scope of related party transactions based on the Hong Kong Listing Rules, and make relevant announcements and/or submit such transactions to the shareholders' general meeting for decision.</p> <p>...</p>

No.	Articles before amendment	Articles after amendment
14	<p><b>Article 168</b> The Company shall have one general manager who shall be appointed or dismissed by the board of directors.</p> <p>Senior management of the Company shall include general manager, deputy general manager, chief financial officer and the secretary to the board of directors.</p>	<p><b>Article 168</b> The Company shall have one general manager who shall be appointed or dismissed by the board of directors. <u>The Company shall have several deputy general managers who shall be appointed or dismissed by the board of directors.</u> Senior management of the Company shall include general manager, deputy general manager, chief financial officer and the secretary to the board of directors of the Company.</p>
15	<p><b>Article 170</b> Persons holding positions other than directors in controlling shareholders or actual controller of the Company may not serve as senior management of the Company.</p>	<p><b>Article 170</b> Persons holding <u>administrative positions other than directors or supervisors</u> in controlling shareholders <del>or—actual controller</del> of the Company may not serve as senior management of the Company.</p>
16	<p><b>Article 172</b> The general manager shall be accountable to the board of directors and shall exercise the following functions and powers:</p> <p>...</p> <p>(2) to carry out the annual business plan of the Company;</p> <p>...</p>	<p><b>Article 172</b> The general manager shall be accountable to the board of directors and shall exercise the following functions and powers:</p> <p>...</p> <p>(2) to carry out the annual business and <u>investment</u> plans of the Company;</p> <p>...</p>
17	<p><b>Article 190</b> The supervisory committee shall be accountable to the shareholders' general meeting and shall perform the following duties:</p> <p>...</p> <p>(8) to take legal actions against directors and senior management personnel in accordance with Section 152 of the Company Law;</p> <p>...</p>	<p><b>Article 190</b> The supervisory committee shall be accountable to the shareholders' general meeting and shall perform the following duties:</p> <p>...</p> <p>(8) to take legal actions against directors and senior management personnel in accordance with Section <u>151</u> of the Company Law;</p> <p>...</p>

The amendments to the Articles are subject to approval from Shareholders at the AGM.

## PROVISIONS FOR ASSET IMPAIRMENT FOR THE YEAR 2020

The Company has conducted impairment tests on, among others, its accounts receivables, inventories and intangible assets which showed indication of impairment as at 31 December 2020, in accordance with the relevant requirements under the Accounting Standards for Business Enterprises and the accounting policies of the Company on a prudent basis. When the net realisable value of an asset is estimated to be lower than its carrying amount, a provision for asset impairment will be made upon recognition or measurement.

### I. Overview of the provisions for asset impairment

After conducting tests, the Company made a provision of RMB1,775 million for asset impairment for the year 2020, among which bad debts provision for accounts receivables amounted to RMB1,489 million, bad debts provision for other receivables amounted to RMB161 million, written-back bad debts provision for long-term receivables amounted to RMB31 million, provision for decline in value of inventories amounted to RMB89 million and provision for intangible assets amounted to RMB6 million. Excluding the effect of difference arising from currency conversion, the effect of provisions for asset impairment on the profit or loss (before tax) for the year 2020 was RMB1,775 million in aggregate.

### II. Provisions for asset impairment

#### 1. *Accounts receivables*

For the year 2020, the Company made a bad debts provision of RMB1,489 million for accounts receivables, a bad debts provision of RMB31 million for other receivables, and a bad debts provision of RMB-6 million for long-term receivables on the following basis:

the provision for bad debts of account receivables is recognised on the basis of the estimated credit loss of the Company, after considering the type of clients, loss incurred by historical defaults and current economic condition and taking account of forward-looking information, expected rate of default and rate of loss and subject to the expected renewal periods when determining the estimated credit loss.

#### 2. *Inventory*

For the year 2020, the Company made a provision of RMB89 million for decline in value of inventories on the following basis:

Inventories are measured at the lower of cost and net realisable value at the end of a period. The estimates of net realisable value are based on the most reliable evidence available, taking into consideration the purpose for holding inventories and the effects of events subsequent to the balance sheet date. If it is foreseeable that the cost of inventories may not be recoverable because inventories are damaged, have become wholly or partly obsolete, or their selling prices are below cost, the provision for decline in value of inventories will be made according to such portion of the cost not recoverable. The provision for decline in value of inventories such as finished products and bulk raw materials are made by



comparing costs with their net realisable value on an individual basis. For other raw and auxiliary materials and products in progress with large quantities and relatively low unit costs, the provision for decline in value of those inventories are made according to the categories of inventories.

The net realisable value of inventory of goods directly for sale such as finished products, products in progress and materials for sale is determined by deducting the estimated sales expenses and relevant taxes from the estimated selling prices of those inventories. The net realisable value of inventory of materials held for production is the amount after deducting the estimated costs to be incurred upon completion, estimated sales expenses and relevant taxes from the estimated selling prices of finished products being manufactured. The net realisable value of inventories held for execution of sales contract or labour contract is calculated on the basis of contract prices. In the event that an enterprise holds more inventories than the quantities ordered in the sales contract, the net realisable value of the excessive inventories is calculated on the basis of the general selling prices.

For inventories showing any indication of possible impairment, the Company would conduct impairment test by regularly adopting the lower of cost and net realisable value method to make sufficient provisions for decline in the value of inventories.

### **3. *Intangible assets***

For the year 2020, the Company made a provision of RMB6 million for diminution in value of intangible assets on the following basis:

The Company assesses the ability of each intangible asset to generate economic benefits to an entity at each year end. Where the anticipated recoverable amount of an intangible asset is less than its carrying amount, a provision will be made for diminution in value of intangible assets. The provision, once made, is not reversed during the period in which the asset is held.

- (1) due to its continuous decline in market price as a result of technological, market or legal factors, that may not be recoverable during the remaining useful lives;
- (2) its ability to generate economic benefit for the entity is adversely affected because it has been substituted by other new technologies;
- (3) its useful life has not expired, however, the period covered by legal protection is expired; and
- (4) such other circumstances that indicate impairment of intangible assets.

### **III. Effects of the provisions for impairment on the financial position of the Company**

The profit before tax of the Company decreased by RMB1,775 million for the year 2020 due to the provisions for asset impairment.

The provisions for asset impairment give a true view of the financial position of the Company, and are in compliance with the requirements of the accounting standards and relevant policies, conforming to the actual condition of the Company. The provisions for asset impairment are not prejudicial to the interests of the Company and its Shareholders, and do not involve any related party of the Company.

## **PROPOSED ISSUE OF BONDS**

In order to improve its debt structure and reduce finance costs, the Company proposes to issue the Bonds by way of public offering to Professional Investors who satisfy the requirements of the Administrative Measures, as resolved by the Board during its sixth meeting of the sixth session of the Board.

### **I. Fulfilment of conditions to issue the Bonds by the Company**

Having regard to the requirements of the relevant laws, regulations and regulatory documents (including the Company Law, the Securities Law and the Administrative Measures) relating to the qualifications and conditions for issuing the Bonds to Professional Investors, and after prudent assessment, the Company is qualified to issue the Bonds to Professional Investors by way of public offering in compliance with such conditions and requirements of the aforementioned laws, regulations and regulatory documents.

### **II. Information of the proposed issue**

#### ***1. Issue size***

The principal amount of the Bonds in aggregate will not exceed RMB5 billion (inclusive). The actual size of the issue will be determined by the Board and its authorised persons according to the actual position of the Company and the then prevailing market conditions at the time of issuance under the authorisation of the Shareholders to be granted at the AGM, subject to the maximum limit on corporate bond issuance as prescribed by the relevant laws and regulations. Application for the registration of the Bond issue by way of public offering within the aforementioned issue size will be made by the Board and its authorised persons to the China Securities Regulatory Commission, whether on one or several occasions, under the authorisation to be granted by the Shareholders at the AGM.

#### ***2. Placing to the Shareholders***

No Bonds will be placed to the Shareholders.

### **3. *Nominal value and issue price***

The Bonds will be issued at par value of RMB100 each.

### **4. *Types and term of the Bonds***

The Bonds will have a term of not more than 5 years (inclusive), either bearing a single fixed term or a combination of terms with different maturities. The structure of such term and the respective issue size will be determined by the Board and its authorised persons according to the relevant requirements and market conditions, under the authorisation to be granted by the Shareholders at the AGM, and will be disclosed in the Bonds Prospectus.

### **5. *Interest rate of the Bonds***

Interest rate of the Bonds and the basis of determination will be determined by the Board and its authorised persons jointly with the lead underwriter prior to the issue according to market conditions, under the authorisation to be granted by the Shareholders at the AGM, and will be disclosed in the Bonds Prospectus.

### **6. *Method of guarantee***

Whether or not a form of guarantee will be adopted in respect of the Bonds and the specific form of such guarantee will be determined by the Board and its authorised persons according to the relevant requirements and market conditions, under the authorisation to be granted by the Shareholders at the AGM.

### **7. *Target of the issue***

The Bonds will be issued by way of public offering to Professional Investors in accordance with the Administrative Measures.

### **8. *Redemption or repurchase clauses***

Whether or not redemption or repurchase clauses will be included in the Bonds and the specific requirements of such clauses will be determined by the Board and its authorised persons according to the relevant requirements and market conditions, under the authorisation to be granted by the Shareholders at the AGM.

### **9. *Use of proceeds***

It is proposed that the proceeds from the issue of the Bonds will be used for such purposes as are approved by the regulatory authorities, such as replenishment of the Company's working capital and replacement of interest bearing debts (including but not limited to repayment and redemption of bonds already issued by the Company). The actual use of proceeds will be determined by the Board and its authorised persons according to the capital requirements of the Company, under the authorisation to be granted by the Shareholders at the AGM.

#### ***10. Effective period of the resolution***

The resolution approving the Bonds issue by way of public offering will be effective for 36 months from the date on which it is passed by the Shareholders at the AGM.

If, during the effective period of the authorisation, the Company decides to issue the Bonds and obtains approval and permit from, and registration with, the regulatory authorities in respect of the Bonds issue, it may complete the issue during the validity period of such approval, permit and registration.

#### ***11. Listing of the Bonds***

The Company will proceed with the listing of the Bonds according to the relevant requirements of the Shenzhen Stock Exchange after completion of the Bonds issue.

#### ***12. Protection measures on repayment***

If the Company foresees that it may not be able to repay the principal of the Bonds or the interest accrued thereon according to the payment schedule or as and when they fall due and payable, the Company will adopt the relevant measures required by the laws and regulations of the PRC and the requirements of the relevant regulatory authorities. Such measures include, without limitation:

- (1) no profit distribution to the Shareholders;
- (2) suspension of implementation of capital expenditure projects, such as material external investments, or mergers and acquisitions;
- (3) reduction in or suspension of payment of remuneration/salaries and bonus to the Directors and senior management of the Company; and
- (4) no transfer or resignation of key persons-in-charge.

### **III. Authorisation for the Bonds issue by way of public offering**

To improve the efficiency of the Bonds issue and subject to the works required in connection with such issue, approval will be sought from the Shareholders at the AGM to grant authorisation to the Board and its authorised persons to deal with, at their sole discretion, all matters in connection with the Bonds issue by way of public offering according to the relevant laws, regulations and regulatory documents (including the Company Law, the Securities Law and the Administrative Measures) and with reference to the then prevailing market conditions and actual position of the Company, acting in the best interests of the Shareholders. Such matters include, without limitation:

1. formulating and adjusting any specific proposal for the Bonds according to the actual conditions of both the market and the Company, including but not limited to all matters in connection with the application for issue of and the issuance and listing of the Bonds, such as the timing for making an application; whether an application shall be made on one or several occasions; specific issue size; term of the Bonds; interest rate of the Bonds and basis of its determination; timing for the issue (including whether in tranches and the number of tranches); whether a guarantee is required and the guarantee arrangement; whether any innovative clauses are required, such as repurchase clauses and redemption clauses; arrangement for credit rating; actual means of subscription; specific placing arrangements; schedule for and method of repayment of principal and interest; listing of the Bonds; termination of the issue; and use of proceeds;
2. dealing with matters relating to the application for issue of, and the issuance and listing of the Bonds, including but not limited to authorising, signing, implementing, amending and completing all documents, contracts, agreements, covenants, announcements of all kinds, and other legal documents necessary for the application for the issue of, and the issuance and listing of the Bonds, and disclosing relevant information as required under the laws, regulations and regulatory documents;
3. selecting a Bond trustee; signing a trustee agreement and formulating the rules of meeting of Bond holders;
4. if the Company foresees that it may not be able to repay the principal of the Bonds and the interest accrued thereon according to the payment schedule or when they fall due and payable, adopting the relevant measures as required under the laws and regulations of the PRC and the requirements of the relevant regulatory departments. Such measures include, without limitation:
  - (1) no profit distribution to the Shareholders;
  - (2) suspension of implementation of capital expenditure projects, such as material external investments, or mergers and acquisitions;

- (3) reduction in or suspension of payment of remuneration/salaries and bonus to the Directors and senior management of the Company; and
- (4) no transfer or resignation of key persons-in-charge;
- 5. making appropriate adjustments to matters relating to the specific proposal for the Bonds issue according to the views of regulatory authorities, if any, or deciding whether to proceed with the issue of the Bonds according to the actual situation, in the event of change in policy of regulatory authorities or market conditions, save and except matters that require voting on at a general meeting under the relevant laws and regulations and the Articles; and
- 6. dealing with other specific matters in connection with the application for issue of, and the issuance and listing of the Bonds.

The authorisation will be effective from the date on which the relevant resolution is passed at the AGM until the date of completion of all matters in connection with the Bonds under such authorisation.

Subject to the approval and granting of the above authorisation by the Shareholders at the AGM, the Board proposes to authorise its Chairman or his authorised persons to exercise such rights as conferred under the authorisation to deal with the above matters and any other matters which may be authorised by the Board in relation to the Bonds.

## **PROPOSED ISSUE OF MEDIUM-TERM NOTES**

In order to improve the debt structure, broaden financing channels and reduce finance costs, the Company proposes to apply for and register the issue of the Medium-term Notes in an aggregate amount of not more than RMB5 billion with the NAFMII in accordance with the requirements under the relevant laws and regulations (including the Company Law and the Administrative Rules on Debt Financing Instruments of Non-Financial Enterprises in the Interbank Bond Market), particulars of which are as follows:

### **I. Proposed issue of the Medium-term Notes**

#### ***1. Issue size***

The size of the proposed issue of the Medium-term Notes will not exceed RMB5 billion. Subject to the market conditions and the actual capital requirements of the Company, the Medium-term Notes will be issued in one or multiple tranches during the effective term of the registration as and when appropriate.

#### ***2. Term of issue***

The term of the Medium-term Notes under the proposed issue will not exceed 5 years (inclusive).

### **3. *Interest rate***

The actual offer price will be determined with reference to the then prevailing guided pricing and market conditions at the time of issuance.

### **4. *Target of issue***

The issue will be targeted at institutional investors in the national interbank bond market.

### **5. *Use of proceeds***

The proceeds will be used mainly for replenishment of the Company's working capital, repayment of borrowings from financial institutions and any other purpose as approved by other trader associations.

### **6. *Effective period of the resolution***

The resolution approving the proposed issue of the Medium-term Notes will be effective for 36 months from the date on which it is passed by the Shareholders at the AGM.

## **II. Authorisation**

Approval will be sought from the Shareholders at the AGM to grant authorisation to the Chairman of the Board or his authorised persons to determine and deal with, at his sole discretion, all matters in connection with the issue of the Medium-term Notes financing, including but not limited to determining the timing of the issue; form of issue; lead underwriter; size of issue; tranches of issue; interest rate; actual use of proceeds of the Medium-term Notes; signing necessary documents if required; appointing intermediaries such as underwriters, credit rating agencies, certified public accounting firms and law firms; and completing necessary formalities and taking such other relevant actions as required under the proposed issue.

## **III. Approval procedures**

1. Implementation of matters relating to the proposed issue of the Medium-term Notes is subject to the consideration and approval of the Shareholders at the AGM.
2. The final proposal of the issue is subject to the registration notice to be issued by the NAFMII.

The Company will disclose information on the issue of the Medium-term Notes in a timely manner in accordance with the requirements of the relevant laws and regulations.



## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“A Share(s)”	domestic share(s) of RMB1.00 each in the share capital of the Company which are listed on the Shenzhen Stock Exchange and traded in RMB
“Administrative Measures”	the Administrative Measures for the Issuance and Trading of Bonds (《公司債券發行與交易管理辦法》) of the PRC
“AGM”	the forthcoming annual general meeting of the Company to be held in 2021
“Articles”	the articles of association of the Company, as amended from time to time
“Board”	the board of Directors
“Bonds”	the bonds with a principal amount of not more than RMB5 billion (inclusive) in aggregate proposed to be issued by the Company
“Bonds Prospectus”	the prospectus of the Company in respect of the Bonds issue
“Company”	中聯重科股份有限公司 (Zoomlion Heavy Industry Science and Technology Co., Ltd.*), a joint stock company incorporated in the PRC with limited liability
“Company Law”	the Company Law of the PRC (《中華人民共和國公司法》)
“Director(s)”	director(s) of the Company
“H Share(s)”	overseas listed foreign share(s) of RMB1.00 each in the share capital of the Company which are listed on The Stock Exchange of Hong Kong Limited and traded in Hong Kong dollars
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Medium-term Notes”	the medium-term notes with a principal amount of not more than RMB5 billion in aggregate proposed to be issued by the Company
“NAFMII”	National Association of Financial Market Institutional Investors
“Professional Investors”	professional investors who satisfy the requirements of the Administrative Measures

“PRC” or “China”	the People’s Republic of China excluding, for the purpose of this announcement only, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan region
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Law”	the Securities Law of the PRC (《中華人民共和國證券法》)
“Share(s)”	A Share(s) and H Share(s), or the context requires, either of them
“Shareholders”	holders of the Shares

By order of the Board  
**Zoomlion Heavy Industry Science and Technology Co., Ltd.\***  
**Zhan Chunxin**  
*Chairman*

Changsha, the PRC, 30 March 2021

*As at the date of this announcement, the executive Director of is Dr. Zhan Chunxin; the non-executive Directors are Mr. He Liu and Mr. Zhao John Huan; and the independent non-executive Directors are Mr. Zhao Songzheng, Mr. Lai Kin Keung, Ms. Liu Guiliang and Mr. Yang Changbo.*

\* *For identification purpose only*