



2021  
Interim Report

# ZOOMLION 中联重科

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 People's Republic of China with limited liability)

H Share Stock Code : 1157 | A Share Stock Code : 000157

\* For identification purpose only

## Important Notice

The Board of Directors, the Supervisory Board, directors, supervisors and senior management of the Company warrant that there are no misrepresentation, misleading statements or material omissions in this interim report and they, severally and jointly, accept legal responsibility for the truthfulness, accuracy and completeness of the contents of this interim report.

All directors attended the Board meeting at which this report was reviewed.

This report is published in both Chinese and English Language. If there are any inconsistencies in the content of this interim report (other than the interim financial report prepared in accordance with International Financial Reporting Standards), the Chinese version shall prevail. For the interim financial report prepared in accordance with International Financial Reporting Standards, the English version shall prevail.

## Definitions

Unless the context otherwise requires, the following terms shall have the meanings set out below.

“the Company” or “Zoomlion”	Zoomlion Heavy Industry Science and Technology Co., Ltd.
“the Reporting Period”	the six months ended 30 June 2021.
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited



**ZOOMLION**  
**中联重科**

**2021**  
Interim Report

# Contents

Company Profile	2
Principal Financial Data and Indicators	4
Management Discussion and Analysis	8
Corporate Governance	21
Changes in Share Capital and Shareholders	22
Directors, Supervisors and Senior Management	31
Financial Report and Review Report	32



# Company Profile

- I. Company name (in Chinese): 中聯重科股份有限公司  
Chinese abbreviation: 中聯重科  
Company name (in English): Zoomlion Heavy Industry Science And Technology Co., Ltd.  
English abbreviation: Zoomlion
- II. Legal representative of the Company: Zhan Chunxin
- III. Secretary of the Board of Directors: Yang Duzhi  
Representative of securities affairs: Xu Yanlai  
Contact Address: No. 361 Yinpen South Road, Changsha, Hunan Province, PRC  
Telephone: (86 731) 85650157  
Fax: (86 731) 85651157  
E-mail: 157@zoomlion.com
- IV. Registered address and place of business of the Company: No. 361 Yinpen South Road, Changsha, Hunan Province, PRC  
  
Postal code: 410013  
Website: <http://www.zoomlion.com/>  
E-mail: 157@zoomlion.com
- V. Authorized representatives: Zhan Chunxin  
Yang Duzhi  
Address of the authorized representatives: No. 361 Yinpen South Road, Changsha, Hunan Province, PRC
- VI. Newspapers for disclosure of the Company's information: China Securities Journal,  
Shanghai Securities News,  
Securities Times,  
Securities Daily  
  
Website publishing the A share announcements: <http://www.cninfo.com.cn>  
Website publishing the H share announcements: <http://www.hkexnews.hk>
- VII. Listing information: A Shares  
Shenzhen Stock Exchange of China ("SZSE")  
Stock Name: ZOOMLION  
Stock Code: 000157  
H Shares  
The Stock Exchange of Hong Kong Limited ("SEHK")  
Stock Name: ZOOMLION  
Stock Code: 1157

## Company Profile

- VIII. H Share Registrar:      Computershare Hong Kong Investor Services Limited  
Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen’s Road East,  
Wanchai, Hong Kong
- IX. Legal Advisors
- As to PRC law:               Fangda Partners  
27/F North Tower Beijing Kerry Centre, 1 Guanghua Road Chaoyang District,  
Beijing 100020, China P.R.
- As to Hong Kong law:       Norton Rose Fulbright Hong Kong  
38/F, Jardine House, 1 Connaught Place, Central, Hong Kong
- X. Auditors
- Domestic auditors:         Baker Tilly China Certified Public Accountants  
Building 12, foreign culture and creativity Park, 19 Chegongzhuang West Road,  
Haidian District, Beijing, China P.R.
- International auditors:     KPMG, Certified Public Accountants, Public Interest Entity Auditor registered in  
accordance with the Financial Reporting Council Ordinance  
8/F, Prince’s Building, 10 Chater Road, Central, Hong Kong

# Principal Financial Data and Indicators

## I. Major financial data and indicators prepared in accordance with China Accounting Standards for Business Enterprises (“PRC GAAP”)

*Unit: RMB*

	<b>The Reporting Period</b>	Corresponding period of last year	Changes in the Reporting Period as compared with the corresponding period of last year
Operating income	<b>42,449,327,997.98</b>	28,827,233,677.59	47.25%
Net profit attributable to shareholders of the Company	<b>4,850,093,179.87</b>	4,018,267,583.52	20.70%
Net profit attributable to equity shareholders of the Company after extraordinary items	<b>4,542,154,886.30</b>	3,505,451,231.10	29.57%
Net cash flow from operating activities	<b>4,129,602,305.37</b>	1,479,118,441.92	179.19%
Basic earnings per share (RMB/share)	<b>0.59</b>	0.54	9.26%
Diluted earnings per share (RMB/share)	<b>0.59</b>	0.54	9.26%
Weighted average return on net assets	<b>8.93%</b>	9.88%	Decreased by 0.95 percentage

  

	<b>As at the end of the Reporting Period</b>	As at the end of last year	Changes at the end of the Reporting Period as compared with the end of last year
Total assets	<b>136,729,111,381.47</b>	116,274,938,529.14	17.59%
Net assets attributable to shareholders of the Company	<b>55,375,186,963.99</b>	46,743,743,472.54	18.47%

## Principal Financial Data and Indicators

### II. Major financial data and indicators prepared in accordance with International Financial Reporting Standards (“IFRSs”)

	For the six-month period ended 30 June	
	2020 RMB millions	2019 RMB millions
<b>Profit attributable to:</b>		
Equity shareholders of the Company	4,876	4,025
Non-controlling interests	69	33
	4,945	4,058
<b>Profit for the period</b>	4,945	4,058
<b>Earnings per share (cents)</b>		
<b>Basic</b>	59.66	54.10
<b>Diluted</b>	58.88	54.02
<b>Total comprehensive income attributable to:</b>		
Equity shareholders of the Company	4,814	3,830
Non-controlling interests	69	33
<b>Total comprehensive income for the period</b>	4,883	3,863

## Principal Financial Data and Indicators

	As at 30 June 2021 RMB millions	As at 31 December 2020 RMB millions
Total non-current assets	47,082	49,287
Total current assets	89,608	66,956
Total assets	136,690	116,243
Total current liabilities	62,990	46,928
Net current assets	26,618	20,028
Total assets less current liabilities	73,700	69,315
Total non-current liabilities	17,168	21,465
NET ASSETS	56,532	47,850
Total equity attributable to equity shareholders of the Company	55,338	46,706
Non-controlling interests	1,194	1,144
TOTAL EQUITY	56,532	47,850
<b>Gearing ratio <sup>(Note)</sup></b>	<b>58.64%</b>	58.84%

Note: Gearing ratio is calculated based on the total liabilities divided by total assets at the end of the respective reporting period.

## Principal Financial Data and Indicators

### III. Reconciliation of unaudited interim financial information prepared under PRC GAAP to IFRSs

Unit: RMB

	Net profit attributable to the shareholders of the Company		Net assets attributable to the shareholders of the Company	
	Reporting period	Corresponding period of last year	As at the end of the Reporting Period	As at the beginning of the Reporting Period
<b>Under PRC GAAP</b>	<b>4,850,093,179.87</b>	4,018,267,583.52	<b>55,375,186,963.99</b>	46,743,743,472.54
<b>Items and amounts adjusted under IFRS</b>				
Acquisition related costs incurred on prior year business combination			<b>-36,528,600.00</b>	-36,528,600.00
Excess in the limit of withdrawal over expenses of safety production fund for the current period	<b>24,619,548.41</b>	8,082,713.74		
<b>Under IFRSs</b>	<b>4,874,712,728.28</b>	4,026,350,297.26	<b>55,338,658,363.99</b>	46,707,214,872.54

# Management Discussion and Analysis

## I. Business Review

In the first half of 2021, with the rate of vaccination speeding up globally, the world economy gradually recovered. The domestic economy continued to recover soundly and steadily; however, the recovery is still unstable and unbalanced.

In the first half of the year, the construction machinery industry performed steadily. The sales of major products continued to grow substantially. At the same time, the export volume of the industry was growing rapidly and rigid demand for China's construction machinery from the international market continued to increase. The "14th Five-Year Plan" of the industry has a good start. Reinforced by factors such as policy support and many others, the agricultural machinery industry will continue to move along the path of structural adjustment for large and medium-sized and intelligent products.

Guided by the idea of "operating the business with Internet mind-set and produce products with finest thoughts", the Company adheres to the operation concept of "proactive operation strategy and prudent financial planning", accelerates the pace of digitalization, intelligentization, and green transformation and upgrade in order to enhance the operation efficiency continuously and consolidate a stable and healthy operation quality, thereby achieving high-quality development.

During the Reporting Period, the Company achieved operating income amounting to 42,449 million, representing a year-on-year increase of 47.25%; net profit attributable to equity shareholders of the Company amounting to RMB4,876 million, representing a year-on-year increase of 21.14%.

During the Reporting Period, the main operations of the Company are as follows:

### (I) Strive to make a breakthrough in the industrial echelon

During the Reporting Period, under the overall strategic framework of "equipment manufacturing + Internet" and "industry + finance", the Company focused on its equipment manufacturing and promoted diversifying deployment in all related sectors, with a business layout for its three major sectors, namely the construction machinery, agricultural machinery + intelligent agriculture and Zoomlion material being formed, thereby bringing a momentum for sustainable development.

#### 1. Strengthen and optimise construction machinery

In the first half of the year, the sales revenue of the Company's construction machinery products amounted to RMB40,426 million, representing a year-on-year increase of 47.80%.

##### ① Continue to maintain a leading market position for hit products

Based on the premise of adhering to the business strategy of maintaining superior product quality and implementing stringent control of business risks, the orders and sales of core products continued to increase and the competitiveness of its three major products, namely concrete machinery, construction cranes, and construction crane machinery continues to strengthen.

The product of truck cranes continued to lead the market. The sale volume of 30-ton and above truck cranes ranked first in the industry and the sales volume of large-tonnage truck cranes increased by more than 100% year-on-year; the sales scale of crawler cranes set a new record high again with its domestic market share ranked first in the industry.

## Management Discussion and Analysis

The market share of construction crane machinery continued to increase and its sales volume reached a new record high with its scale of sales ranked solidly first globally. Leveraging the full operation of the intelligent manufacturing bases in Changde, Hunan; Jiangyin, East China; Weinan, Shaanxi; and Hengshui, Hebei, the Company has strategically deployed its bases across the country, thereby greatly shortening the transportation distances and significantly enhancing the customer response speed.

The market shares of concrete machinery regarding the long-boom pump trucks, truckmounted pumps and mixing plants still ranked No. 1 in the industry. Leveraging on the product advantages of being lightweight, the market shares of mixer trucks rose to top three in the industry.

### ② Potential businesses continue to make breakthroughs and progress

The Company had accomplished the dual-location production model of “Weinan + Changsha” for earth moving machineries and through inhouse production of components, significantly reduced costs and enhanced efficiency and realized a more comprehensive coverage of product profile. Through continuously adjusting sales structure, the Company achieved significant growth in the sales of mid-large excavator product, which had a higher profitability. The overall market shares have been increased steadily and the operational quality remained as a better level.

The product list of work-at-height machinery has realized whole coverage from 4 to 68 meter, which is the widest operation height in the industry. Various newly upgraded v series arm products and lithium-ion straight arm product series were launched. The world's highest straight arm product was launched with mass sales. The Company completed the development of various new products, such as aerial sucker car, roadrail arm car and telescopic forklift. The market performance of product and reputation among customers have continuously increased and the market share ranked among the top three in the industry. In the first half of 2021, the Company realised sales of work-at-height machinery of RMB1,736 million, representing a substantial year-on-year increase by 397.95%. The overseas sales of stacker have covered 56 countries and regions within five continents. Our products have successively entered the high-end markets of 18 European countries, United States, Canada and Australia. The Company cooperated with large-scale leasing companies and end customers at worldwide areas successively. Our products were used in large-scale development projects such as the largest hydropower station in Tanzania and Arctic mining project of Russia.

In terms of mining machinery, the Company accelerated the new product development of equipment for open mining and realized the bulk manufacturing of mining trucks, mine plough, and six machine models of mobile crushing screening stations. Technical experts were engaged to develop smart mining and complete set of products for mobile crushing in order to accelerate the creation of the most complete set of mining equipment in China.

## Management Discussion and Analysis

### **2. Accelerate the transformation and upgrade of agricultural machinery industry**

Adhering to the strategic direction of “Smartwin, quality improvement, focus and breakthrough”, the Company has optimized the product structure of agricultural machinery and channelled greater energy to promote product upgrading and to achieve model unification, and strengthened management and control on the manufacturing process to produce “exquisite” equipment. Leveraging on expediting the commercialization process of intelligent agricultural machinery, the reliability of products, such as wheat harvester machinery, seedling thrower, and sugarcane machine is fully upgraded and empowered with a higher intelligentization level. Focusing on core areas, main products, and through high-quality channels to further explore target markets, the Company had made great breakthrough in scale and profitability in the first half of the year. The domestic market shares of wheat machine, dryer, rotary tiller, baler, and seedling thrower remained one of the best in the domestic market.

The commercialization of intelligent agriculture is implemented through leveraging the first mover advantage of the digitalized farmland technology and we accelerate the demonstration and promotion of intelligent agriculture in Hunan, Henan and Jiangxi. With quick formation of a commercialized and intelligentized agriculture cloud platform for small-scale farmers, large-scale farmers and the government, the Company has consolidated the brand foundation of being the leader of the intelligent agriculture industry.

### **3. Development of the dry mortar industry layout in full swing**

The dry mortar equipment business maintained a sustainable and steady growth, and its market share ranked in the No. 1 echelon in the domestic market steadily. Continuous efforts were made to innovate the core components of the dry mortar stations, and the first domestic MS220NV mixer with special wearing liners was completed.

The new material business of dry mortar is under rapid progression and a full technical team has been duly formed while the production line for pilotscale experiment of material has been launched with its trial run being in progress. A total of 26 new building materials have been put into the stages of pilotscale experiment and engineering trial use. More than 60 kinds of the other projects are under development. Machine spraying plastering mortar has completed a number of key project trials and is well received by key project customers. At the same time, the Company is steadily promoting the projects that combine material and equipment and actively negotiating possible collaborations with various governments and enterprises.

## Management Discussion and Analysis

### (II) Accelerate the progression of digitalized transformation

Speeding up the progress of industrial internet transformation, the Company has entered into strategic collaborations with Huawei and China Mobile respectively, thereby expediting the breakthrough and innovation in traditional management model and business model.

Taking the lead in applying “5G+Industrial Internet” to the research and development of tower cranes, the Company has succeeded in operating the 5G tower crane remote intelligent control system, thereby realizing the transition from “the change from work-at-height tower crane operation to ground operation” to “remote intelligent control”. With the use of the 5G tower crane remote intelligent control system, the blank of remote intelligent hoisting of tower crane is filled up and the intelligent level of tower crane operation and control is enhanced, thereby laying a solid foundation for a less manual operation and an unmanned operation of tower cranes.

By developing the application of mobilized business scenario, the Company has further promoted online and digitalized businesses and the mobilization of core business scenarios reached 98%; fully launched the construction of financial robot and digitalized operation platform to integrate business with finance, thereby promoting the digitalized transformation of business and finance.

The Company has greatly enhanced its research and development efficiency by launching construction of a new generation R&D digitalized platform, strengthening the research and development of synergized integration of marketing with manufacturing, while exploiting the data application scenarios of digital twins to drive the 4.0A innovation of the intelligent products of Zoomlion.

## Management Discussion and Analysis

### (III) Fruitful results in intelligent manufacturing

The Company accelerated the upgrading of intelligent manufacturing and the construction of intelligent industrial parks, smart factories and intelligent production lines has successively completed. The transformation and application of intelligent manufacturing technologies, as well as the operating synergy and efficiency between smart system and smart operation have consolidated the foundation of the Company towards high quality development.

#### 1. Rapid development in intelligent manufacturing.

The host park and key component park of various product lines in Smart Industry City have entered the stage of full-scale construction. The second phase of the tower crane smart factory has operated in the industrial park, forming the production structure of one “smart factory”, two “lighthouse workshops”, three “smart warehouses” and four “lights-out production lines” and consolidating the Company’s industry foundation of being world number one in the tower crane. Changde Key Hydraulic Components (Hydraulic Valves) Intelligent Industrial Park has completed construction and put into production, which enhanced the independently controllable production capacity in the production of high-end hydraulic valves. The installation and adjustment of production lines and equipment in Mixer Truck Intelligent Manufacturing Industrial Park have completed. High-end Hydraulic Oil Cylinders Intelligent Manufacturing Park, Axles for Construction Vehicles Intelligent Manufacturing Park, Hanshou Agricultural Machinery Intelligent Manufacturing Park and Maanshan Infrastructure Construction Machinery Intelligent Manufacturing Park were under construction successively according to schedule.

#### 2. Accelerated the research and development and application of intelligent technologies.

Flexible intelligent production lines were built through integrating AI technology and smart devices. An effective and synergic business chain was built through integrating intelligent control algorithm and digital system. We continuously facilitated the application of more than 50 industry leading advance intelligent manufacturing technologies, which cover the whole manufacturing process, in intelligent production lines to accelerate the intelligent upgrading of manufacturing. The whole manufacturing process covers material preparation, welding, machining, painting, assembly and adjustment, warehousing and logistics, and testing. Among which, more than 20 advance technologies were first initiated in the industry, which comprehensively facilitated the intelligent development of the Company to play a leading role in the industry.

## Management Discussion and Analysis

### (IV) Leading the market by “triple” integration and technological innovation

Following the philosophy of “technologies as the roots, products as the fundamentals”, the Company maintained great investment in research and development, implemented innovative product digitalization, intelligence and green integration with independent innovation as its lead, developed leading technologies and high-end products, and embraced advanced technological innovation to play a leading role in industrial standards and ranked top in the industry in terms of patents and strength.

#### 1. New breakthrough in research and development of intelligent green product

- ① Regarding construction machinery, the Company developed four-bridges 62-meter pump trucks with extreme weight, which is equipped with new generation of technologies with high-precision and high-efficiency to achieve comprehensively dominance in terms of integrated function, with pump distribution efficiency increased by 5 to 8%, integrated energy consumption reduced by 2 to 4% and the speed in extending and retracting boom increased by 20%. The Company independently developed the heavy lift all-terrain special bridge, which was equipped with super lightweight, super lifting, winding and adaptive technologies. It has also developed the sole six-bridges 500 tons all-terrain crane in the industry. The world’s largest 180 tons LW2340 wind power arm tower crane went offline to satisfy the demand of wind power construction of China. The National Green Manufacturing System Integration Project, namely the “demonstration of the integrated platform for green design and manufacturing of tower cranes” has passed the acceptance procedure. The “research on integrated multi-path of and industrialization of intelligent electro-hydraulic” project was listed as one of the ten most important technological breakthrough projects of Hunan province.

During the Reporting Period, a total of approximately 30 research and development projects on new energy products were launched, covering eight types of host such as work-at-height machinery, excavators, mixer trucks and mining trucks. Among which, 16 new energy products went offline, including 28-meter pure electric straight-arm aerial work platform and 7.5 tons pure electric excavators.

- ② Regarding agricultural machinery, the Company focused on intelligent agricultural machinery and high-horsepower products to deploy intelligent agriculture, integrate agricultural machinery and agronomy and continuously focus on intelligent agriculture such as digital planting. The small-scale promotion of AI wheat harvester machine has been launched to lead technological direction in the industry. The prototype of CL2404 continuously variable transmission tractor has gone offline to fill the gap in domestic market. There was a further breakthrough in intelligent agricultural technologies, realizing satellite land levelling, unmanned rotary cultivation and unmanned seedling slinging + variable fertilization. The utility patent, “grain unloading device with its agricultural machinery and grain unloading method”, won China Patent Excellence Award. Zoomlion established the Hunan Innovative and R&D Center for Intelligent Agricultural Machinery, realizing innovative in-depth integration of government, enterprises, universities, research institutes and users and stepping out another key step for innovation in intelligent agricultural machinery and equipment.

## Management Discussion and Analysis

### 2. Standards and patents leads the innovation and development of the industry

The Company led the formulation and issue of two national standards GB/T6068-2021 “Test Specifications for Truck Cranes and Tyre Cranes” and GB/T19924-2021 “Determination of Mobile Crane Stability”, and the green evaluation group standards, T/CMIF 138-2021 “Green Design Product Evaluation and Technical Specifications for Tower Cranes”, leading innovative development of the industry; completing the approval of 5 national and industry standards, and leading the formulation of 3 international standards.

During the Reporting Period, the number of patent applications increased by 136% year-on-year, of which the number of invention patent applications increased by 81% year-on-year. In the first half of the year, a total of 266 patents were granted, an increase of 95% year-on-year and one China Patent Gold Award and two China Patent Excellence Awards were awarded. The “vibration control method of the machinery arm, control device, control system, and construction machinery” invention patent won the Chinese Patent Gold Award, which fully demonstrates strong R&D and innovation capabilities of the Company.

### (V) In-depth promotion of the global “localization” strategy

The Company accelerated the use of Internet mindset to promote overseas reforms, continued to focus on key countries and regions, and further promoted the “localization” strategy, making breakthroughs in overseas markets.

1. The overseas market of construction machinery products continued to grow rapidly. During the Reporting Period, the Company’s export revenue increased by more than 70% year-on-year. Large-tonnage crawler crane products are exported to overseas markets in batches, and an export order for 2,000-ton crawler cranes has been signed with Turkey, which is the largest tonnage crane exported to overseas countries by China, and gradually making breakthroughs in the global high-end crawler crane market; the aerial work machinery distribution network has covered key markets in the five continents of the world, successfully achieving the breakthrough of “agents + major customers + end customers”, and gradually establishing a global sales network and service outlets; an European factory was officially completed in Italy. Tower cranes, truck cranes, and arial operating machinery are produced and sold locally, helping the in-depth expansion of the European market.
2. Speed up the “going out” of agricultural machinery. We have solidly promoted the “distribution + localization” marketing model, high-powered tractors achieved sales breakthroughs in the CIS market; successfully won the bid for the long-term agricultural machinery procurement qualification bidding project of the United Nations for Project Services, officially recognised as the long-term supplier qualification by the United Nations, and became the first manufacturer of agricultural machinery with such qualification in China.

## Management Discussion and Analysis

3. Deepen the reform of overseas management. We have promoted the development of overseas business with global village mindset, and improve the end-to-end digital platform for overseas business through digital technology; deepen the market by engaging localized teams, make good use of localized talents, resources, and operation models to accelerate the building of localized sales, operations and functional support teams.

### (VI) Continuous improvement of management quality and efficiency

During the Reporting Period, the Company deeply promoted end-to-end business management, continuously improved the supply chain, service, and level of human resources management to ensure high-quality development of the Company.

1. Strongly promote the end-to-end management of our business. Link up the various stages of pre-loan, mid-loan, and post-loan, we can monitor various indicators of before and after customer access through information technology on a real-time basis, strive for quality growth, dynamically and accurately identify customer risks, and the entire business management process becomes “visible, evaluable, appraisable and enclosable” so as to comprehensively improve the efficiency of business operation and the standard of risk management and control.
2. Strengthen the construction of the supply chain system. We continue to promote the collection and integration of materials in various categories that are in common and strategic procurement of key materials; under the premise of ensuring our advantages in resources procurement, promote localization of overseas suppliers and localization of suppliers from other provinces, optimize supply chain layout, secure supply, and achieve cost reduction with performance enhancement.
3. Continue to improve service capabilities. By optimizing service processes, efficiently allocating resources, improving organizational management, building full-contact digital services, we have continuously improved customer feedback mechanisms to develop real-time linkage and closed-loop autonomy of the entire chain of R&D, manufacturing, sales, and service to make customer experience smoother and more efficient.
4. Strengthen the construction of talent team. Talents are employed according to strategic requirements of the Company. With the mindset of attracting talent to join and stay with us by incentives, we will provide remuneration and development platform based on requirement of talents to unleash their potential so as to attract, retain and give full play to talents; classify their talent and cultivates all kinds of talents, continue to optimize the salary structure of employees, adjust the salary of high-performance employees, improve employees’ recognition and sense of achievement, and help the Company to archive high performance and high-quality development.

# Management Discussion and Analysis

## II. Analysis of Financial Results and Financial Position

### 1. Analysis of operating income and profit

In the first half of 2021, the operation of construction machinery industry functioned steadily. The sales of major products continued to grow significantly and the export of the industry grow rapidly. The rigid demand of the international market on Chinese construction machinery constantly increased, marking a good opening for the industry in the 14th Five-Year Plan. Stimulated by various factors such as supporting policies, agricultural machinery industry will continue to implement structural adjustment focusing on middle to large scale and intelligent products. For the six months ended 30 June 2021, the Group's revenue was RMB42,449 million, representing an increase of 47.25% as compared to the same period of 2020. In which, the Group recorded revenue of RMB34,150 million in concrete machinery and crane machinery products, representing an increase of 42.4% as compared to the same period of last year. The Group recorded revenue of RMB1,609 million in agricultural machinery products, representing an increase of 52.4% as compared to the same period of last year.

### 2. Cash flow and capital expenditure

As at 30 June 2021, the Company had RMB14,068 million in cash and cash equivalents. The Company's cash and cash equivalents primarily consist of cash and deposits at banks.

#### (1) Operating activities

For the six months ended 30 June 2021, net cash generated from operating activities was RMB4,000 million, mainly due to the increase in sales collection as a result of sales growth during the Reporting Period.

#### (2) Investing activities

For the six months ended 30 June 2021, net cash used in investing activities was RMB8,127 million, mainly attributable to the Company utilized part of its idle funds for the purchase of wealth management products and structured deposits to improve the utilization efficiency of its idle funds.

## Management Discussion and Analysis

### (3) Financing activities

For the six months ended 30 June 2021, net cash generated from financing activities was RMB8,146 million, including proceeds from the issue of ordinary shares of RMB6,088, repayment of bank and other borrowings of RMB41,912 million, increase in bank and other borrowings of RMB44,717 million and interest payment of RMB304 million.

### (4) Capital expenditures

For the six months ended 30 June 2021, the capital expenditures for the purchases of property, plant and equipment, intangible assets and lease prepayments amounted to RMB1,044 million.

Save as disclosed, the Company confirms that the Group's information in relation to those matters set out in paragraph 32 of Appendix 16 to the Listing Rules has not changed materially from the information disclosed in its 2020 annual report.

## III. Employees

As at 30 June 2021, the Company had employed a total of 26,110 employees. Details of the Company's staff costs are enclosed in note 5(b) to the unaudited interim financial report.

During the Reporting Period, there was no significant change to the number of employees, salaries and remuneration policies of the Group as compared with the information disclosed in the annual report of 2020.

## IV. Dividend

The Board recommended not to declare any interim dividend.

## Management Discussion and Analysis

### V. Use of Proceeds

#### 1. Non-public issuance of A shares

On 27 October 2020, the shareholders of the Company approved a non-public issuance of new A shares under general mandate. On 5 February 2021, the Company issued and allotted a total of 511,209,439 new A shares to eight institutional investor subscribers at the issue price of RMB10.17 per A share, and raised a total amount of RMB5,198,999,994.63 in gross proceeds and a total amount of RMB5,145,698,107.84 in net proceeds respectively. The aggregate nominal value of the A shares issued is RMB511,209,439. The net price raised per A share was approximately RMB10.07. The closing price of the A shares on 29 September 2020, being the date on which the terms of the non-public issuance were fixed, was RMB8.01 per A share. As at 30 June 2021, a total amount of RMB3,360,070,561.73 of the net proceeds remained unutilised and will be applied as follows:

No.	Purpose	Proposed allocation of net proceeds (RMB million)	Amount utilised during the Reporting Period (RMB million)	Unutilised amount as at 30 June 2021 (RMB million)	Expected timeline of full utilisation
1	Excavating machinery intelligent manufacturing project	2,400.00	511.31	1,888.69	2021 2H
2	Project for upgrading of intelligent manufacturing of mixer product	350.00	84.25	265.75	2022 2H
3	Key components intelligent manufacturing project	1,300.00	132.72	1,167.28	2021 2H
4	Liquidity replenishment	1,095.69	1,057.33	38.36	2022 2H
TOTAL		5,145.69	1,785.62	3,360.07	

Proceeds from the issue used during the Reporting Period were, and unutilised proceeds are proposed to be used, according to the intentions previously disclosed by the Company.

## Management Discussion and Analysis

### **Reasons for making the non-public issuance of A shares**

#### ***To improve the level of intelligent manufacturing of the Company, further reduce costs and increase efficiency***

Construction machinery falls within the scope of high-end equipment manufacturing industry, which is a typical capital- and technology-intensive industry requiring high level of investment and technical input. The manufacturing of construction machinery industry is characterised by wide product range, numerous parts and components, small output and complicated manufacturing processes. The intelligent manufacturing of construction machinery towards which the proceeds from the non-public issuance of A shares are proposed to be used will promote the ongoing optimisation of design, production, management, service aspects of the Company and procure their comprehensive integration, which is a necessary manoeuvre for the Company to foster effective transformation and upgrading. The intelligent manufacturing of construction machinery will involve the setting up of an automated plant in compliant with Industry 4.0 Standard, which enables a gradual implementation of data traceability at each production section and along the production process, in order to effectively enhance the operation efficiency, reduce production costs and laying a solid technical foundation for rapid and ongoing development of the Company.

#### ***To replenish liquidity and facilitate sustainable operation of the Company***

The manufacturing of construction machinery requires a wide range of costly equipment, thus involving high investment in fixed assets. Accordingly, the ability of a construction machinery company to make huge investment in purchasing advanced production equipment to manufacture high-end products with high reliability, precision and sensitivity that meets the requirements of downstream customers has become the key to its development. The construction machinery industry is also capital-intensive, where the industry players need substantial liquidity to support day-to-day manufacturing.

The proceeds from the non-public issuance of A shares will be used by the Company to satisfy its working capital requirements, providing financial support for the future business upgrade and technology development of the Company, laying a sound foundation for the continuous healthy development of subsequent business and for strengthening the competitive position in the industry. In addition, the non-public issuance of A shares will help to replenish liquidity of the Company, which will improve its financial strength, optimise its capital structure, increase flexibility and long-term sustainability of its funds, reduce financial risks and enhance overall risk resistant capacity.

## Management Discussion and Analysis

### 2. Issue of H shares under general mandate

On 29 September 2020, the Company agreed to allot and issue to Changsha Hesheng Technology Investment Co., Ltd. 193,757,462 new H shares at a subscription price of HK\$5.863 per H share under general mandate. Completion of the subscription took place on 3 February 2021. The aggregate nominal value of the H shares issued is RMB193,757,462. The net price raised per H share was approximately HK\$5.811. The closing price of the H shares on 29 September 2020, being the date on which the terms of the issue were fixed, was HK\$7.05 per H share. The Company raised approximately HK\$1.136 billion in gross proceeds and approximately HK\$1.126 billion in net proceeds respectively. During the Reporting Period, the net proceeds were fully applied by the Company as to (i) 50% for the procurement of core parts and components; (ii) 20% for replenishing its working capital; (iii) 20% for exploring overseas market; and (iv) 10% for establishing overseas base(s).

Proceeds from the issue used during the Reporting Period were according to the intentions previously disclosed by the Company.

#### **Reasons for making the issue of H shares**

In light of the booming construction machinery industry in the PRC and its expanding market size, coupled with internationalisation as the key development direction of domestic leading players in the industry, the Company's board of directors considers that the subscription is in line with the current industry status and the actual requirements of the Company. The subscription will enable the Company to speed up its internationalisation, create a business ecosystem and ultimately promote the sustainable development of the Company.

# Corporate Governance

The Company has established and improved the structure of its corporate governance to regulate its operation strictly in accordance with the Company Law, Securities Law, and the relevant regulations of the CSRC and The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). The Company has improved its internal control, the regulations of shareholders’ meeting, board meeting and supervisor meeting so as to ensure effective operation and safeguard the interests of all shareholders and itself. The corporate governance of the Company is substantially the same as required by the regulatory requirements of the CSRC and Hong Kong Stock Exchange on listed companies. The Company will consolidate the efforts of the corporate governance of listed companies by further enhancing corporate governance and internal control of listed companies and their subsidiaries. The accountability mechanism and information disclosure system will be improved to ensure true, accurate, complete, timely and fair disclosure of information. The Company also strictly implemented the management system for insider information and external information user (内幕信息知情人和外部信息使用人管理制度) formulated by the Board of Directors.

## 1. Compliance with the principles and code provisions of the Corporate Governance Code during the Reporting Period

The Board had adopted all code provisions of the code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (the “Codes”) contained in Appendix 14 to the Listing Rules as the codes of the Company. During the six months ended 30 June 2021, the Company had complied with all applicable code provisions of the Codes, other than the deviation of Code A.2.1 which the roles of the Chairman and Chief Executive Officer were not separated. Mr. Zhan Chunxin is currently the Chairman and Chief Executive Officer of the Company. The Board believes that Mr. Zhan Chunxin acting as the above two positions concurrently can more effectively facilitate the formulation and implementation of the business strategies of the Company. Through the regulation of the Board and Independent Executive Directors as well as the effective internal balancing mechanism of the Company, such arrangement will not affected the balance of the rights and authorizations regarding business management between the Board and the Company. The Board believes that such arrangement will benefit the Company and its operations.

## 2. Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers during the Reporting Period

The Company had adopted the code provisions regarding the purchase and sale of the Company’s shares by the Directors on the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Having made specific enquiries to all Directors and Supervisors, the Company confirmed that all Directors and Supervisors had fully complied with the Model Code during the six months ended 30 June 2021. The Company was not aware of any noncompliance of the Model Code by any Directors or Supervisors.

## 3. Audit Committee

The audit committee of the Company has discussed the accounting principles and practices adopted by the Company with the management and reviewed this report, including the interim financial report of the Group for the six months ended 30 June 2021 prepared in accordance with the International Accounting Standard No. 34.

# Changes in Share Capital and Shareholders

## 1. Changes in share capital

*Unit: share*

	Before this change		Increase/Decrease in this change (+,-)			After this change	
	Number	Percentage	Issue of new shares	Other	Sub-total	Number	Percentage
I. Shares subject to sales restriction	34,270,940	0.43%	511,209,439	-4,352,435	506,857,004	541,127,944	6.24%
II. Shares not subject to sales restriction	7,903,419,593	99.57%	193,757,462	35,777,538	229,535,000	8,132,954,593	93.76%
Ordinary shares denominated in RMB	6,366,302,642	80.84%		70,184,047	70,184,047	6,436,486,689	81.49%
Overseas listed foreign invested shares	1,388,207,086	17.49%	193,757,462		193,757,462	1,581,964,548	18.24%
III. Total number of shares	7,937,690,533	100.00%	704,966,901	31,425,103	736,392,004	8,674,082,537	100.00%

## Changes in Share Capital and Shareholders

### 2. Number and shareholdings of the shareholders of the Company

Unit: share

Total number of holders of ordinary shares as at the end of the Reporting Period 345,202

Shareholdings of holders of ordinary shares holding more than 5% of shares or the top ten shareholders

Name of shareholder	Nature of interest	Percentage of shares held	Number of shares held at the end of the reporting period	Changes during the Reporting period
HKSCC NOMINEES LIMITED	Overseas legal person	18.21%	1,579,329,461	193,829,182
Hunan Xing Xiang Investment Holding Group Co., Ltd.	State-owned legal person	14.45%	1,253,314,876	1,253,314,876
Changsha Zoomlion and Yisheng Investment Partnership (LLP)	Domestic non state-owned legal person	7.86%	682,201,864	0
Zoomlion Heavy Industry Science and Technology Co., Ltd. — Phase I Employee Stock Ownership Plan	Other	4.50%	390,449,924	0
Hong Kong Securities Clearing Company Limited	Overseas legal person	4.41%	382,591,309	-269,841,460
China Securities Finance Co., Ltd.	State-owned legal person	2.69%	233,042,928	0
Real Smart International	Overseas legal person	1.94%	168,635,602	0
Urumqi Phoenix Cornerstone Equity Investment Management Limited Partnership — Maanshan Xuanyuan Cornerstone Equity Investment Partnership (Limited Partnership)	Other	1.72%	148,869,223	148,869,223
Shanghai Pudong Development Bank Co., LTD. — Guangfa High-end Manufacturing Equity Initiative Securities Investment Fund	Other	1.42%	123,155,609	123,155,609
JPMORGAN CHASE BANK, NATIONAL ASSOCIATION	Overseas legal person	0.90%	77,908,952	77,908,952

## Changes in Share Capital and Shareholders

### 3. Substantial Shareholders' interests in the shares and underlying shares of the Company

As at 30 June 2021, so far as the Company's directors and chief executive were aware, the following persons (other than the Company's directors, supervisors and chief executive) had an interest or short position in the Company's shares or underlying shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO") or required to be recorded in the register required to be kept by the Company pursuant to Section 336 of SFO:

Name	Nature of interest	Class of shares	Number of shares <sup>(1)</sup>	Percentage of class of shares issued (%)	Percentage of total issued shares (%)
State-owned Assets Supervision and Administration Commission of Hunan Provincial People's Government <sup>(2)</sup>	Interest in a controlled corporation	A shares	1,253,314,876 (L)	17.67	14.45
Changsha Zoomlion and Yisheng Investment Partnership (LLP) <sup>(3)</sup>	Beneficial owner	A shares	682,201,864 (L)	9.62	7.86
Zoomlion Heavy Industry Science and Technology Co., Ltd. – The First Phase of Employee Stock Ownership Plan <sup>(4)</sup>	Beneficial owner	A shares	390,449,924 (L)	5.51	4.50
Changsha Hesheng Science and Technology Investment Co., Ltd. <sup>(5)</sup>	Interest in a controlled corporation	H shares	193,757,462 (L)	12.25	2.23
BlackRock, Inc. <sup>(6)</sup>	Interest in a controlled corporation	H shares	177,942,325 (L)	11.25	2.05
Citigroup Inc. <sup>(7)</sup>	Interest in a controlled corporation	H shares	75,600 (S)	< 0.01	< 0.01
			95,381,159 (L)	6.02	1.10
	Approved lending agent	H shares	5,346,616 (S)	0.33	0.06
			89,286,218 (P)	5.64	1.03

## Changes in Share Capital and Shareholders

Notes:

- (1) L represents long position  
S represents short position  
P represents lending pool
- (2) Such interest is held by the State-owned Assets Supervision and Administration Commission of Hunan Provincial People's Government via its wholly-owned subsidiary, Hunan Xing Xiang Investment Holding Group Co., Ltd.
- (3) Changsha Zoomlion and Yisheng Investment Partnership (LLP) is an investment entity controlled and owned by the Group's management.
- (4) Zoomlion Heavy Industry Science and Technology Co., Ltd. – The First Phase of Employee Stock Ownership Plan is the Stock Ownership Plan for the Core Management of Zoomlion Heavy Industry Science and Technology Co., Ltd. which was adopted by the Company on 6 January 2020.
- (5) Changsha Hesheng Science and Technology Investment Co., Ltd. is an investment entity controlled and owned by the Group's management. Such interest is held by Changsha Hesheng Science and Technology Investment Co., Ltd. via its wholly-owned subsidiary, Cherry Sun (HK) Investment Management Limited.
- (6) The disclosure is based on information available on the website of the Hong Kong Stock Exchange ([www.hkexnews.com.hk](http://www.hkexnews.com.hk)). As stated in the form of disclosure of shareholder's interests submitted by BlackRock, Inc. on 29 June 2021, these shares are held via its affiliates.
- (7) The disclosure is based on information available on the website of the Hong Kong Stock Exchange ([www.hkexnews.com.hk](http://www.hkexnews.com.hk)). As stated in the form of disclosure of shareholder's interests submitted by Citigroup Inc. on 29 June 2021, these shares are held via its affiliates.

Save as disclosed above, as at 30 June 2021, so far as the Company's directors and chief executive were aware, no persons (other than the Company's directors, supervisors and chief executive) had an interest or short position in the Company's shares or underlying shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be recorded in the register to be kept by the Company pursuant to Section 336 of SFO.

#### 4. Purchase, sale or redemption of shares by the Company and its subsidiaries

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

## Changes in Share Capital and Shareholders

### 5. Share Option Scheme

On 1 November 2017, a share incentive scheme of the Company (the “Share Option Scheme”) and the first grant of options thereunder (the “First Grant of Options”) were approved by way of special resolutions at the extraordinary general meeting, the H shares class meeting and the A shares class meeting of the Company.

On 7 November 2017, during the seventh extraordinary meeting of the fifth session of the Board for 2017, the Board considered and approved the First Grant of Options and confirmed that the date of the First Grant of Options shall be 7 November 2017, pursuant to which 171,568,961 options were granted to 1,231 participants. 39 participants waived their right to subscribe for new A shares under the Share Option Scheme, leaving 1,192 participants to subscribe for an aggregate of 168,760,911 A shares under the First Grant of Options.

On 10 September 2018, during the sixth extraordinary meeting of the fifth session of the Board for 2018, the Board considered and approved the second grant of options under the Share Option Scheme (the “Second Grant of Options”) and confirmed that the date of the Second Grant of Options shall be 10 September 2018, pursuant to which 19,063,218 options were granted to 405 participants. 16 participants waived their right to subscribe for new A shares under the Share Option Scheme, leaving 389 participants to subscribe for an aggregate of 18,554,858 A shares under the Second Grant of Options.

The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme, nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

#### (I) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to further refine the corporate structure of the Company, align the interests of the shareholders with that of the management, and enhance the loyalty and sense of responsibilities of the management and the core personnel of the Company for, and to retain talent for, the sound and sustainable development of the Company.

#### (II) Participants of the Share Option Scheme

The eligible persons of the Share Option Scheme include the Directors, senior management, key technical and managerial personnel of the Company and such other persons as the Board considers necessary to provide incentives.

## Changes in Share Capital and Shareholders

### (III) Maximum number of shares available for subscription

The total number of the underlying A shares subject to the options that may be granted under the Share Option Scheme shall be 190,632,179 A shares, representing approximately 2.44% of the existing total issued share capital of the Company. Amongst the options, 171,568,961 options granted are under the First Grant of Options, representing approximately 2.20% of the existing total issued share capital of the Company, and 19,063,218 options are reserved options granted under the Second Grant of Options, representing 0.24% of the existing total issued share capital of the Company.

### (IV) Maximum entitlement of each participant

The aggregate number of A shares to be issued to a participant upon the exercise of his options under the Share Option Scheme must not exceed 1% of Company's total share capital.

### (V) Vesting period

Options granted to the participants have different vesting periods. The options under the First Grant of Options have vesting periods of 12 months, 24 months and 36 months and the reserved options under the Second Grant of Options have vesting periods of 12 months and 24 months, in each case commencing from the date of grant respectively.

### (VI) Time of exercise of option

Options under the First Grant of Options are exercisable in three batches upon expiry of 12 months from the date of grant of such options. Details are as follows:

Exercising arrangement	Exercise period	Proportion
First exercise period	Commencing from the first trading day after expiry of the 12-month period from the date of grant, and ending on the last trading day of the 24-month period from the date of grant	40%
Second exercise period	Commencing from the first trading day after expiry of the 24-month period from the date of grant, and ending on the last trading day of the 36-month period from the date of grant	30%
Third exercise period	Commencing from the first trading day after expiry of the 36-month period from the date of grant, and ending on the last trading day of the 48-month period from the date of grant	30%

## Changes in Share Capital and Shareholders

Reserved options under the Second Grant of Options are exercisable in two batches upon expiry of 12 months from the date of grant of such reserved options. Details are as follows:

Exercising arrangement	Exercise period	Proportion
First exercise period	Commencing from the first trading day after expiry of the 12-month period from the date of grant, and ending on the last trading day of the 24-month period from the date of grant	50%
Second exercise period	Commencing from the first trading day after expiry of the 24-month period from the date of grant, and ending on the last trading day of the 36-month period from the date of grant	50%

### (VII) Exercise price

The exercise price of the options granted under the First Grant of Options shall be RMB4.57 per A share. The exercise price shall not be less than the nominal value of the shares or the higher of: (i) the average of the trading prices of the A shares (being the total daily trading turnover on the last trading day immediately preceding the date of the Company's announcement dated 29 September 2017 (the "Announcement") in relation to, among others, the adoption of the Share Option Scheme and the grant thereunder, divided by the total daily trading volume on the last trading day immediately preceding the date of the Announcement) quoted on the Shenzhen Stock Exchange on the last trading day immediately preceding the date of the Announcement, which was RMB4.48 per A share; and (ii) the average of the trading prices of the A shares quoted on the Shenzhen Stock Exchange for the last 20 trading days immediately preceding the date of the Announcement, which was RMB4.57 per A share.

The exercise price of the options granted under the Second Grant of Options shall be RMB3.96 per A share. The exercise price of the reserved options shall not be less than the nominal value of the shares of the Company or the higher of: (i) the average of the trading prices of the A shares quoted on the Shenzhen Stock Exchange on the last trading day immediately preceding the date of the announcement of the Second Grant of Options, which was RMB3.69 per A share; and (ii) the average of the trading prices of the A shares quoted on the Shenzhen Stock Exchange for the last 20, 60 or 120 trading days immediately preceding the date of the announcement of the Second Grant of Options, which was RMB3.96 per A share.

Pursuant to the terms of the Share Option Scheme, if the Company declares a dividend during the period from the date on which the Share Option Scheme is first announced to the date on which a participant exercises his options, the exercise price shall be adjusted accordingly such that it shall be the exercise price minus the amount dividend declared per share.

## Changes in Share Capital and Shareholders

Pursuant to the resolution approved at the meeting of the board of directors of the Company on 13 July 2021, the First Grant of Options exercise price was adjusted to RMB3.61 per A share and the Second Grant of Options exercise price was adjusted to RMB3.20 per A share.

### (VIII) Validity period of the Share Option Scheme

The Share Option Scheme shall be terminated upon occurrence of any of the following: (i) a participant has been determined as an unsuitable candidate by a stock exchange in the last 12 months; (ii) he has been determined to be an unsuitable candidate by the China Securities Regulatory Commission ("CSRC") or any of its dispatched agencies in the last 12 months; (iii) he has been imposed with administrative penalties or measures which prohibit him from entering into the market by the CSRC or its dispatched agencies in the last 12 months due to material non-compliance with laws and regulations; (iv) he is prohibited from acting as a Director or a member of the senior management of the Company under the Company Law of the PRC; (v) he is not allowed to participate in any share incentive scheme of a listed company under laws and regulations; and (vi) there is any other circumstance as determined by the CSRC.

In such event, all options exercisable and not yet exercised shall be terminated and all options not yet exercisable shall lapse. Subject to the foregoing, the validity period of the Share Option Scheme commences from the date of grant of the options, and ends on the date on which all the options have been exercised or cancelled, provided that such period must not exceed 48 months.

## Changes in Share Capital and Shareholders

### (IX) Movements in the Share Option Scheme

Details of movement of the options granted under the Share Option Scheme for the six months ended 30 June 2021 were as follows:

Name or category of participant	Number of options					As at 30 June 2021	Date of grant	Vesting period	Exercise period	Exercise price (RMB)
	As at 1 January 2021	Granted during the year	Lapsed during the year	Cancelled during the year	Exercised during the year					
Key technical and managerial personnel <sup>(1)</sup>	31,331,445	–	–	–	27,626,727 <sup>(2)</sup>	3,704,718	7 November 2017	1–3 years from the date of grant	7 November 2018 to 5 November 2021	3.93 <sup>(4)</sup>
	4,003,295	–	–	–	3,798,376 <sup>(3)</sup>	204,919	10 September 2018	1–2 years from the date of grant	10 September 2019 to 9 September 2021	3.52 <sup>(5)</sup>
	35,334,740	–	–	–	31,425,103	3,909,637				

- (1) There are 1,093 grantees in total under the first grant of options and 372 grantees in total under the second grant of options.
- (2) The weighted average closing price of the A shares immediately before the dates on which such options were exercised was RMB11.94.
- (3) The weighted average closing price of the A shares immediately before the dates on which such options were exercised was RMB11.73.
- (4) The exercise price of the options granted under the first grant of options was RMB4.57 per A share. Pursuant to the terms of the Share Option Scheme, if the Company declares a dividend during the period from the date on which the Share Option Scheme is first announced to the date on which a participant exercises his options, the exercise price shall be adjusted accordingly such that it shall be the exercise price minus the amount dividend declared per share. In accordance with the terms of the Share Option Scheme, as a result of the implementation of the 2017, 2018 and 2020 half year profit distribution plans, the exercise price of the options granted under the first grant of options was adjusted to RMB3.93 per share.
- (5) The exercise price of the options granted under the second grant of options was RMB3.96 per A share. Pursuant to the terms of the Share Option Scheme, if the Company declares a dividend during the period from the date on which the Share Option Scheme is first announced to the date on which a participant exercises his options, the exercise price shall be adjusted accordingly such that it shall be the exercise price minus the amount dividend declared per share. In accordance with the terms of the Share Option Scheme, as a result of the implementation of the 2018 and 2020 half year profit distribution plans, the exercise price of the options granted under the second grant of options was adjusted to RMB3.52 per share.

# Directors, Supervisors and Senior Management

## I. Changes in Directors, Supervisors and Senior Management

There were no changes in directors, supervisors and senior management of the Company during the Reporting Period. For details, please refer to the 2020 Annual Report.

## II. Directors, Supervisors and Chief Executive's Interests in Shares or Debentures of the Company

As at 30 June 2021, the directors, supervisors and senior management of the Company who have interest or a short position in the shares, underlying shares or debentures of the Company or associated corporation (as defined in Part XV of the Securities and Futures Ordinance ("SFO")) which are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or required to be disclosed to the Company and SEHK under the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code") were as follows:

Name of Directors/ Supervisors	Nature of interest	Class of shares	Number of shares <sup>(1)</sup>	Percentage of the total share capital of the same class
Zhan Chunxin	Beneficiary owner	A share	10,929,076 (L)	0.1540%
	Interest in a controlled corporation <sup>(2)</sup>	H share	5,250,000 (L)	0.3781%
He Jianming	Beneficiary owner	A share	946,347 (L)	0.0133%
Liu Xiaoping	Beneficiary owner	A share	326,840 (L)	0.0046%

Notes:

(1) L represents long position

(2) Such interest is held by Fair Sun (Hong Kong) Holdings Limited, a wholly-owned subsidiary of Hunan Fangsheng Company Limited, which in turn is controlled by Zhan Chunxin.

As at 30 June 2021, save as disclosed above, none of the directors, supervisors or chief executive officer has any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and SEHK pursuant to the Model Code.

As at 30 June 2021, none of the directors, supervisors, or chief executive officers or their respective spouse or children under 18 years of age has any rights to acquire the shares or debentures of the Company or any of its associated corporations nor exercise any of these rights.

# Review Report



## **To the board of directors of Zoomlion Heavy Industry Science and Technology Co., Ltd.**

*(Incorporated in the People's Republic of China with limited liability)*

### Introduction

We have reviewed the interim financial report set out on pages 33 to 80 which comprises the consolidated statement of financial position of Zoomlion Heavy Industry Science and Technology Co., Ltd. (the "Company") as of 30 June 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, "Interim Financial Reporting", issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2021 is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

#### **KPMG**

*Certified Public Accountants*

8/F Prince's Building

10 Chater Road

Hong Kong, China

30 August 2021

# Consolidated Statement of Comprehensive Income (Unaudited)

For the six-month period ended 30 June 2021

(Expressed in RMB)

	Note	For the six-month period ended 30 June	
		2021 RMB millions	2020 RMB millions
<b>Revenue</b>	3	<b>42,449</b>	28,827
Cost of sales and services		<b>(31,835)</b>	(20,364)
<b>Gross profit</b>		<b>10,614</b>	8,463
Other income	4	<b>644</b>	662
Sales and marketing expenses		<b>(2,059)</b>	(1,916)
General and administrative expenses		<b>(1,048)</b>	(1,021)
Impairment loss on trade and other receivables and receivables under finance lease		<b>(433)</b>	(443)
Research and development expenses		<b>(2,005)</b>	(1,048)
<b>Profit from operations</b>		<b>5,713</b>	4,697
Net finance income/(costs)	5(a)	<b>46</b>	(37)
Share of profits less losses of associates		<b>97</b>	66
<b>Profit before taxation</b>	5	<b>5,856</b>	4,726
Income tax	6	<b>(911)</b>	(668)
<b>Profit for the period</b>		<b>4,945</b>	4,058

The notes on pages 45 to 80 form part of the interim financial report.

# Consolidated Statement of Comprehensive Income (continued) (Unaudited)

For the six-month period ended 30 June 2021

(Expressed in RMB)

	Note	For the six-month period ended 30 June	
		2021 RMB millions	2020 RMB millions
<b>Profit attributable to:</b>			
Equity shareholders of the Company		4,876	4,025
Non-controlling interests		69	33
		<b>4,945</b>	4,058
<b>Profit for the period</b>			
		<b>4,945</b>	4,058
<b>Earnings per share (cents)</b>			
<b>Basic</b>	7	<b>59.66</b>	54.10
<b>Diluted</b>	7	<b>58.88</b>	54.02

The notes on pages 45 to 80 form part of the interim financial report.

## Consolidated Statement of Comprehensive Income (continued) (Unaudited)

For the six-month period ended 30 June 2021

(Expressed in RMB)

	Note	For the six-month period ended 30 June	
		2021 RMB millions	2020 RMB millions
<b>Profit for the period</b>		<b>4,945</b>	4,058
<b>Other comprehensive income for the period (after tax):</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Equity investments at fair value through other comprehensive income — net movement in fair value reserve (non-recycling)		<b>(2)</b>	94
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of subsidiaries outside PRC		<b>(60)</b>	(289)
<b>Total other comprehensive income for the period</b>		<b>(62)</b>	(195)
<b>Total comprehensive income for the period</b>		<b>4,883</b>	3,863
<b>Total comprehensive income attributable to:</b>			
Equity shareholders of the Company		<b>4,814</b>	3,830
Non-controlling interests		<b>69</b>	33
<b>Total comprehensive income for the period</b>		<b>4,883</b>	3,863

The notes on pages 45 to 80 form part of the interim financial report.

# Consolidated Statement of Financial Position (Unaudited)

At 30 June 2021

(Expressed in RMB)

	Note	As at 30 June 2021 RMB millions	As at 31 December 2020 RMB millions
<b>Non-current assets</b>			
Property, plant and equipment		8,403	7,342
Right-of-use assets		3,296	3,068
Intangible assets		1,869	1,965
Goodwill	8	1,993	2,054
Interests in associates	9	3,989	3,388
Other financial assets	10	2,703	2,703
Trade and other receivables	11	15,856	14,131
Receivables under finance lease	12	7,357	13,008
Pledged bank deposits		343	175
Deferred tax assets		1,273	1,453
<b>Total non-current assets</b>		<b>47,082</b>	49,287
<b>Current assets</b>			
Inventories	13	16,673	14,652
Other current assets		1,284	1,374
Financial assets at fair value through profit or loss	14	12,737	4,284
Trade and other receivables	11	36,835	23,972
Receivables under finance lease	12	5,416	10,365
Pledged bank deposits		2,595	2,223
Cash and cash equivalents	15	14,068	10,086
<b>Total current assets</b>		<b>89,608</b>	66,956
<b>Total assets</b>		<b>136,690</b>	116,243

The notes on pages 45 to 80 form part of the interim financial report.

## Consolidated Statement of Financial Position (continued) (Unaudited)

At 30 June 2021  
(Expressed in RMB)

	Note	<b>As at 30 June 2021 RMB millions</b>	As at 31 December 2020 RMB millions
<b>Current liabilities</b>			
Loans and borrowings	16(a)	<b>10,365</b>	2,964
Trade and other payables	17	<b>48,803</b>	40,387
Contract liabilities		<b>3,094</b>	2,777
Lease liabilities		<b>99</b>	90
Income tax payable		<b>629</b>	710
<b>Total current liabilities</b>		<b>62,990</b>	46,928
<b>Net current assets</b>		<b>26,618</b>	20,028
<b>Total assets less current liabilities</b>		<b>73,700</b>	69,315
<b>Non-current liabilities</b>			
Loans and borrowings	16(b)	<b>11,708</b>	16,337
Lease liabilities		<b>384</b>	320
Deferred tax liabilities		<b>459</b>	490
Other non-current liabilities		<b>4,617</b>	4,318
<b>Total non-current liabilities</b>		<b>17,168</b>	21,465
<b>NET ASSETS</b>		<b>56,532</b>	47,850

The notes on pages 45 to 80 form part of the interim financial report.

# Consolidated Statement of Financial Position (continued) (Unaudited)

At 30 June 2021

(Expressed in RMB)

	<b>As at 30 June 2021 RMB millions</b>	As at 31 December 2020 RMB millions
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>8,674</b>	7,938
Reserves	<b>46,664</b>	38,768
<b>Total equity attributable to equity shareholders of the Company</b>	<b>55,338</b>	46,706
<b>Non-controlling interests</b>	<b>1,194</b>	1,144
<b>TOTAL EQUITY</b>	<b>56,532</b>	47,850

Approved and authorised for issue by the board of directors on 30 August 2021.

**Zhan Chunxin**

*Chairman and Chief Executive Officer*

**Du Yigang**

*Vice-president*

The notes on pages 45 to 80 form part of the interim financial report.

# Consolidated Statement of Changes in Equity (Unaudited)

For the six-month period ended 30 June 2021

(Expressed in RMB)

Note	Attributable to equity shareholders of the Company										
	Share capital	Capital reserve	Statutory surplus reserve	Exchange reserve	Fair value reserve			Retained earnings	Total	Non-controlling interests	Total equity
					(non-recycling)	Other reserves					
					RMB	RMB	RMB				
millions	millions	millions	millions	millions	millions	millions	millions	millions	millions		
<b>Balance at 31 December 2019 and 1 January 2020</b>		7,875	11,214	3,555	(1,268)	14	43	17,394	38,827	670	39,497
<b>Changes in equity for the six-month period ended 30 June 2020:</b>											
Profit for the period		–	–	–	–	–	–	4,025	4,025	33	4,058
Other comprehensive income		–	–	–	(289)	94	–	–	(195)	–	(195)
Total comprehensive income		–	–	–	(289)	94	–	4,025	3,830	33	3,863
Share incentive scheme											
– Share option scheme	18(c)	26	86	–	–	–	–	–	112	–	112
– Restricted share scheme	18(c)	(2)	1,268	–	–	–	–	–	1,266	–	1,266
Acquisition of non-controlling interests in subsidiaries		–	23	–	–	–	–	–	23	(23)	–
Dividends declared by subsidiaries to non-controlling interests		–	–	–	–	–	–	–	–	(35)	(35)
Contribution from non-controlling shareholders in a subsidiary		–	216	–	–	–	–	–	216	284	500
Safety production fund	23(b)	–	–	–	–	–	8	(8)	–	–	–
<b>Balance at 30 June 2020</b>		7,899	12,807	3,555	(1,557)	108	51	21,411	44,274	929	45,203

The notes on pages 45 to 80 form part of the interim financial report.

# Consolidated Statement of Changes in Equity (continued) (Unaudited)

For the six-month period ended 30 June 2021

(Expressed in RMB)

	Attributable to equity shareholders of the Company									Total equity RMB millions
	Share capital RMB millions	Capital reserve RMB millions	Statutory surplus reserve RMB millions	Exchange reserve RMB millions	Fair value reserve (non-recycling) RMB millions	Other reserves RMB millions	Retained earnings RMB millions	Total RMB millions	Non-controlling interests RMB millions	
<b>Balance at 30 June 2020 and 1 July 2020</b>	7,899	12,807	3,555	(1,557)	108	51	21,411	44,274	929	45,203
<b>Changes in equity for the six-month period ended 31 December 2020:</b>										
Profit for the period	–	–	–	–	–	–	3,271	3,271	42	3,313
Other comprehensive income	–	–	–	257	(96)	–	(87)	74	–	74
Total comprehensive income	–	–	–	257	(96)	–	3,184	3,345	42	3,387
Appropriation for surplus reserve	–	–	369	–	–	–	(369)	–	–	–
Cash dividends	–	10	–	–	–	–	(1,662)	(1,652)	–	(1,652)
Share incentive scheme										
– Share option scheme	40	164	–	–	–	–	–	204	–	204
– Restricted share scheme	(1)	536	–	–	–	–	–	535	–	535
Acquisition of non-controlling interests in subsidiaries	–	(16)	–	–	–	–	–	(16)	16	–
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	173	173
Contribution from non-controlling shareholders in a subsidiary	–	16	–	–	–	–	–	16	(16)	–
Safety production fund	–	–	–	–	–	8	(8)	–	–	–
<b>Balance at 31 December 2020</b>	7,938	13,517	3,924	(1,300)	12	59	22,556	46,706	1,144	47,850

The notes on pages 45 to 80 form part of the interim financial report.

## Consolidated Statement of Changes in Equity (continued) (Unaudited)

For the six-month period ended 30 June 2021

(Expressed in RMB)

	Note	Attributable to equity shareholders of the Company									
		Share capital	Capital reserve	Statutory surplus reserve	Exchange reserve	Fair value reserve			Retained earnings	Non-controlling interests	Total equity
						(non-recycling)					
						Other reserves	Other reserves	Other reserves			
RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions		
<b>Balance at 31 December 2020 and 1 January 2021</b>		7,938	13,517	3,924	(1,300)	12	59	22,556	46,706	1,144	47,850
<b>Changes in equity for the six-month period ended 30 June 2021:</b>											
Profit for the period		–	–	–	–	–	–	4,876	4,876	69	4,945
Other comprehensive income		–	–	–	(60)	28	–	(30)	(62)	–	(62)
<b>Total comprehensive income</b>		–	–	–	(60)	28	–	4,846	4,814	69	4,883
Issue of ordinary shares	18(b)	705	5,383	–	–	–	–	–	6,088	–	6,088
Cash dividends	18(a)	–	–	–	–	–	–	(2,778)	(2,778)	–	(2,778)
Share incentive scheme											
– Share option scheme	18(c)	31	128	–	–	–	–	–	159	–	159
– Restricted share scheme	18(c)	–	349	–	–	–	–	–	349	–	349
Dividends declared by subsidiaries to non-controlling interests		–	–	–	–	–	–	–	–	(19)	(19)
Safety production fund	23(b)	–	–	–	–	–	25	(25)	–	–	–
<b>Balance at 30 June 2021</b>		8,674	19,377	3,924	(1,360)	40	84	24,599	55,338	1,194	56,532

The notes on pages 45 to 80 form part of the interim financial report.

# Consolidated Cash Flow Statement (Unaudited)

For the six-month period ended 30 June 2021  
(Expressed in RMB)

	Note	For the six-month period ended 30 June	
		2021 RMB millions	2020 RMB millions
<b>Operating activities</b>			
<b>Profit before taxation</b>		<b>5,856</b>	4,726
Adjustments for:			
Depreciation of property, plant and equipment	5(c)	304	286
Depreciation of right-of-use assets	5(c)	90	64
Amortisation of intangible assets	5(c)	82	99
Share of profits less losses of associates		(97)	(66)
Interest income	5(a)	(480)	(267)
Interest expenses	5(a)	463	533
Gain on disposal of property, plant and equipment and right-of-use assets	4	(63)	(187)
Net realised and unrealised gains on financial assets at FVPL	4	(264)	(378)
Dividends income from financial assets at FVOCI	4	(25)	—
Loss on troubled debt restructurings	4	27	—
Loss on disposal of trade receivables and receivables under finance lease	4	133	—
Gain on disposal of subsidiaries and associates		(5)	(12)
Share incentive scheme expenses	5(b)	213	198
		<b>6,234</b>	4,996
Increase in inventories		(1,859)	(1,393)
Increase in trade and other receivables		(9,089)	(4,317)
Decrease/(increase) in receivables under finance lease		1,866	(5,792)
Increase in trade and other payables		7,235	7,833
Increase in contract liabilities		317	475
<b>Cash generated from operations</b>		<b>4,704</b>	1,802
Income tax paid		(704)	(415)
<b>Net cash generated from operating activities carried forward</b>		<b>4,000</b>	1,387

The notes on pages 45 to 80 form part of the interim financial report.

## Consolidated Cash Flow Statement (continued) (Unaudited)

For the six-month period ended 30 June 2021

(Expressed in RMB)

	Note	For the six-month period ended 30 June	
		2021 RMB millions	2020 RMB millions
<b>Net cash generated from operating activities brought forward</b>		<b>4,000</b>	1,387
<b>Investing activities</b>			
Payment for purchase of property, plant and equipment		<b>(794)</b>	(423)
Payment for purchase of right-of-use assets		<b>(222)</b>	(24)
Payment for purchase of intangible assets		<b>(28)</b>	(32)
Dividends from associates		—	16
Payment for investments in associates		<b>(133)</b>	—
Payment for acquisition of financial assets at FVOCI		<b>(934)</b>	(101)
Payment for financial assets at FVPL		<b>(14,856)</b>	(9,449)
Proceeds from disposal of financial assets at FVPL		<b>6,578</b>	7,362
Dividend income from financial assets at FVOCI	4	<b>25</b>	—
Proceeds from government for disposal of industrial parks		<b>250</b>	938
Proceeds from disposal of property, plant and equipment, intangible assets and right-of-use assets		<b>135</b>	261
Proceeds from disposal of financial assets at FVOCI		<b>820</b>	1
Proceeds from disposal of interest in an associate		—	47
Proceeds from disposal of a subsidiary, net of cash disposed of	9	<b>1,444</b>	—
Interest received		<b>128</b>	92
(Increase)/decrease in pledged bank deposits		<b>(540)</b>	109
<b>Net cash used in investing activities</b>		<b>(8,127)</b>	(1,203)

The notes on pages 45 to 80 form part of the interim financial report.

## Consolidated Cash Flow Statement (continued) (Unaudited)

For the six-month period ended 30 June 2021

(Expressed in RMB)

	Note	For the six-month period ended 30 June	
		2021 RMB millions	2020 RMB millions
<b>Financing activities</b>			
Proceeds from loans and borrowings		44,717	42,100
Repayments of loans and borrowings		(41,912)	(40,979)
Proceeds from exercise of share options	18(c)	123	106
Capital contributions from non-controlling shareholders		—	500
Proceeds from issue of restricted shares	18(c)	—	1,074
Dividends paid to equity shareholders		(496)	(313)
Interest paid		(304)	(337)
Dividends paid by subsidiaries to non-controlling interests		(19)	(35)
Payment for acquisition of non-controlling interests		—	(36)
Proceeds from the issue of ordinary shares	18(b)	6,088	—
Capital element of lease rentals paid		(45)	(55)
Interest element of lease rentals paid		(6)	(5)
<b>Net cash generated from financing activities</b>		<b>8,146</b>	<b>2,020</b>
<b>Net increase in cash and cash equivalents</b>		<b>4,019</b>	<b>2,204</b>
<b>Cash and cash equivalents at the beginning of period</b>		<b>10,086</b>	<b>5,073</b>
<b>Effect of foreign exchange rate changes</b>		<b>(37)</b>	<b>(7)</b>
<b>Cash and cash equivalents at the end of period</b>	15	<b>14,068</b>	<b>7,270</b>

The notes on pages 45 to 80 form part of the interim financial report.

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2021

## 1 Principal activities of reporting entity

Zoomlion Heavy Industry Science and Technology Co., Ltd. (the “Company”) and its subsidiaries (collectively, referred to as the “Group”) are principally engaged in the research, development, manufacturing and sale of construction machinery, and agricultural machinery, as well as the provision of finance leasing services.

## 2 Basis of preparation

- (a) This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”). It has been reviewed by the audit committee of the Company and approved for issue on 30 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of these changes in accounting policies are set out in Note 2(b).

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the Hong Kong Institute of Certified Public Accountants.

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2021

### 2 Basis of preparation (continued)

(b) The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group.

- Amendments to IFRS 16, Covid-19-related rent concessions
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest rate benchmark reform — phase 2

None of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### 3 Revenue and segment reporting

#### (a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>RMB</b>	RMB
	<b>millions</b>	millions
<b>Revenue from contracts with customers within the scope of IFRS 15, all recognised at point in time</b>		
Disaggregated by major products of service lines		
Construction machinery		
— Concrete machinery	<b>11,474</b>	8,630
— Crane machinery	<b>22,676</b>	15,330
— Others	<b>6,186</b>	3,372
Agricultural machinery	<b>1,609</b>	1,056
	<b>41,945</b>	28,388
<b>Revenue from other sources</b>		
Rental income from construction machinery	<b>90</b>	20
Financial services	<b>414</b>	419
	<b>504</b>	439
	<b>42,449</b>	28,827

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2021

### 3 Revenue and segment reporting (continued)

#### (b) Information about profit or loss

	For the six-month period ended 30 June	
	2021 RMB millions	2020 RMB millions
Reportable segment profit:		
Construction machinery		
— Concrete machinery	2,861	2,393
— Crane machinery	5,839	4,790
— Others	1,294	733
Agricultural machinery	210	130
Financial services	410	417
	<b>10,614</b>	8,463

#### (c) Reconciliations of segment profit

	For the six-month period ended 30 June	
	2021 RMB millions	2020 RMB millions
Total reportable segment profit	10,614	8,463
Other income	644	662
Sales and marketing expenses	(2,059)	(1,916)
General and administrative expenses	(1,048)	(1,021)
Impairment loss on trade and other receivables and receivables under finance lease	(433)	(443)
Research and development expenses	(2,005)	(1,048)
Net finance income/(costs)	46	(37)
Share of profits less losses of associates	97	66
Profit before taxation	<b>5,856</b>	4,726

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2021

### 4 Other income

	For the six-month period ended 30 June	
	2021 RMB millions	2020 RMB millions
Government grants	450	93
Gain on disposal of property, plant and equipment, intangible assets and right-of-use assets	63	187
Net realised and unrealised gains on financial assets at FVPL	264	378
Dividend income from financial assets at FVOCI	25	—
Loss on disposal of trade receivables and receivables under finance lease	(133)	—
Loss on troubled debt restructurings	(27)	—
Others	2	4
	<b>644</b>	<b>662</b>

### 5 Profit before taxation

Profit before taxation is arrived at after (crediting)/charging:

(a) Net finance (income)/costs:

	For the six-month period ended 30 June	
	2021 RMB millions	2020 RMB millions
Interest income	(480)	(267)
Interest on loans and borrowings	457	528
Interest on lease liabilities	6	5
Net exchange gain	(29)	(229)
	<b>(46)</b>	<b>37</b>

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2021

### 5 Profit before taxation (continued)

#### (b) Staff costs:

	For the six-month period ended 30 June	
	2021 RMB millions	2020 RMB millions
Salaries, wages and other benefits	1,972	1,666
Contributions to retirement schemes	316	202
Share incentive scheme expense	213	198
	<b>2,501</b>	2,066

#### (c) Other items:

	For the six-month period ended 30 June	
	2021 RMB millions	2020 RMB millions
Cost of inventories sold	31,835	20,364
Depreciation charge		
— owned property, plant and equipment	304	286
— right-of-use assets	90	64
Amortisation of intangible assets	82	99
Gain on disposal of property, plant and equipment, intangible assets and right-of-use assets	(63)	(187)
Product warranty costs	283	93
Impairment losses		
— trade receivables (Note 11(b))	226	361
— receivables under finance lease (Note 12(c))	102	21
— inventories	2	48

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2021

### 6 Income tax

#### (a) Taxation charged to profit or loss:

	For the six-month period ended 30 June	
	2021 RMB millions	2020 RMB millions
Current tax — PRC income tax	742	788
Current tax — Income tax in other tax jurisdictions	5	3
Deferred taxation	164	(123)
Tax expenses	911	668

#### (b) Reconciliation between actual income tax expenses and accounting profit at applicable tax rates:

	For the six-month period ended 30 June	
	2021 RMB millions	2020 RMB millions
Profit before taxation	5,856	4,726
Notional tax on profit before taxation, calculated at the statutory income tax rate applicable to the jurisdictions concerned (Note (a))	1,464	1,182
Tax effect of non-deductible expenses	64	62
Current year loss for which no deferred tax assets was recognised	32	3
Tax effect of non-taxable income	(65)	(89)
Tax effect of tax concessions (Note (b))	(459)	(417)
Additional deduction for qualified research and development expenses (Note (c))	(125)	(73)
Actual income tax expenses	911	668

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2021

## 6 Income tax (continued)

### (b) Reconciliation between actual income tax expenses and accounting profit at applicable tax rates: (continued)

Notes:

- (a) The PRC statutory income tax rate is 25% (2020: 25%).

The Company's subsidiaries in the HKSAR are subject to Hong Kong Profits Tax at 16.5% (2020: 16.5%) in respect of assessable profits arising in or derived from Hong Kong. For the six-month period ended 30 June 2021, the Group did not derive any income chargeable to Hong Kong Profits Tax on the basis that all the income was offshore sourced, all the expenses incurred by the subsidiaries in Hong Kong have been disallowed.

The Company's overseas subsidiaries are subject to income tax at rates ranging from 19.0% to 30.0% (2020: 19.0% to 30.0%).

- (b) According to the income tax law and its relevant regulations, entities that qualified as high-technology enterprises under the tax law are entitled to a preferential income tax rate of 15%.

The 15% preferential tax rate applicable to high-technology enterprises is subject to renewal approval jointly by the relevant authorities, upon expiry of the three-year grant period, according to the then prevailing income tax regulations. One subsidiary has begun the renewal approval process. It is probably qualified as a high-technology enterprise. Management therefore believes 15% represents the best estimate of the annual tax rate of these entities for the year ending 31 December 2021.

- (c) Under the income tax law and its relevant regulations, a 100% additional tax deduction is allowed for qualified research and development expenditure for the year ending 31 December 2021 (2020:75%).

## 7 Earnings per share

### (a) Basic earnings per share

The calculation of basic earnings per share for the six-month period ended 30 June 2021 is based on the profit attributable to equity shareholders of the Company of RMB4,876 million (six months ended 30 June 2020: RMB4,025 million), and the weighted-average number of ordinary shares in issue of 8,173 million shares (six-month period ended 30 June 2020: 7,440 million shares).

### (b) Diluted earnings per share

The calculation of diluted earnings per share for the six-month period ended 30 June 2021 is based on the profit attributable to equity shareholders of the Company of RMB4,876 million (six months ended 30 June 2020: RMB4,025 million), and the weighted-average number of ordinary shares in issue of 8,281 million shares (six-month period ended 30 June 2020: 7,451 million shares) after adjusting for the vested restricted shares and the exercisable options for the reporting period.

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2021

### 8 Goodwill and business combination

	<b>2021</b>	2020
	<b>RMB</b>	RMB
	<b>millions</b>	millions
Balance at 1 January	<b>2,054</b>	2,017
Effect of exchange rate difference	<b>(61)</b>	37
Balance at 30 June/31 December	<b>1,993</b>	2,054

### 9 Interests in associates

	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b>RMB</b>	RMB
	<b>millions</b>	millions
Carrying amount of the individually material associate in the consolidated financial statements	<b>3,128</b>	3,040
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	<b>861</b>	348
	<b>3,989</b>	3,388

The above associates are accounted for using the equity method in the consolidated financial statements.

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2021

### 9 Interests in associates (continued)

The following list contains only the particulars of a material associate, which is a listed corporate entity whose quoted market price is available:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital (millions)	Proportion of ownership interest		Principal activities
				Group's effective interest	Held by the Company	
Infore Environment Technology Group Co. Ltd. ("Infore Environment") (Note)	Incorporated	China	RMB3,163	12.62%	12.62%	Environmental construction and project operation

Note: Infore Environment is listed on the main board of Shenzhen Stock Exchange. On 30 June 2021, the quoted market price of Infore Environment was RMB6.75 (31 December 2020: RMB8.14) per share and the fair value of the investment in Infore Environment was RMB2,694 million (31 December 2020: RMB3,249 million).

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2021

### 9 Interests in associates (continued)

On 16 April 2021, the Company entered into an Equity Transfer Agreement with Hunan State-owned Assets Group Co., Ltd. and Hunan Dice Venture Capital Co., Ltd. to sell 45% and 36% of its interests in wholly-owned subsidiary Zoomlion Finance and Leasing (Beijing) Co., Ltd. (referred to as "Beijing Leasing"), at a total consideration of RMB1,627 million in cash. The Company lost control of Beijing Leasing upon the completion of this transaction on 31 May 2021, and the Company retained significant influence over Beijing Leasing. The Company remeasured the remaining 19% equity interests in Beijing Leasing to its fair value, amounting to RMB382 million, at the completion date. A disposed gain of RMB7 million has been recognised in profit or loss during the period, representing the sum of the fair value of the retained 19% equity interest in Beijing Leasing and the cash consideration less the then carrying amount of Beijing Leasing.

#### Effect of disposal on the financial position of the Group

	At 31 May 2021 RMB millions
Property, plant and equipment	8
Right-of-use assets	3
Intangible assets	8
Receivables under finance lease	8,726
Deferred tax assets	77
Other current assets	2
Trade and other receivables	473
Cash and cash equivalents	183
Trade and other payables	(7,295)
Loans and borrowings	(180)
Other current liabilities	(3)
<b>Net assets disposed of</b>	<b>2,002</b>
Consideration received	1,627
Cash and cash equivalents disposed of	(183)
<b>Net cash inflows</b>	<b>1,444</b>

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2021

### 10 Other financial assets

	Note	30 June 2021 RMB millions	31 December 2020 RMB millions
<b>Financial assets at FVOCI</b>			
Equity securities	(i)	2,190	2,279
<b>Financial assets at FVPL</b>			
Listed equity securities	(ii)	357	271
Securities investment funds	(iii)	156	153
<b>Total</b>		<b>2,703</b>	<b>2,703</b>

- (i) The equity securities comprise equity funds, listed equity securities and other unlisted equity securities. The aggregate fair value of equity funds, listed equity securities and other unlisted equity securities was RMB1,526 million, RMB68 million and RMB596 million as at 30 June 2021 (31 December 2020: RMB1,618 million, RMB67 million and RMB594 million). The Group designated these investments at FVOCI (non-recycling), as these investments are held for strategic purposes. Dividends of RMB25 million (period ended 30 June 2020: Nil) were received on investments in equity securities during the six-month period ended 30 June 2021 (see Note 4). A loss accumulated in the fair value reserve (non-recycling) of RMB30 million in relation to disposal of equity securities was transferred to retained earnings during the six-month period ended 30 June 2021 (period ended 30 June 2020: Nil).
- (ii) The listed equity securities represent the Group's investments in shares of listed companies in the PRC. The aggregate fair value of these investments was RMB357 million, based on their quoted market prices as at 30 June 2021 (31 December 2020: RMB271 million).
- (iii) The Group invests its spare cash in securities investment funds offered by fund management institutions. The underlying assets of the products are a wide range of government and corporate bonds, asset-backed securities, bond repurchases, bank deposits and other financial instruments.

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2021

## 11 Trade and other receivables

	<b>As at 30 June 2021 RMB millions</b>	As at 31 December 2020 RMB millions
Trade receivables	<b>49,710</b>	37,475
Less: loss allowance for doubtful debts (Note (b))	<b>(5,230)</b>	(4,943)
	<b>44,480</b>	32,532
Less: trade receivables due after one year	<b>(15,856)</b>	(14,131)
	<b>28,624</b>	18,401
Bills receivable (Note (c))	<b>1,938</b>	2,532
	<b>30,562</b>	20,933
Amounts due from related parties	<b>2,511</b>	185
Prepayments for purchase of raw materials	<b>1,385</b>	706
Prepaid expenses	<b>355</b>	366
VAT recoverable	<b>1,119</b>	938
Deposits	<b>97</b>	164
Others	<b>806</b>	680
	<b>36,835</b>	23,972

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2021

## 11 Trade and other receivables (continued)

### (a) Ageing analysis of trade receivables

As at the end of the reporting period, ageing analysis based on the invoice date of trade receivables (which are included in trade and other receivables), net of loss is as follows:

	<b>As at 30 June 2021 RMB millions</b>	As at 31 December 2020 RMB millions
Within 1 year	<b>37,308</b>	25,143
Over 1 year but less than 2 years	<b>3,089</b>	3,460
Over 2 years but less than 3 years	<b>1,511</b>	1,273
Over 3 years but less than 5 years	<b>1,285</b>	1,681
Over 5 years	<b>1,287</b>	975
	<b>44,480</b>	32,532

Trade receivables under credit sales arrangement are generally due within 1 to 3 months (2020: 1 to 3 months) from the date of billing, and customers are normally required to make an upfront payment ranging from 40% to 50% (2020: 40% to 50%) of the product price. For sales under instalment payment method that has instalment payment periods generally ranging from 6 to 42 months (2020: 6 to 42 months), customers are normally required to make an upfront payment ranging from 30% to 50% (2020: 30% to 50%) of the product price.

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2021

### 11 Trade and other receivables (continued)

#### (b) Impairment of trade receivables

Movement in the loss allowance account in respect of trade receivables during the period is as follows:

	Note	<b>30 June 2021 RMB millions</b>	31 December 2020 RMB millions
Balance at 1 January		<b>4,943</b>	5,146
Impairment losses recognised		<b>226</b>	1,257
Reclassification from loss allowance of receivables under finance lease	12(c)	<b>232</b>	232
Uncollectible amounts written off		<b>(163)</b>	(1,620)
Written off upon debt-equity swap		<b>—</b>	(46)
Written off upon sale of trade receivables		<b>(8)</b>	(26)
Balance at 30 June/31 December		<b>5,230</b>	4,943

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2021

## 11 Trade and other receivables (continued)

- (c) As at 30 June 2021, bills receivable of RMB1,938 million (31 December 2020: RMB2,532 million) whose fair values approximate to their carrying values were classified as financial assets at fair value through other comprehensive income under IFRS 9. The fair value changes of these bills receivable at fair value through other comprehensive income were insignificant during the six-month period ended 30 June 2021.

Bills receivable represent short-term bank acceptance notes receivable that entitle the Group to receive the full face amount from the banks at maturity, which generally ranges from 3 to 6 months from the date of issuance. Historically, the Group had experienced no credit losses on bills receivable. The Group from time to time endorse bills receivable to suppliers in order to settle trade payables.

As at 30 June 2021, the Group endorsed certain bank acceptance bills to suppliers for settling trade payables of the same amount on a full recourse basis. The Group has derecognised these bills receivable and payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date of less than six months from the balance sheet date. In the opinion of the directors, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of these bills are of good credit quality and non-settlement of these bills by the issuing banks on maturity is not probable.

As at 30 June 2021, the Group's maximum exposure to loss and undiscounted cash outflow, which is same as the amount payable by the Group to suppliers in respect of the endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB2,026 million (31 December 2020: RMB2,015 million).

As at 30 June 2021, bills receivable of RMB130 million (31 December 2020: RMB294 million) were discounted to banks or other financial institutions with recourse, where substantially the risks and rewards of ownership had not been transferred. Since the Group has continuing involvement in the transferred assets, these discounted bills receivable were therefore not derecognised. As at 30 June 2021, bills receivable of RMB730 million (31 December 2020: RMB873 million) was discounted to banks or other financial institutions without recourse, where substantially all the risks and rewards of ownership had been transferred. Since the Group does not have continuing involvement in the transferred assets, these discounted bills receivable were therefore derecognised.

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2021

### 12 Receivables under finance lease

	<b>As at 30 June 2021 RMB millions</b>	As at 31 December 2020 RMB millions
Gross investment	<b>14,454</b>	26,112
Unearned finance income	<b>(449)</b>	(1,135)
	<b>14,005</b>	24,977
Less: loss allowance for doubtful debts (Note (c))	<b>(1,232)</b>	(1,604)
	<b>12,773</b>	23,373
Less: receivables under finance lease due after one year	<b>(7,357)</b>	(13,008)
Receivables under finance lease due within one year	<b>5,416</b>	10,365

The Group provides equipment finance lease services to customers purchasing machinery products of the Group or other vendors through its leasing subsidiaries. Under the finance lease arrangement, the collectability of the minimum lease payments is reasonably predictable, there is no significant uncertainty surrounding the amount of un-reimbursable cost yet to be incurred by the Group under the lease arrangement. The finance lease contracts entered into by the Group typically are for a period ranging from 2 to 5 years (2020: 2 to 5 years). Customers are normally required to make an upfront payment ranging from 5% to 40% of the product price (2020: 5% to 40%) and pay a security deposit ranging from 1% to 15% of the product price (2020: 1% to 15%). At the end of the lease term, the lessee has an option to purchase the leased machinery at nominal value and the ownership of the leased machinery is then transferred to the lessee. The leases do not provide any guarantee of residual values.

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2021

### 12 Receivables under finance lease (continued)

#### (a) Ageing analysis of receivables under finance lease

The minimum lease payments receivable at the end of the reporting period is as follows:

	<b>As at 30 June 2021 RMB millions</b>	As at 31 December 2020 RMB millions
<b>Present value of the minimum lease payments</b>		
Within 1 year	<b>6,475</b>	11,546
Over 1 year but less than 2 years	<b>3,153</b>	6,455
Over 2 years but less than 3 years	<b>2,216</b>	3,981
Over 3 years	<b>2,161</b>	2,995
	<b>14,005</b>	24,977
<b>Unearned finance income</b>		
Within 1 year	<b>222</b>	719
Over 1 year but less than 2 years	<b>106</b>	273
Over 2 years but less than 3 years	<b>62</b>	107
Over 3 years	<b>59</b>	36
	<b>449</b>	1,135
<b>Gross investment</b>		
Within 1 year	<b>6,697</b>	12,265
Over 1 year but less than 2 years	<b>3,259</b>	6,728
Over 2 years but less than 3 years	<b>2,278</b>	4,088
Over 3 years	<b>2,220</b>	3,031
	<b>14,454</b>	26,112

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2021

### 12 Receivables under finance lease (continued)

#### (b) Overdue analysis

Overdue analysis of receivables under finance lease at the end of reporting period is as follows:

	<b>As at 30 June 2021 RMB millions</b>	As at 31 December 2020 RMB millions
Not yet due	<b>11,188</b>	21,986
Within 1 year past due	<b>658</b>	392
Over 1 year but less than 2 years past due	<b>587</b>	449
Over 2 years past due	<b>1,572</b>	2,150
Total past due	<b>2,817</b>	2,991
	<b>14,005</b>	24,977
Less: loss allowance	<b>(1,232)</b>	(1,604)
	<b>12,773</b>	23,373

Past due receivables refer to the amount remains unpaid after the relevant payment due date, including those receivables that are overdue for only one day.

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2021

### 12 Receivables under finance lease (continued)

#### (c) Impairment of receivables under finance lease

The movement in the loss allowance account in respect of receivables under finance lease during the period is as follows:

	Note	<b>2021</b> <b>RMB</b> <b>millions</b>	2020 RMB millions
Balance at 1 January		<b>1,604</b>	1,646
Impairment losses recognised		<b>102</b>	262
Written off upon debt-equity swap		—	(39)
Written off upon sale of receivables under finance lease		<b>(50)</b>	(33)
Reclassification to loss allowance of trade receivables	11(b)	<b>(232)</b>	(232)
Disposal of a subsidiary		<b>(192)</b>	—
Balance at 30 June/31 December		<b>1,232</b>	1,604

### 13 Inventories

	<b>As at</b> <b>30 June</b> <b>2021</b> <b>RMB</b> <b>millions</b>	As at 31 December 2020 RMB millions
Raw materials	<b>4,601</b>	4,360
Work in progress	<b>3,605</b>	2,801
Finished goods (Note)	<b>8,467</b>	7,491
	<b>16,673</b>	14,652

Note: The Group takes various measures to recover overdue debtors including repossession of sold machinery. These repossessed machineries are normally subject to rebuild and are expected to be either resale or leased out under operating leases. The Group estimated the net realisable value of these machinery taking into account the expected selling price in the current second-hand machinery market.

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2021

### 14 Financial assets at fair value through profit or loss

	<b>As at 30 June 2021 RMB millions</b>	As at 31 December 2020 RMB millions
<b>Financial assets carried at fair value through profit or loss:</b>		
– Wealth management products (Note)	<b>6,673</b>	3,363
– Structured deposits (Note)	<b>5,044</b>	—
– Securities investment funds (Note 10(iii))	<b>1,020</b>	921
	<b>12,737</b>	4,284

Note: The Group invests its spare cash in wealth management products and structured deposits offered by banks and other financial institutions. These products generally have a pre-set maturity and expected return, with its underlying assets being a wide range of government and corporate bonds, central bank bills, money market funds as well as other listed and unlisted equity securities in the PRC.

### 15 Cash and cash equivalents

	<b>As at 30 June 2021 RMB millions</b>	As at 31 December 2020 RMB millions
Cash at bank and on hand		
– RMB denominated	<b>12,872</b>	8,752
– USD denominated	<b>370</b>	418
– EUR denominated	<b>554</b>	667
– HKD denominated	<b>12</b>	27
– Other currencies	<b>260</b>	222
	<b>14,068</b>	10,086

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2021

### 16 Loans and borrowings

#### (a) Short-term loans and borrowings:

	Note	As at 30 June 2021 RMB millions	As at 31 December 2020 RMB millions
Secured short-term bank loans			
— RMB denominated		—	10
Pledged short-term bank loans	(i)	635	816
Unsecured short-term bank loans			
— RMB denominated	(ii)	2,500	825
— USD denominated	(iii)	98	12
— EUR denominated	(iv)	1,102	1,296
Deposits borrowed from an associate	(v)	21	4
		<b>4,356</b>	2,963
Add: Current portion of long-term loans and borrowings	16(b)	6,009	1
		<b>10,365</b>	2,964

#### Notes:

- (i) As at 30 June 2021, RMB denominated pledged short-term bank loans of RMB635 million (31 December 2020: RMB816 million) bore interest at rates ranging from 2.00% to 2.90% per annum were pledged by financial assets and bank acceptance bills, and will be repayable in full from 2021 to 2022.
- (ii) As at 30 June 2021, RMB denominated unsecured short-term bank loans of RMB 2,500 million (31 December 2020: RMB825 million) bore interest at rates ranging from 2.85% to 3.70% per annum and will be repayable from 2021 to 2022.
- (iii) As at 30 June 2021, USD denominated unsecured short-term bank loans of RMB98 million (31 December 2020: RMB12 million) bore interest at rates ranging from 0.96% to 1.34% per annum and will be repayable in full in 2021.
- (iv) As at 30 June 2021, EUR denominated unsecured short-term bank loans of RMB1,102 million (31 December 2020: RMB1,296 million) bore interest at rates ranging from 0.68% to 1.00% per annum and will be repayable from 2021 to 2022.
- (v) As at 30 June 2021, the demand deposits due to an associate amounted to RMB21 million (31 December 2020: RMB4 million).

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2021

### 16 Loans and borrowings (continued)

#### (b) Long-term loans and borrowings:

	Note	<b>As at 30 June 2021 RMB millions</b>	As at 31 December 2020 RMB millions
Unsecured long-term bank loans			
– RMB denominated	(i)	<b>2,500</b>	500
– EUR denominated	(ii)	<b>1,085</b>	1,623
– USD denominated	(iii)	<b>749</b>	806
RMB medium-term notes	(iv)	<b>4,995</b>	4,993
Guaranteed USD senior notes	(v)	<b>3,393</b>	3,424
Debentures	(vi)	<b>4,995</b>	4,992
		<b>17,717</b>	16,338
Less: Current portion of long-term loans and borrowings	16(a)	<b>(6,009)</b>	(1)
		<b>11,708</b>	16,337

Notes:

- (i) As at 30 June 2021, RMB denominated unsecured long-term bank loans of RMB1,998 million (31 December 2020: RMB500 million) bore interest at rates ranging from 3.40% to 3.60% per annum and will be repayable from 2022 to 2024. Such loans are subject to the fulfilment of certain financial covenants of the Group. As at 30 June 2021, the Group was in compliance with these financial covenants.

As at 30 June 2021, RMB denominated unsecured long-term bank loans of RMB502 million (31 December 2020: Nil) bore interest at rates ranging from 3.60% to 4.18% per annum and will be repayable from 2021 to 2022. Such loans are subject to the fulfilment of certain financial covenants of the Group. As at 30 June 2021, the Group was in compliance with these financial covenants.

- (ii) As at 30 June 2021, EUR denominated unsecured long-term bank loans of RMB205 million (31 December 2020: RMB1,623 million) bore interest at rates ranging from 1.00% to 2.30% per annum and will be repayable from 2022 to 2028.

As at 30 June 2021, EUR denominated unsecured long-term bank loans of RMB880 million (31 December 2020: Nil) bore interest at rates ranging from 0.36% to 0.65% per annum and will be repayable in 2022. Such loans are subject to the fulfilment of certain financial covenants of the Group. As at 30 June 2021, the Group was in compliance with these financial covenants.

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2021

## 16 Loans and borrowings (continued)

### (b) Long-term loans and borrowings: (continued)

- (iii) As at 30 June 2021, USD denominated unsecured long-term bank loans of RMB620 million (31 December 2020: RMB805 million) bore interest at rates ranging from 0.80% to 1.96% per annum and will be repayable from 2022 to 2028.

As at 30 June 2021, USD denominated unsecured long-term bank loans of RMB129 million (31 December 2020: RMB1 million) bore interest at rates ranging from 1.35% to 1.36% per annum and will be repayable from 2021 to 2022.

- (iv) In December 2018, the Company issued 5-year RMB medium-term notes with principal amount of RMB2,500 million. The notes bear interest at a fixed rate of 4.49% per annum and will mature in December 2023. By December 2021, the note holders have the right to demand partial or full repayment of the medium-term notes. Interest on the notes will be payable yearly in arrears in December, beginning from December 2019.

In October 2019, the Company issued 5-year RMB medium-term notes with principal amount of RMB2,500 million. The notes bear interest at a fixed rate of 3.75% per annum and will mature in October 2024. By October 2022, the note holders have the right to demand partial or full repayment of the medium-term notes. Interest on the notes will be payable yearly in arrears in October, beginning from October 2020.

- (v) In December 2012, Zoomlion H.K. SPV Co., Limited issued 10-year senior notes with principal amount of USD600 million. The senior notes were guaranteed by the Company, bear interest at a fixed rate of 6.13% per annum and will mature in December 2022. Interest on the notes will be payable half-yearly in arrears in June and December of each year, beginning from June 2013.

In December 2016, senior notes with the carrying amount of USD19.2 million (RMB equivalent 132 million) was repurchased at the quoted market price of USD19.1 million (RMB equivalent 131 million) and the difference of RMB1 million between the purchase price and the carrying amount was charged to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016.

In December 2018, senior notes with the carrying amount of USD49.1 million (RMB equivalent 329 million) was repurchased at the quoted market price of USD48.6 million (RMB equivalent 325 million) and the difference of RMB4 million between the purchase price and the carrying amount was charged to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018.

In April 2020, senior notes with the carrying amount of USD5.0 million (RMB equivalent 35 million) was repurchased at the quoted market price of USD4.9 million (RMB equivalent 34 million) and the difference of RMB1 million between the purchase price and the carrying amount was charged to the consolidated statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2020.

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2021

### 16 Loans and borrowings (continued)

#### (b) Long-term loans and borrowings: (continued)

(vi) In December 2018, the Company issued 5-year RMB debentures with principal amount of RMB2,000 million. The debentures bear interest at a fixed rate of 4.65% per annum and will mature in December 2023. By December 2021, the debenture holders have the right to demand partial or full repayment of the debentures. Interest on the debentures will be payable yearly in arrears in December, beginning from December 2019.

In July 2019, the Company issued 5-year RMB debentures with principal amount of RMB1,000 million. The debentures bore interest at a fixed rate of 4.00% per annum and will mature in July 2024. By July 2022, the debenture holders have the right to demand partial or full repayment of the debentures. Interest on the debentures will be payable yearly in arrears in July, beginning from July 2020.

In March 2020, the Company issued 5-year RMB debentures with principal amount of RMB2,000 million. The debentures bore interest at a fixed rate of 3.30% per annum and will mature in March 2025. By March 2023, the debenture holders have the right to demand partial or full repayment of the debentures. Interest on the debentures will be payable yearly in arrears in March, beginning from March 2021.

(c) Except as disclosed in Notes 16(b)(i), 16(b)(ii) and 16(b)(iii) above, none of the Group's loans and borrowings contains any financial covenants.

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2021

### 17 Trade and other payables

	<b>As at 30 June 2021 RMB millions</b>	As at 31 December 2020 RMB millions
Trade creditors	<b>17,559</b>	13,663
Bills payable	<b>22,241</b>	18,921
Trade creditors and bills payable	<b>39,800</b>	32,584
Amounts due to related parties (Note 22(b))	<b>11</b>	2
Amounts due to non-controlling shareholders of certain subsidiaries	<b>—</b>	138
Payable for acquisition of property, plant and equipment	<b>259</b>	293
Accrued staff costs	<b>863</b>	1,177
Product warranty provision	<b>158</b>	158
VAT payable	<b>1,069</b>	869
Sundry taxes payable	<b>138</b>	165
Security deposits	<b>498</b>	1,015
Interest payable	<b>235</b>	89
Financial guarantees issued (Note 21)	<b>153</b>	65
Other accrued expenses and payables	<b>3,074</b>	3,569
Dividends payable	<b>2,545</b>	263
	<b>48,803</b>	40,387

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2021

### 17 Trade and other payables (continued)

Ageing analysis of trade creditors and bills payable as at the end of the reporting period is as follows:

	<b>As at 30 June 2021 RMB millions</b>	As at 31 December 2020 RMB millions
Due within 1 month or on demand	<b>7,389</b>	5,989
Due after 1 month but within 3 months	<b>18,157</b>	13,327
Due after 3 months but within 6 months	<b>10,609</b>	9,591
Due after 6 months but within 12 months	<b>3,645</b>	3,677
	<b>39,800</b>	32,584

### 18 Capital, reserves and dividends

#### (a) Dividends

Pursuant to the shareholders' approval at the Annual General Meeting held on 28 May 2021, a final cash dividend of RMB0.32 per share based on 8,674 million ordinary shares in issue, totaling RMB2,778 million in respect of the year ended 31 December 2020 was declared, which will be paid before 31 December 2021.

Pursuant to the shareholders' approval at the Annual General Meeting held on 29 June 2020, no cash dividend in respect of the year ended 31 December 2019 was declared.

#### (b) Issue of ordinary shares

On 3 February 2021, the Company allotted and issued a total of 193,757,462 H Shares to one subscriber at a subscription price of HKD5.863 per H Share. The total amount of gross proceeds from the additional issuance of H Shares is approximately HKD1,136 million (equivalent to RMB946 million).

On 5 February 2021, the Company allotted and issued a total of 511,209,439 A Shares to eight subscribers at a subscription price of RMB10.17 per A Share. The total amount of net proceeds from the non-public issuance of A Shares is approximately RMB5,142 million.

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2021

## 18 Capital, reserves and dividends (continued)

### (c) Share incentive scheme

On 1 November 2017, a Share Incentive Scheme was considered and approved at the first extraordinary general meeting of 2017, the A shareholders' Class Meeting of 2017 and H shareholders' Class Meeting of 2017. On 7 November 2017, the Company adopted the Share Incentive Scheme and the related resolution was considered and passed at the seventh extraordinary meeting of the fifth session of the board of directors, pursuant to which the date of grant for the Share Incentive Scheme of the Company has been set for 7 November 2017, and 171,568,961 share options and 171,568,961 restricted shares were planned to be granted to 1,231 selected current employees (the "Participants") of the Group ("the First Grants"). Each share option shall entitle its eligible holder to purchase one Zoomlion ordinary A share at an exercise price of RMB4.57, and the Participants are entitled to purchase Zoomlion restricted A shares at RMB2.29 each. The Participants of the Share Incentive Scheme included directors, senior executives and core technical employees. As a result, 168,760,911 share options and 168,760,911 restricted shares were granted to the Participants on 7 November 2017.

On 10 September 2018, the resolution in respect of the grant of additional options and additional restricted shares (the "Second Grants") under the Share Incentive Scheme was passed at sixth extraordinary meeting of the fifth session of board of directors, pursuant to which the date of grant for the Share Incentive Scheme of the Company has been set for 10 September 2018 and 19,063,218 share options and 19,063,218 restricted shares were planned to be granted to 405 selected current employees of the Group (the "Participants"). Each share option shall entitle its eligible holder to purchase one Zoomlion ordinary A share at an exercise price of RMB3.96, and the Participants are entitled to purchase Zoomlion restricted A shares at RMB1.98 each. As a result, 18,554,858 share options and 18,554,858 restricted shares were granted to the Participants on 10 September 2018.

On 6 November 2018, the board of directors further resolved to approve the commencement of the first exercise period in respect of options granted under the First Grants. A total number of 65,471,398 share options and 65,877,838 restricted shares granted to the Participants under First Grants were vested or unlocked.

On 10 September 2019, the board of directors further resolved to approve the commencement of the first exercise period in respect of options granted under the Second Grants. A total number of 8,815,482 share options and 9,009,068 restricted shares granted to the Participants under Second Grants were vested or unlocked.

On 8 November 2019, the board of directors further resolved to approve the commencement of the second exercise period in respect of options granted under the First Grants. A total number of 44,640,739 share options and 45,408,457 restricted shares granted to the Participants under First Grants were vested or unlocked.

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2021

### 18 Capital, reserves and dividends (continued)

#### (c) Share incentive scheme (continued)

On 15 November 2019, an Employee Stock Ownership Plan (“ESOP”) was considered and approved at the seventh extraordinary meeting of the sixth session of the board of directors. On 6 January 2020, the ESOP and the related resolution were considered and passed at the first extraordinary general meeting of 2020, pursuant to which 390,449,924 restricted shares were planned to be granted to no more than 1200 selected current employees (the “Participants”) of the Group. On 3 April 2020, related resolutions were considered and passed at the First meeting of Participants, pursuant to which the date of grant for the ESOP has been set for 3 April 2020. The Participants are entitled to purchase Zoomlion restricted A shares at RMB2.75 each. The Participants of the ESOP included directors, senior executives and core technical employees. As a result, 390,449,924 restricted shares were granted to the ESOP on 3 April 2020 and the transfer of restricted A shares was completed on 29 April 2020.

The first vesting period shall be after expiry of the 12-month period from the date when the Group announced the last transfer of restricted shares, and the restricted shares shall be vested separately in the subsequent 3 vesting periods, whose percentages of restricted shares vested are 40%, 30% and 30% respectively.

During the six months ended 30 June 2021, 31,425,103 share options were exercised at an exercise price of RMB3.92 (six months ended 30 June 2020: 25,811,889 share options were exercised at an exercise price of RMB4.11). No share option was granted during the six months ended 30 June 2021 (six months ended 30 June 2020: nil). No share option was forfeited during the six months ended 30 June 2021 (six months ended 30 June 2020: 3,309,759 options forfeited). There were 3,909,637 share options outstanding and 3,909,637 share options exercisable at 30 June 2021 (31 December 2020: 35,334,740 share options outstanding and 35,334,740 share options exercisable).

During the six-month period ended 30 June 2021, no restricted share was granted (six-month period ended 30 June 2020: 390,449,924 restricted shares granted). No restricted share was forfeited during the six-month period ended 30 June 2021 (six-month period ended 30 June 2020: 2,008,515 restricted shares forfeited). There were 234,269,954 restricted shares outstanding at 30 June 2021 (31 December 2020: 390,449,924 restricted shares outstanding).

During the six-month period ended 30 June 2021, share incentive scheme expenses of RMB213 million (six-month period ended 30 June 2020: RMB198 million) were recognised in the consolidated statement of comprehensive income.

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2021

### 19 Fair value measurement of financial instruments

#### (a) Financial instruments measured at fair value

##### (i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value at 30 June 2021	Fair value measurements as at 30 June 2021		
		Level 1	Level 2	Level 3
<b>Recurring fair value measurements</b>				
Financial assets:				
Fair value through other comprehensive income				
— Bills receivable	1,938	—	1,938	—
— Equity securities	2,190	18	1,576	596
Fair value through profit or loss				
— Wealth management products	6,673	—	6,673	—
— Listed equity securities	357	357	—	—
— Structured deposits	5,044	—	5,044	—
— Securities investment funds	1,176	—	1,176	—

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2021

### 19 Fair value measurement of financial instruments (continued)

#### (a) Financial instruments measured at fair value (continued)

##### (i) Fair value hierarchy (continued)

	Fair value at 31 December 2020	Fair value measurements as at 31 December 2020		
		Level 1	Level 2	Level 3
<b>Recurring fair value measurements</b>				
Financial assets:				
Fair value through other comprehensive income				
— Bills receivable	2,532	—	2,532	—
— Equity securities	2,279	20	1,665	594
Fair value through profit or loss				
— Wealth management products	3,363	—	3,363	—
— Listed equity securities	271	271	—	—
— Securities investment funds	1,074	—	1,074	—

During the six-month periods ended 30 June 2021 and 2020, there were no transfers between Level 1 and Level 2, nor transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

##### (ii) Information about Level 3 fair value measurements

For unlisted equity securities without an active market, the Group establish the fair value by using valuation techniques including the use of recent arm's length transactions, reference to other instruments that are substantially the same, and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity-specific inputs. If none of the valuation techniques results in a reasonable estimate on the fair value, the investment is stated in the balance sheet at cost less impairment losses.

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2021

### 19 Fair value measurement of financial instruments (continued)

#### (a) Financial instruments measured at fair value (continued)

##### (ii) Information about Level 3 fair value measurements (continued)

The movements during the reporting period in the balance of Level 3 fair value measurements is as follows:

	<b>As at 30 June 2021 RMB millions</b>	As at 30 June 2020 RMB millions
Unlisted equity securities:		
At 1 January	<b>594</b>	1,103
Additional equity securities acquired	<b>2</b>	8
At 30 June	<b>596</b>	1,111
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	<b>25</b>	—

Any gains or losses arising from the remeasurement of the Group's unlisted equity securities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2021

### 19 Fair value measurement of financial instruments (continued)

#### (b) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2021 and 31 December 2020 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	<b>Carrying amount at 30 June 2021</b>	<b>Fair value at 30 June 2021 categorised into level 1</b>	Carrying amount at 31 December 2020	Fair value at 31 December 2020 categorised into level 1
Guaranteed USD senior notes	<b>3,393</b>	<b>3,540</b>	3,424	3,587
RMB medium-term notes	<b>4,995</b>	<b>5,161</b>	4,993	5,057
Debentures	<b>4,995</b>	<b>5,055</b>	4,992	5,064

### 20 Commitments

#### (a) Capital commitments

As at 30 June 2021, the Group had capital commitments as follows:

	<b>As at 30 June 2021 RMB millions</b>	As at 31 December 2020 RMB millions
Authorised and contracted for		
— property, plant and equipment	<b>1,995</b>	1,121
— equity funds	<b>250</b>	250

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2021

## 21 Contingent liabilities

### (a) Financial guarantees issued

Certain customers of the Group from time to time may finance their purchase of the Group's machinery products through bank loans, and the Group provides guarantees to the banks for the amount drawn by customers. Under the guarantee arrangement, in the event of customer default, the Group is required to repossess the machinery collateralising the bank loans, and is entitled to sell the machinery and retain any net proceeds in excess of the guarantee payments made to the banks. As at 30 June 2021, the Group's maximum exposure to such guarantees was RMB9,261 million (31 December 2020: RMB5,770 million). The terms of these guarantees coincide with the tenure of bank loans which generally range from 1 to 5 years. The Group, when called upon by the banks to fulfil its guarantee obligations, has historically been able to sell the repossessed machinery for proceeds that are not significantly different from the amount of the guarantee payments. For the six-month period ended 30 June 2021, the Group made payments of RMB55 million (six-month period ended 30 June 2020: RMB17 million) to the banks for repossession of machinery under the guarantee arrangement as a result of customer default.

Certain customers of the Group finance their purchase of the Group's machinery products through finance leases provided by third-party leasing companies. Under the third party leasing arrangement, the Group provides guarantee to the third-party leasing companies that in the event of customer default, the Group is required to make payment to the leasing companies for the outstanding lease payments due from customers. At the same time, the Group is entitled to repossess and sell the leased machinery, and retain any net proceeds in excess of the guarantee payments made to the leasing companies. As at 30 June 2021, the Group's maximum exposure to such guarantees was RMB79 million (31 December 2020: RMB130 million). The terms of these guarantees coincide with the tenure of the lease contracts which generally range from 2 to 5 years. For the six-month period ended 30 June 2021, there was no payment made for repossession of machinery incurred (six-month period ended 30 June 2020: Nil) under the guarantee arrangement as a result of customer default.

Certain customers of the Group finance their purchase of the Group's agricultural machinery products through cargo-backed loans in the form of bank acceptance notes provided by the banks. The Group undertakes the joint liability guarantee for the customers. In the event of customer default, the Group is required to make payments to the banks for the outstanding amount due from the customers when the bank acceptant notes are due. As at 30 June 2021, the Group's maximum exposure to such guarantees was RMB67 million (31 December 2020: RMB82 million). For the six-month period ended 30 June 2021, there was no payment to banks incurred (six-month period ended 30 June 2020: Nil) under the guarantee arrangement as a result of customer default.

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2021

## 21 Contingent liabilities (continued)

### (a) Financial guarantees issued (continued)

In 2019, the Group sold certain trade and other receivables (“Sold Assets”) with a face value of RMB1,443 million and with net book value of RMB1,298 million to a third-party financial institution for RMB1,290 million. The Group undertakes to provide payment to the third-party financial institution should any shortage between actual cash inflows from the Sold Assets and the planned cash inflows of RMB1,443 million. The payment for the shortage will be compensated by future cash inflows from the Sold Assets. As at 30 June 2021, the outstanding planned cash inflows due to the financial institution were RMB871 million (31 December 2020: RMB950 million) and the Group’s payment for the shortage was RMB544 million (31 December 2020: RMB377 million).

During 2019 and 2020, the Group issued 3-year Asset-backed Securities (“ABS”) and Asset-backed Notes (“ABN”) for some of the trade and other receivables and receivables under finance lease (“Underlying Assets”) with a face value of RMB6,554 million which bore interest at rates ranging from 2.40% to 4.2% per annum for priority tranches and 8% to 10% per annum for inferior tranches. The Group undertakes to provide payment to the ABS&ABN plans should any shortage, between actual cash inflows from the Underlying Assets and the planned cash inflows of RMB6,554 million. The payment for the shortage will be compensated by future cash inflows from the Underlying Assets. As at 30 June 2021, the outstanding planned payment due to the ABS&ABN plans was approximately RMB3,646 million (31 December 2020: RMB4,861 million), none of which has any shortage as at 30 June 2021 (31 December 2020: Nil).

### (b) Contingent liabilities in respect of legal claims

The Group is a defendant in certain lawsuits as well as the named party in certain proceedings arising in the ordinary course of business. Management has assessed the likelihood of any unfavourable outcome of such contingencies, lawsuits or other proceedings and believes that any resulting liabilities will not have a material adverse effect on the financial position, operating results or cash flows of the Group.

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2021

### 22 Related party transactions

#### (a) Transactions with related parties

	For the six-month period ended 30 June	
	2021 RMB millions	2020 RMB millions
<b>Transactions with associates:</b>		
Sales of products	99	132
Purchase of raw materials	30	16
Payment for acquisition of receivables under commercial factoring	49	219
Payment for acquisition of finance lease assets	21	119
Interest income	12	—
Net proceeds from/(repayment of) borrowings	17	(19)
<b>Transactions with Beijing Leasing from 1 June 2021 to 30 June 2021 (Note 9):</b>		
Finance lease service provided through Beijing Leasing	733	Not applicable

The directors of the Company are of the opinion that the above transactions with related parties were conducted in the ordinary course of business and in accordance with the agreements governing such transactions which are comparable to normal commercial terms.

#### (b) Outstanding balances with related parties

Amounts due from/to related parties are arising in the Group's normal course of business and are included in the account captions of trade and other receivables and trade and other payables, respectively. These balances bear no interest, are unsecured and are repayable in accordance with the agreements governing such transactions which are comparable to credit period with third-party customers/suppliers.

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2021

### 23 Reconciliation of financial information prepared under PRC GAAP to IFRSs

#### (a) Reconciliation of total equity of the Group

	<b>As at 30 June 2021 RMB millions</b>	As at 31 December 2020 RMB millions
Total equity reported under PRC GAAP	<b>56,569</b>	47,887
— Acquisition-related costs incurred on prior year business combination	<b>(37)</b>	(37)
Total equity reported under IFRSs	<b>56,532</b>	47,850

#### (b) Reconciliation of total comprehensive income for the period of the Group

	<b>For the six-month period ended 30 June</b>	
	<b>2021 RMB millions</b>	2020 RMB millions
Total comprehensive income for the period reported under PRC GAAP	<b>4,858</b>	3,855
— Safety production fund (Note)	<b>25</b>	8
Total comprehensive income for the period reported under IFRSs	<b>4,883</b>	3,863

Note: Under PRC GAAP, safety production fund should be accrued and recognised in profit or loss with a corresponding credit in reserve according to relevant PRC regulations. Such reserve is reduced for expenses incurred for safety production purposes or, when safety production related equipment are purchased, is reduced by the purchased cost with a corresponding increase in the accumulated depreciation. Such fixed assets are not depreciated thereafter. Under IFRSs, expense is recognised in profit or loss when incurred, and fixed assets are capitalised and depreciated in accordance with applicable accounting policies.

#### (c) There is no material difference between the consolidated cash flow of the Group reported under PRC GAAP and IFRSs.





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