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

**中联重科股份有限公司**

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

**(Stock Code: 1157)**

## **ANNOUNCEMENT**

### **(1) CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY**

### **(2) PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION**

### **(3) PROVISIONS FOR ASSET IMPAIRMENT FOR THE YEAR 2021**

## **CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY**

The Board wishes to announce that on 30 March 2022 (after trading hours), the Company entered into the Equity Transfer Agreement with the Seller pursuant to which the Company agreed to purchase and the Seller agreed to sell the Sale Shares, representing 7.20% interest in the Target (a subsidiary of the Company), at a consideration of RMB265,930,740. Upon Completion, the Company will increase its interest in the Target from approximately 71.96% to approximately 79.16%.

### **The Equity Transfer Agreement**

The principal terms of the Equity Transfer Agreement are set out below.

Date : 30 March 2022

Parties : The Company

The Seller

### ***Assets to be acquired***

Pursuant to the Equity Transfer Agreement, the Company agreed to purchase and the Seller agreed to sell the Sale Shares (representing 7.20% interest in the Target) free from encumbrance.

### ***Conditions precedent***

Completion is subject to the registration of transfer of the Sale Shares with the State Administration for Industry and Commerce.

### ***Consideration***

The consideration payable by the Company to the Seller for the Acquisition amounts to RMB265,930,740, which will be settled in cash out of its internal resources and/or self-raised funds within 10 business days after Completion.

The consideration was determined after arm's length negotiation between the Company and the Seller with reference to a valuation report prepared by Vocation (Beijing) International Asset Valuation Company Limited\* (沃克森（北京）國際資產評估有限公司), an independent valuer, using the market approach. Based on such report, the value of the Target's total shareholders' equity was RMB3,692,925,000 as at 30 June 2021.

The original acquisition cost of the Sale Shares to the Seller was approximately RMB265 million.

### **Information on the Group, the Seller and the Target**

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

The Seller is a limited partnership established in the PRC in 2010, and has 29 limited partners and one managing partner (being Hony Investment). It is a private equity investment fund which is principally engaged in investment, investment management and provision of investment consultancy services. The Seller was held as to 30.11%, 20.07% and 0.90% by the National Council for Social Security Fund (as limited partner), Tibet Orient Qihui Investment Co., Ltd.\* (西藏東方企慧投資有限公司) (as limited partner) and Hony Investment (as general partner), respectively, as at the date of this announcement. The remaining 48.92% interest in the Seller was held by 27 limited partners (each holding less than 5% interest).

The Target is a company incorporated in the PRC with limited liability. It is principally engaged in the business of agricultural equipment and agricultural services.

Set out below is a summary of the Target's financial information:

	<b>For the year ended 31 December 2020</b> <i>(RMB audited)</i>	<b>For the year ended 31 December 2021</b> <i>(RMB unaudited)</i>
Profit before taxation	15,757,073	50,801,258
Profit after taxation	42,673,139	45,600,402
	<b>As at 31 December 2020</b> <i>(RMB audited)</i>	<b>As at 31 December 2021</b> <i>(RMB unaudited)</i>
Net assets	1,234,906,464	1,280,506,866

The table below sets out the shareholding of the Target as at the date of this announcement and immediately upon Completion:

<b>Name of shareholders</b>	<b>Prior to Acquisition Capital contribution (RMB)</b>	<b>% shareholding</b>	<b>At Completion Capital contribution (RMB)</b>	<b>% shareholding</b>
The Group	1,891,548,571	71.96	2,080,834,285	79.16
<i>The Company</i>	1,534,405,714	58.37	1,723,691,428	65.57
<i>Beijing Zoomlion Industrial Investment Fund Partnership (Limited Liability Partnership)* (北京中聯重科產業投資基金 合夥企業 (有限合夥))<sup>Note</sup></i>	357,142,857	13.59	357,142,857	13.59
Spinnaker Ace Investments Limited	357,142,857	13.59	357,142,857	13.59
The Seller	270,000,000	10.27	80,714,286	3.07
Wuhu Lianzhi Aige Agricultural Technology Partnership (Limited Liability Partnership)* (蕪湖聯智艾格農業科技合夥 企業 (有限合夥))	61,880,000	2.35	61,880,000	2.35
Wuhu Zongbo Agricultural Technology Partnership (Limited Liability Partnership)* (蕪湖眾博農業科技 合夥企業 (有限合夥))	48,000,000	1.83	48,000,000	1.83
<b>Total</b>	<b><u>2,628,571,428</u></b>	<b><u>100</u></b>	<b><u>2,628,571,428</u></b>	<b><u>100</u></b>

*Note:* Beijing Zoomlion Industrial Investment Fund Partnership (Limited Liability Partnership)\* (北京中聯重科產業投資基金合夥企業 (有限合夥)) is a wholly-owned subsidiary of the Company

## **Reasons for and benefits of the Acquisition**

The Acquisition will allow the Company to further consolidate its interest in the Target, thereby enhancing its development strategies in the field of agricultural equipment and agricultural services, and improving its general operation and decision-making efficiency. On this basis, the Directors (including the independent non-executive Directors) believe that the Equity Transfer Agreement was entered into on normal commercial terms which are fair and reasonable, and is in the interests of the Company and its shareholders as a whole.

## **Listing Rules implications**

The Seller is a limited partnership incorporated in the PRC and is controlled by its general partner, Hony Investment. Hony Investment is controlled by its assigned representative, Mr. Zhao John Huan, who is a non-executive Director. The Seller is therefore a connected person of the Company and the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Acquisition exceeds 0.1% but are all less than 5%, the Acquisition is subject to the announcement requirement under Chapter 14A of the Listing Rules but is exempt from independent shareholders' approval.

Mr. Zhao John Huan abstained from voting on the relevant resolutions of the Board approving the Acquisition, given his interest in the transaction. Save as disclosed, none of the Directors has a material interest in the Acquisition and was required to abstain from voting.

## PROPOSED AMENDMENTS TO THE ARTICLES

The Board proposes to amend the Articles as follows (changes are underlined), in view of the recent amendments to the Listing Rules and to incorporate house-keeping changes:

No.	Before amendment	After amendment
1.	<b>Article 21</b> The total number of shares of the Company is 8,666,612,984 shares. The share capital structure of the Company comprises: 8,666,612,984 ordinary shares in issue, including 7,084,648,436 domestic listed ordinary shares (including shares subscribed by foreign investors and domestic investors in both cases in RMB) and 1,581,964,548 H shares, representing 81.75% and 18.25% of the total issued ordinary shares of the Company respectively.	<b>Article 21</b> The total number of shares of the Company is <u>8,677,992,236</u> shares. The share capital structure of the Company comprises: <u>8,677,992,236</u> ordinary shares in issue, including <u>7,096,027,688</u> domestic listed ordinary shares (including shares subscribed by foreign investors and domestic investors in both cases in RMB) and 1,581,964,548 H shares, representing <u>81.77%</u> and <u>18.23%</u> of the total issued ordinary shares of the Company respectively.
2.	<b>Article 24</b> The registered capital of the Company is RMB8,666,612,984.	<b>Article 24</b> The registered capital of the Company is RMB <u>8,677,992,236</u> .
3.	<b>Article 46</b> Where there are requirements under the laws, administrative regulations, department rules, normative documents, rules of the relevant stock exchanges or regulatory authorities of the place where the shares of the Company are listed governing the period of closure of register of members prior to a shareholders' general meeting or prior to the record date for determining the entitlement to dividends, such requirements shall prevail.	<b>Article 46</b> Where there are requirements under the laws, administrative regulations, department rules, normative documents, rules of the relevant stock exchanges or regulatory authorities of the place where the shares of the Company are listed governing the period of closure of register of members prior to a shareholders' general meeting or prior to the record date for determining the entitlement to dividends, such requirements shall prevail. <u>Subject to the aforesaid requirements, the register of holders of H shares of the Company shall be open for inspection by shareholders.</u>
4.	<b>Article 65</b> The shareholders' general meetings include annual general meetings and extraordinary general meetings. Shareholders' general meetings are convened by the board of directors. The annual shareholders' general meeting shall be convened once a year and be held within six months after the end of the previous accounting year.	<b>Article 65</b> The shareholders' general meetings include annual general meetings and extraordinary general meetings. Shareholders' general meetings are convened by the board of directors. The annual shareholders' general meeting shall be convened once <u>every financial year</u> and be held within six months after the end of the previous accounting year.

No.	Before amendment	After amendment
5.	<p><b>Article 87</b></p> <p>.....</p> <p>If such shareholder is a recognized clearing house (or its nominee), the shareholder is entitled to authorize one or more person(s), as it thinks fit, to act as its proxy at any general meeting or any class meeting of shareholders. However, if more than one person is authorized, the proxy form shall set out the number and class of shares represented by each such person so authorized. A person so authorized may exercise the right on behalf of the recognized clearing house (or its nominee), as if he was an individual shareholder of the Company.</p>	<p><b>Article 87</b></p> <p>.....</p> <p>If such shareholder is a recognized clearing house (or its nominee), the shareholder is entitled to <u>appoint a corporate representative</u> or authorize one or more person(s), as it thinks fit, to act as its proxy <u>to attend</u> at any general meeting or any class meeting of shareholders <u>on its behalf</u>. However, if more than one person is authorized, the proxy form shall set out the number and class of shares represented by each such person so authorized. <u>The corporate representative</u> or a person so authorized may exercise the right on behalf of the recognized clearing house (or its nominee), as if he was an individual shareholder of the Company <u>and entitled to the same rights as other shareholders, including the right to speak and to vote.</u></p>
6.	<p><b>Article 104</b> The following matters require the passing of an ordinary resolution at a general meeting:</p> <p>.....</p> <p>(6) any matters other than those which are required by the laws and administrative regulations, the requirements of the listing rules of the stock exchange on which the shares of the Company are listed or by the Company's Articles of Association to be passed by way of special resolution.</p>	<p><b>Article 104</b> The following matters require the passing of an ordinary resolution at a general meeting:</p> <p>.....</p> <p>(6) <u>the appointment, removal and remuneration of an accounting firm; and</u></p> <p>(7) any matters other than those which are required by the laws and administrative regulations, the requirements of the listing rules of the stock exchange on which the shares of the Company are listed or by the Company's Articles of Association to be passed by way of special resolution.</p>

The proposed amendments to the Articles are subject to shareholders' approval at the forthcoming annual general meeting of the Company. A circular containing, among others, such proposed amendments will be despatched to shareholders in due course.

## **PROVISIONS FOR ASSET IMPAIRMENT FOR THE YEAR 2021**

The Company has conducted impairment tests on, among others, its accounts receivables, inventories and fixed assets which showed indication of impairment as at 31 December 2021, in accordance with the relevant requirements under the Accounting Standards for Business Enterprises and the accounting policies of the Company on a prudent basis. When the net realisable value of an asset is estimated to be lower than its carrying amount, a provision for asset impairment will be made upon recognition or measurement.

### **I. Overview**

After conducting tests, the Company made a provision of RMB749 million for impairment for the year 2021, among which bad debts provision for accounts receivables amounted to RMB1,083 million, bad debts provision for other receivables amounted to RMB54 million, written-back bad debts provision for long-term receivables amounted to RMB397 million, provision for decline in value of inventories amounted to RMB3 million; provision for impairment of fixed asset amounted to RMB1 million; impairment of loans and advances issued amounted to RMB6 million.

Excluding the effect of difference arising from currency conversion, the effect of provisions for asset impairment on the profit or loss (before tax) for the year 2021 was RMB749 million in aggregate.

### **II. Provisions for asset impairment**

#### ***1. Accounts receivables***

For the year 2021, the Company made a bad debts provision of RMB1,083 million for accounts receivables, a bad debts provision of RMB54 million for other receivables, and a written-back bad debts provision of RMB397 million for long-term receivables on the following basis:

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



## 2. *Inventory*

For the year 2021, the Company made a provision of RMB3 million for decline in value of inventories on the following basis:

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

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

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



### **3. *Loans and advances issued***

For the year 2021, the Company made a provision of RMB6 million for credit impairment of loans and advances issued on the following basis:

The Company classifies loans and advances issued into certain categories based on their characteristics of credit risk. For loans and advances issued classified into categories, the Company calculates the expected credit losses based on the number of days overdue and exposure to default risk by referring to the historical credit loss experience of the sector and taking into account current situations and forecasts of future economic conditions.

### **4. *Fixed assets***

For the year 2021, the Company made a provision of RMB1 million for the impairment of fixed assets on the following basis:

The Company conducts annual inspections of fixed assets on an item-by-item basis. If the recoverable amount of a fixed asset is lower than its carrying values due to a continuous decline in market value, or due to technical obsolescence, physical damage or long-terms idleness, a provision for impairment of fixed assets will be made for the difference. Provisions for impairment of fixed assets is made in full at the carrying amount of fixed assets when one of the followings conditions exists:

- (1) fixed assets that have been idle for a long period of time, and are expected not to be used again in the future with no transfer values;
- (2) fixed assets that are no longer useable due to technological advancement;
- (3) although the fixed assets are considered useable, a large number of non-conforming products will be produced by such fixed assets in use;
- (4) fixed assets that have been destroyed to the extent that they no longer have use and transfer value; or
- (5) other fixed assets that can no longer bring any economic benefits to the Company in substance.

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

The profit before tax of the Company decreased by RMB749 million for the year 2021 due to the provisions for asset impairment.

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

## DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Sale Shares by the Company from the Seller
“Articles”	the articles of association of the Company
“Board”	board of Directors
“Company”	Zoomlion Heavy Industry Science and Technology Co., Ltd.* (中聯重科股份有限公司) (stock code 1157), a joint stock company incorporated in the PRC with limited liability, the H shares of which are listed on the Stock Exchange
“Completion”	completion of the Acquisition
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 30 March 2022 entered into between the Company and the Seller in relation to the Acquisition
“Group”	the Company and its subsidiaries
“Hony Investment”	Hony Investment Management (Tianjin) (Limited Partnership)* (弘毅投資管理（天津）（有限合夥）), a limited partnership established in the PRC and a connected person of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, the Hong Kong Special Administrative Region of the PRC, the Macao Special Administrative Region of the PRC and Taiwan region
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	7.20% interest in the Target held by the Seller as at the date of this announcement

“Seller”	Beijing Hony 2010 Equity Investment Center (Limited Partnership)* (北京弘毅貳零壹零股權投資中心 (有限合夥)), a limited partnership established in the PRC and a connected person of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Target”	Zoomlion Agricultural Machinery Co., Ltd.* (中聯農業機械股份有限公司), a company incorporated in the PRC with limited liability and a subsidiary of the Company
“%”	per cent.

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

Changsha, PRC, 30 March 2022

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

\* For identification purpose only