

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.



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

中联重科股份有限公司

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

(Stock Code: 1157)

DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF 81% EQUITY INTEREST IN WHOLLY-OWNED SUBSIDIARY

INTRODUCTION

On 16 April 2021 (after trading hours), the Company and the Buyers entered into the SPAs, pursuant to which the Buyers agreed to acquire from the Company the Equity Interests for an aggregate cash consideration of RMB1,626,952,800 (equivalent to approximately HK\$1,935,466,096).

LISTING RULES IMPLICATIONS

Hong Kong Listing Rules

As one or more of the applicable percentage ratios in respect of the Disposal exceed 5% but are all less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules.

Each of the Buyers is a wholly-owned subsidiary of Hunan SASAC, which is a substantial Shareholder. Nevertheless, Hunan SASAC is a PRC Governmental Body within the meaning of Rule 19A.04 of the Hong Kong Listing Rules and therefore not a connected person of the Company by virtue of Rule 14A.10 of the Hong Kong Listing Rules.

Shenzhen Listing Rules

Hunan SASAC is the single largest Shareholder holding more than 5% of the Shares in issue and is therefore a related party of the Company. On this basis, the Disposal constitutes a related party transaction and is subject to approval from Shareholders under the Shenzhen Listing Rules.

INTRODUCTION

On 16 April 2021 (after trading hours), the Company and the Buyers entered into the SPAs, pursuant to which the Buyers agreed to acquire from the Company the Equity Interests for an aggregate cash consideration of RMB1,626,952,800 (equivalent to approximately HK\$1,935,466,096).

THE SPAS

The principal terms of the SPAs are set out below.

SPA I

Date

16 April 2021

Parties

1. The Company, as seller
2. Buyer I, as buyer

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Buyer I is a wholly-owned subsidiary of Hunan SASAC, which is a substantial Shareholder. Nevertheless, Hunan SASAC is a PRC Governmental Body within the meaning of Rule 19A.04 of the Hong Kong Listing Rules and therefore not a connected person of the Company by virtue of Rule 14A.10 of the Hong Kong Listing Rules.

Subject matter

The Company conditionally agreed to sell and Buyer I conditionally agreed to purchase Equity Interest I, which represents 45% of the equity interest in the Target Company.

Consideration

A consideration of RMB903,862,700 is payable in cash by Buyer I to the Company, which was determined after arm's length negotiations between the parties with reference to the Target Company's net assets value as at 30 June 2020 of approximately RMB2,008,583,700, as set out in the Valuation Report. Accordingly, the consideration payable for the acquisition of Equity Interest I was set at 45% of such net assets value which equals to approximately RMB903,862,700.

The consideration payable will be settled in full within 30 days from the date of SPA I. If the Company fails to complete the formalities for change in industrial and commercial registration within 60 days after the date of SPA I, such consideration will be fully refunded by the Company to Buyer I with interest calculated at the rate of 4.35% per annum on a daily basis.

Conditions precedent

Completion of SPA I is conditional upon the fulfilment of the following conditions:

1. Hunan SASAC having issued its written consent in principle to the transfer of Equity Interest I;
2. all necessary approvals and consents for such transfer having been obtained by the parties to SPA I as required under their respective articles of association;
3. the Target Company having obtained approval for such transfer from its shareholders and board of directors;
4. approval having been obtained from the Shareholders in respect of such transfer; and
5. approval having been obtained from the BLFSA in respect of such transfer.

SPA II

Date

16 April 2021

Parties

1. The Company, as seller
2. Buyer II, as buyer

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Buyer II is a wholly-owned subsidiary of Hunan SASAC, which is a substantial Shareholder. Nevertheless, Hunan SASAC is a PRC Governmental Body within the meaning of Rule 19A.04 of the Hong Kong Listing Rules and therefore not a connected person of the Company by virtue of Rule 14A.10 of the Hong Kong Listing Rules.

Subject matter

The Company conditionally agreed to sell and Buyer II conditionally agreed to purchase Equity Interest II, which represents 36% of the equity interest in the Target Company.

Consideration

A consideration of RMB723,090,100 is payable in cash by Buyer II to the Company, which was determined after arm's length negotiations between the parties with reference to the Target Company's net assets value as at 30 June 2020 of approximately RMB2,008,583,700, as set out in the Valuation Report. Accordingly, the consideration payable for the acquisition of Equity Interest II was set at 36% of such net assets value which equals to approximately RMB723,090,100.

The consideration payable will be settled in full within 30 days from the date of SPA II. If the Company fails to complete the formalities for change in industrial and commercial registration within 60 days after the date of SPA II, such consideration will be fully refunded by the Company to Buyer II with interest calculated at the rate of 4.35% per annum on a daily basis.

Conditions precedent

Completion of SPA II is conditional upon the fulfilment of the following conditions:

1. Hunan SASAC having issued its written consent in principle to the transfer of Equity Interest II;
2. all necessary approvals and consents for such transfer having been obtained by the parties to SPA II as required under their respective articles of association;
3. the Target Company having obtained approval for such transfer from its shareholders and board of directors;
4. approval having been obtained from the Shareholders in respect of such transfer; and
5. approval having been obtained from the BLFSA in respect of such transfer.

INFORMATION ON THE PARTIES

Information on the Company

The Company is a joint stock company incorporated with limited liability in the PRC. The Group is principally engaged in the research, development, manufacturing and sale of construction machinery and agricultural machinery, as well as financial services such as finance leasing.

Information on the Buyers

Buyer I is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Hunan SASAC. It is principally engaged in taking over of state-owned assets and state-owned equity, engaging in state-owned asset operation and management, state-owned equity management and capital operation within the scope of authorisation and other related business.

Buyer II is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Hunan SASAC. It is principally engaged in the investment of non-publicly issued and traded ordinary shares, convertible preference shares and convertible bonds of unlisted companies and investment management service.

Hunan SASAC is a PRC Governmental Body within the meaning of Rule 19A.04 of the Hong Kong Listing Rules.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company. It is principally engaged in the production of machinery and equipment components, insurance agency service, leasing, sales, repair and maintenance of machinery and equipment, sales of motor vehicles (excluding cars), construction vehicles, building materials and interior fitting materials, technical development, technical consultation and technical services, staff training, organising and preparing exhibitions and displays, financing and leasing; information consultation (except intermediary service), and asset management.

Set out below is a summary of the financial information on the Target Company:

	For the year ended 31 December	
	2020	2019
	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>
Revenue	790,134,600	403,411,600
Profit before taxation	231,062,500	356,195,400
Profit after taxation	167,484,700	267,858,400

	As at 31 December	
	2020	2019
	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>
Net assets	2,189,575,600	2,022,090,800

REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS

The Disposal is in line with the Company's strategic development plan and allows it to streamline business structure and resources as well as promote and focus on its principal businesses. The Company intends to apply the net proceeds from the Disposal of approximately RMB1,626,392,800 (equivalent to approximately HK\$1,934,799,905) toward potential business or investment opportunities as and when they arise and for replenishing its working capital.

Based on the above, the Directors are of the view that the SPAs were entered into on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL

Immediately after Completion, the Company will hold a 19% interest in the Target Company. As such, the Target Company will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the Company's financial statements.

It is estimated that the Group will record a gain on the Disposal in the amount of approximately RMB5,913,450.98 (equivalent to approximately HK\$7,034,797.74), being the difference between the sale proceeds and unaudited net assets attributable to the Equity Interests as at 31 March 2021. The actual gain or loss arising from the Disposal will be subject to audit and may be different from the amount stated.

LISTING RULES IMPLICATIONS

Hong Kong Listing Rules

As one or more of the applicable percentage ratios in respect of the Disposal exceed 5% but are all less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules.

Each of the Buyers is a wholly-owned subsidiary of Hunan SASAC, which is a substantial Shareholder. Nevertheless, Hunan SASAC is a PRC Governmental Body within the meaning of Rule 19A.04 of the Hong Kong Listing Rules and therefore not a connected person of the Company by virtue of Rule 14A.10 of the Hong Kong Listing Rules.

Shenzhen Listing Rules

Hunan SASAC is the single largest Shareholder holding more than 5% of the Shares in issue and is therefore a related party of the Company. On this basis, the Disposal constitutes a related party transaction and is subject to approval from Shareholders under the Shenzhen Listing Rules.

Shareholders and potential investors should note that Completion is subject to satisfaction of certain conditions precedent and may or may not proceed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Company's securities.

OTHER INFORMATION

As at the date of this announcement, the amount of account receivables due from the Target Company to the Company was RMB6,991,827,800, which were incurred to satisfy the Target Company's daily operational needs. In this respect, the Target Company has agreed to a repayment plan under which it undertakes to fully settle by cash such outstanding sum within three years from the date of Completion as follows:

- (a) not less than RMB2.5 billion is payable on or before the first anniversary of the date of Completion;

- (b) not less than RMB2.5 billion is payable on or before the second anniversary of the date of Completion; and
- (c) the remainder of the outstanding balance is payable on or before the third anniversary of the date of Completion.

As at the date of this announcement, certain guarantees provided by the Company in favour of the Target Company remained outstanding as follows:

Date of grant	Term of guarantee	Type of funds	Method of guarantee	Financing amount (RMB)	Guaranteed amount (RMB)	Outstanding amount of guarantee (RMB)
27 September 2019	From the date of establishment of the financing project until the date falling three years after the completion date of the financing project	Asset-based securitisation 1	Joint and several	518,000,000	550,000,000	140,669,700
24 April 2020	From the date of establishment of the financing project until the date falling three years after the completion date of the financing project	Asset-based securitisation 2	Joint and several	777,000,000	854,700,000	496,892,000
27 July 2020	From the date of establishment of the financing project until the date falling three years after the completion date of the financing project	Asset-based securitisation 3	Joint and several	860,000,000	946,000,000	703,890,000
18 November 2020	From the date of establishment of the financing project until the date falling three years after the completion date of the financing project	Asset-based securitisation 4	Joint and several	1,363,000,000	1,499,300,000	1193,337,200

The above guarantees will be released upon the expiry of the maturity dates of the relevant financial products. Upon Completion, such guarantees will constitute related party guarantees and their continuance after Completion are subject to approval from Shareholders under the Shenzhen Listing Rules.

DEFINITIONS

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

“A Share(s)”	domestic shares of a nominal value of RMB1.00 each in the share capital of the Company
“BLFSA”	Beijing Local Financial Supervision and Administration
“Board”	the board of Directors
“Buyer I”	Hunan State-owned Assets Group Co., Ltd.* (湖南省國有資產管理集團有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Hunan SASAC
“Buyer II”	Hunan Dice Venture Capital Co., Ltd.* (湖南迪策投資有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Hunan SASAC
“Buyers”	Buyer I and Buyer II
“Company”	Zoomlion Heavy Industry Science and Technology Co., Ltd.* (中聯重科股份有限公司) (Stock Code: 1157), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Hong Kong Stock Exchange
“Completion”	completion of the Disposal
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Equity Interests by the Company to the Buyers
“Equity Interest I”	45% equity interest in the Target Company
“Equity Interest II”	36% equity interest in the Target Company
“Equity Interests”	Equity Interest I and Equity Interest II
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign shares of nominal value of RMB1.00 each in the share capital of the Company
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC

“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hunan SASAC”	State-owned Assets Supervision and Administration Commission of Hunan Province People’s Government, a PRC Governmental Body within the meaning of Rule 19A.04 of the Hong Kong Listing Rules
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	collectively, A Share(s) and H Share(s), or where the context requires, either of them
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen Listing Rules”	the Rules Governing the Listing of Shares on the Shenzhen Stock Exchange
“SPA I”	the sale and purchase agreement dated 16 April 2021 entered into between the Company and Buyer I in respect of Equity Interest I
“SPA II”	the sale and purchase agreement dated 16 April 2021 entered into between the Company and Buyer II in respect of Equity Interest II
“SPAs”	SPA I and SPA II
“subsidiaries”	has the meaning ascribed to it under the Hong Kong Listing Rules
“substantial Shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Target Company”	Zoomlion Finance and Leasing (Beijing) Co., Ltd.* (中聯重科融資租賃(北京)有限公司), a wholly-owned subsidiary of the Company
“Valuation Report”	an assets valuation report of the Target Company as at 30 June 2020 (being the valuation date) prepared by Vocation (Beijing) International Certified Public Valuer Co., Ltd.* (沃克森(北京)國際資產評估有限公司), an independent valuer, using an asset-based approach
“%”	per cent.

For the purpose of this announcement, unless the context otherwise requires, conversion of RMB into HK\$ is based on the approximate exchange rate of RMB0.8406 to HK\$1.00. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amount in HK\$ or RMB has been, could have been or may be converted at such or any other rate or at all.

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

Changsha, PRC, 16 April 2021

As at the date of this announcement, the executive Director 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*