

ZOOMLION 中联重科

中联重科股份有限公司

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



2022

Interim Report

* 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.

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“the Company” or “Zoomlion”	Zoomlion Heavy Industry Science and Technology Co., Ltd.
“the Reporting Period”	the six months ended 30 June 2022.



Contents

Company Profile	2
Principal Financial Data and Indicators	4
Management Discussion and Analysis	8
Corporate Governance	19
Changes in Share Capital and Shareholders	20
Directors, Supervisors and Senior Management	25
Interim Financial Report and Review Report	26



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
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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: 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

	The Reporting Period	Corresponding period of last year	Changes in the Reporting Period as compared with the corresponding period of last year
Operating income	21,299,497,985.01	42,449,327,997.98	-49.82%
Net profit attributable to shareholders of the Company	1,715,822,741.96	4,850,093,179.87	-64.62%
Net profit attributable to equity shareholders of the Company after extraordinary items	1,203,421,445.33	4,542,154,886.30	-73.51%
Net cash flow from operating activities	1,857,312,306.03	4,129,602,305.37	-55.02%
Basic earnings per share (RMB/share)	0.20	0.59	-66.10%
Diluted earnings per share (RMB/share)	0.20	0.59	-66.10%
Weighted average return on net assets	3.14%	8.93%	Decreased by 5.79 percentage

	As at the end of the Reporting Period	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	130,363,574,637.10	122,018,160,397.82	6.84%
Net assets attributable to shareholders of the Company	55,008,854,187.80	56,867,851,034.55	-3.27%

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	
	2022 RMB millions	2021 RMB millions
Profit attributable to:		
Equity shareholders of the Company	1,736	4,876
Non-controlling interests	43	69
	1,779	4,945
Profit for the period	1,779	4,945
Earnings per share (cents)		
Basic	20.46	59.66
Diluted	20.28	58.88

Principal Financial Data and Indicators

	For the six-month period ended 30 June	
	2022 RMB millions	2021 RMB millions
Profit for the period	1,779	4,945
Other comprehensive income for the period (after tax):		
<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)	(84)	(2)
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of subsidiaries outside PRC	(201)	(60)
Total other comprehensive income for the period	(285)	(62)
Total comprehensive income for the period	1,494	4,883
Total comprehensive income attributable to:		
Equity shareholders of the Company	1,451	4,814
Non-controlling interests	43	69
Total comprehensive income for the period	1,494	4,883

Principal Financial Data and Indicators

	As at 30 June 2022 RMB millions	As at 31 December 2021 RMB millions
Total non-current assets	49,393	49,268
Total current assets	80,934	72,714
Total assets	130,327	121,982
Total current liabilities	59,336	49,675
Net current assets	21,466	23,039
Total assets less current liabilities	70,991	72,307
Total non-current liabilities	14,347	14,047
NET ASSETS	56,644	58,260
Total equity attributable to equity shareholders of the Company	54,972	56,831
Gearing ratio ^(Note)	56.54%	52.24%

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

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
Under PRC GAAP	1,715,822,741.96	4,850,093,179.87	55,008,854,187.80	56,867,851,034.55
Items and amounts adjusted under IFRSs				
Acquisition related costs incurred on prior year business combination			-36,528,600.00	-36,528,600.00
Excess in the limit of withdrawal over expenses of safety production fund for the current period	20,672,339.80	24,619,548.41		
Under IFRSs	1,736,495,081.76	4,874,712,728.28	54,972,325,587.80	56,831,322,434.55

Management Discussion and Analysis

I. Business Review

In the first half of 2022, the international situation was complex and severe, and the global economic growth was obviously slowing down. The domestic epidemic occurred frequently and spread, with unexpected factors exceeding our expectations. The domestic economy maintained growth despite the difficulties, showing a trend of stabilization and recovery.

In the first half of the year, affected by the decline in projects in the fields of infrastructure and real estate and the impact of the epidemic, the domestic sales of the construction machinery industry dropped significantly. The rigid demand for China's construction machinery in the overseas market continued to increase, and the export sales of the construction machinery industry continued to maintain high growth.

Guided by the idea of "operating the business with Internet mind-set and produce products with finest thoughts", the Company focused on high-quality development goals, accelerates the pace of digitalization, intelligentization, and green transformation and upgrading, and accelerated the layout of emerging sectors, deepening the expansion of the overseas markets. The development resilience and endogenous momentum continued to increase, thereby achieving the operating quality better than that of the industry.

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

(I) Continued to strengthen the growth momentum for industrial echelon

During the Reporting Period, under the overall strategic framework of "equipment manufacturing + Internet" and "industry + finance", the Company, with development and layout for its three major sectors, namely the construction machinery, agricultural machinery + intelligent agriculture and Zoomlion material being accelerated, thereby continued to strengthen the growth momentum for development, smoothen the impact of cyclical fluctuations in performance.

1. Stabilization and improvement in construction machinery product market position

① Continued to maintain a leading market position for leading products

Based on the premise of adhering to the business strategy of maintaining superior product quality and implementing stringent control of business risks, the competitiveness of its three major products, namely concrete machinery, construction cranes, and construction crane machinery continued to strengthen, and its market position was consolidated.

The market shares of concrete machinery regarding the long-boom pump trucks, truckmounted pumps and mixing plants still ranked No. 1 in the industry, the market shares of mixer trucks rose to No. 2 in the industry.

Management Discussion and Analysis

The market share of construction crane machinery maintained the leading position in the industry, the sales volume of all-terrain cranes ranked No. 1 in the industry, and the ZAT24000H, the world's largest tonnage all-terrain crane, has been delivered in batches.

The sales volume of construction crane machinery ranked No. 1 in the world accelerated the iterative upgrade of products, and launched 11 new R-generation tower cranes, which received enthusiastic market response. The LW2460-200 wind power tower crane was upgraded and launched, setting a new world record again.

② Substantial breakthroughs in potential businesses

The Company accomplished the dual manufacturing base layout of "Weinan + Changsha" for earth moving machinery. Changsha excavating machinery intelligent manufacturing demonstration plant was put into full operation. The reliability and intelligence technology of medium and large tonnage excavating products were comprehensively upgraded. The overall market shares continued to increase, and the operating quality continued to improve. In the first half of the year, the domestic sales volume of large excavator products rose to the No. 5 in the industry, and the sales volume climbed to No. 3 in the industry in June.

Work-at-height machinery has become the most comprehensive work-at-height machinery manufacturer in China. While accelerating the product upgrade of conventional models, the development of new categories of products was accelerated, truck-mounted work-at-height operating platform and spider realized small batch production, and the prototypes of telescopic forklifts and aerial work-robots were developed and launched. In the first half of the year, the domestic market share increased to No. 1 in the industry, and the market performance and the reputation among our customers continued to improve. The overseas sales accelerated global layout, and the products covered 71 countries and regions.

Mining machinery is market-oriented, polishing products carefully, focusing on product performance improvement. Mining dump trucks were delivered in batches, and the sales of mining dump trucks exceeded RMB100 million. Mining dump trucks are widely favored by many customers due to their advantages of more loading, high efficiency, low fuel consumption and strong adaptability.

③ Accelerated the independent research and development (R&D) of core component

The Company continued to strengthen our capacity in technological R&D, improving the independent R&D and independently controllable production capacity of core components such as oil cylinders, hydraulic valves, engineering bridges and reducer. To continue to improve the industrial chain deployment, the Company has enhanced the self-made proportion of the core components and strengthened the product competitiveness. The intelligent hydraulic valve factory has been completed and put into production, and the production line construction of the intelligent manufacturing factory for mid-to-high-end hydraulic oil cylinders, engineering axles and other components is advancing rapidly.

Management Discussion and Analysis

2. Accelerated the quality improvement, upgrade and transformation of agricultural machinery industry

The Company implemented the policy of “Consolidate the foundation, transforming and improve” in agricultural machinery, with the Wuhu base as the core, accelerating the construction of intelligent manufacturing technology, and improving the production efficiency and product quality of agricultural machinery equipment. The Company focused on the development of new products. Several new products, such as large-horsepower high-end tractors, paddy field tractors, crawler harvesters and intelligent seedling thrower, had completed operating experiment. The adaptability of planting machinery products are fully upgraded and the degree of intelligence was higher. The domestic market shares of wheat machine, dryer, rotary tiller, baler, and seedling thrower remained at the forefront of the industry.

In the first half of the year, the Company strategically upgraded the intelligent agriculture orientation. The intelligent agriculture preliminarily formed the “1+3” product system, with one agricultural platform as the fundamental technology core, oriented in different customer groups, constructed three product series including the intelligentized agriculture cloud application, digitalized integrated management platform, agricultural big data regulatory center. In the first half of the year, the Company carried out the promotion of intelligent agriculture digitalized technology services in the Rim Dongting area of Hunan Province, and signed the global strategic cooperation agreements with Yiyang City and Changde City. In addition, intended projects in Jiangxi, Guangxi, Inner Mongolia and Jiangsu are continuing to connect.

3. Continued to accelerate the dry mortar industry layout

The dry mortar equipment business maintained stable, and its market share ranked in the No. 1 echelon in the domestic market steadily. We made every effort to build the whole industry chain of “intelligent production line + new building materials + construction equipment + construction method”, accelerated the standardization, modularization and localization of dry mortar equipment, and continued to make technological innovations to lead the development of the industry.

The dry mortar new material business, and factory construction and material R&D have proceeded simultaneously. The construction of the factory has advanced rapidly. On July 30, the Xiangyin benchmark factory of Zoomlion Material started construction. After the project is completed, it will become the largest and most automated construction new material production base in China. On July 31, the first phase of the Zoomlion material Ji'an Industrial Park project was opened and put into production. The Company continued to increase investment in R&D, establishing joint experiments for special mortar, carrying out research on emerging products and emerging raw materials. The Company has built an international leading production workshop for pilot products, a mechanized construction testing center,

Management Discussion and Analysis

and a R&D laboratory, which fully realized the whole process of high-quality control from raw material testing, laboratory formula testing, product pilot testing, construction small sample test and medium sample test.

4. Integrating industry with finance to facilitate industrial upgrading

During the Reporting Period, the Company completed the acquisition of RoadRover Technology and became the controlling shareholder. RoadRover Technology is one of the earliest companies in China to engage in vehicle-mounted navigation, vehicle intelligent cockpit and the Internet of Vehicle. It is the first partner of Baidu's unmanned Apollo program. Its main products are related products of intelligent cockpit, intelligent assisted driving, and Internet of Vehicles, as well as intelligent travel solutions and unmanned solutions.

(II) Accelerated the progression of digitalized transformation

With the help of internet thinking and new technology empowerment, the Company continued to promote the digitalized transformation of enterprise, and moved towards an intelligent Zoomlion of data operation. The Company continued to focus on the core business scenarios of the enterprise, fully mobilized business management, and accelerated the construction of end-to-end overseas business and digitalized management of intelligent manufacturing, and accelerated the breakthrough and innovation of traditional management model, business model and manufacturing model.

The Company steadily promoted the construction of overseas end-to-end digitalized application platforms, completed the construction of a multi-language, multi-currency, multi-time zone distributed technology base, and accelerated the layout of overseas business.

Around planning, manufacturing, quality, equipment, supply, logistics and other businesses, the Company focused on end-to-end manufacturing and supply, creating a smart manufacturing system and an agile supply system, and empowered the construction of a smart industrial city with digital technology.

(III) Accelerated the formation of intelligent manufacturing industry cluster

With the development direction of "digitization, intelligence and green", the Company accelerated the intelligent upgrading of production and manufacturing, and successively implemented the construction of intelligent parks, intelligent factories and intelligent production lines to accelerate the formation of an industry-leading intelligent manufacturing industry cluster, firmly established a benchmark for the intelligent manufacturing industry, and comprehensively consolidated the foundation of the Company's high-quality development.

Management Discussion and Analysis

1. The intelligent manufacturing industry cluster has been basically formed. The “ExcavationMachinery Intelligent Manufacturing Demonstration Factory” of the national intelligent manufacturing pilot project was put into full operation, including four unmanned “light-out” production lines. The industry-leading intelligent factory for work-at-height machinery has achieved the offline production of arm assembly line products, and consolidated the industrial foundation of the first-tier echelon in the industry; The construction of the production lines of Zoomlion Intelligent Industry City High-strength Steel Material Preparation Centre and Thin Plate Centre, the world’s largest and most intelligent; The construction of production lines of intelligent manufacturing plant for main engines and parts such as concrete pump delivery machinery, construction lifting machinery, basic construction machinery, agricultural machinery, axles for construction vehicles, and medium-to-high-end hydraulic oil cylinders is progressing in an orderly manner. The production capacity of intelligent factories such as tower cranes, mixer trucks and key components (hydraulic valves) that have been put into operation continued to be released, and the industrial intelligent manufacturing cluster of was basically formed, so as to continuously manufacture higher-quality products for customers and further consolidate the leading position in the industry.
2. Accelerated the transformation and application of intelligent manufacturing 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 150 industry leading advance intelligent manufacturing technologies. 78 key technologies of whole manufacturing process were successfully deployed in the intelligent production line, which accelerated the intelligent upgrading of manufacturing. Among which, 35 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.

(IV) Creating an innovative technological highland by “triple” integration

In the first half of the year, following the philosophy of “technologies as the roots, products as the fundamentals”, the Company implemented innovative product digitalization, intelligence and green integration with independent innovation as its lead, created industry-leading technologies and high-end products, accelerated the development of new energy technologies and products, and supported the rapid development of the Company’s three major business segments, namely new digital, new materials and new energy.

Management Discussion and Analysis

1. Major new products set new world records and continued to lead the industry

In the first half of the year, the Company developed and launched 63 major new products and launched 24 major products, achieving the mainframes equipped with industry-leading 29 digitalized technologies and 27 intelligent technology mainframes. The “digital, intelligent and green” projects accounted for nearly 30%.

The world’s largest and world-leading 2,400-tonne all-terrain crane developed by the Group has set a new world record, and has been delivered to users, providing equipment guarantee for the construction of large-scale wind power projects in China. The brand-new R-generation tower crane and the self-developed round tenon standard joint, breaks through the 30-year life design, with small wind resistance, four-directional homogeneity, and better wind resistance capacity. At the same time, it achieves whole-area safety such as connection, operation, limit and climbing, and continued to lead the industry technology. The world’s longest 55-tonne, five-bridge, 70-metre pump truck developed by the Company has set a new benchmark for lightweight pump truck, and made breakthroughs in multiple industry first-in-class innovative technologies such as single-arm controlled placing cloth, operation safety monitoring, and digitalized operation. The products of medium-to-large tonnage excavators are reliable, with the intelligent technology being comprehensively upgraded, the market share has continued to increase. The new and first ZS080V skid steer loader has achieved mass export to high-end markets such as America and Australia. The first 4LZ-15F self-propelled grain combined harvest machine developed by the Company in China, which has made breakthroughs in cutting vertical drums with low-loss particle removal and high-throughput separation of double vertical reel drums. The product breaks the foreign monopoly and the technology level is leading in China.

2. First in the world of new energy products to achieve industry-leading technology

The Company has made all-round efforts in integrated R&D of new energy core technology, key components and complete vehicles, leading the new energy of construction machinery.

The Company has completed prototype verification of 13 new energy core technologies such as electric drive bridge integrated control technology and platform-based electric wheel vehicle chassis control strategy, launched 18 new energy parts development projects, launched 15 new energy products including car cranes, truck-mounted concrete pumps, and aerial work platforms, and developed the world’s first 27-metre spider aerial work platform with pure electric drive. The Company’s self-developed permanent magnet synchronous motor system and lithium-ion power battery have reached the international leading level in terms of energy efficiency and operation performance. The Company has released the world’s first 220-tonne hybrid all-terrain crane and the world’s first 40-tonne pure electric off-road tire crane.

Management Discussion and Analysis

Up to now, Zoomlion has accumulatively launched more than 60 new energy products, covering truck-mounted concrete pumps, concrete mixers, truck cranes, aerial work platforms, excavators, mining cards, forklifts, emergency vehicles, agricultural machinery, etc. The new energy forms include pure electric, hybrid power and hydrogen fuel. A full range of new energy-based products has basically been formed. The series aerial work platform products have been sold in batches and are at the leading position in the industry.

3. No. 1 in the high-value patent industry and No. 1 in green product standard development industry

In 2022, the number of Zoomlion's invention patents that have been maintained for more than 10 years was included in the list of Top 100 Enterprises in China, making Zoomlion the only construction machinery company to be included in the list of Top 100 Enterprises. In the first half of the year, nearly 600 patent applications were completed, representing a year-on-year increase of 27%, of which invention patents accounted for more than 40%, and the layout of "digital, intelligent and green" patents accounted for 67%. The Company completed the establishment of one international standard, released two national standards including GB/T 41495-2022 "Specification for Maintenance, Repair and Retirement of Concrete Pump Vehicles", and completed the establishment of four green product group standards including "Technical Specifications for Evaluation of Green Design Products — Concrete Pump Vehicles" and "Technical Specifications for Evaluation of Green Design Products — Crawler Crane". The number of green product standards released or under research ranked first in the industry.

(V) Accelerating the pace of internationalization and strong growth in overseas markets

The Company continued to promote the strategy of internationalized and localized development, and built an end-to-end, digital and localized overseas business system, achieving record high operating results in overseas markets.

1. The overseas market of construction machinery products continued to grow rapidly. The localization development strategy of key countries such as Indonesia, the United Arab Emirates, Saudi Arabia and Vietnam achieved remarkable results, with sales performance increasing by more than 100% year-on-year.
2. Promoting the reform of overseas business management. Taking the aviation port as the business fulcrum and the ground force as the business tentacle, the Company improved localized human, financial, material, software and hardware management capabilities, formed an overseas business end-to-end and digitalized management system, completed the construction of localized business and operation systems in 19 key countries, and realized the globalization of business layout and comprehensive business expansion.

Management Discussion and Analysis

3. Continued to promote the expansion and upgrading of overseas production bases. The Company expanded and upgraded CIFA in Italy into a comprehensive global company covering concrete, engineering and construction products, accelerated the integration of tower machinery technology with the German company Wilbert, and used Wilbert as a window to connect the R&D technology of global high-end tower machinery, integrated the synergy between the world's leading agricultural machinery manufacturer, Labe, and the agricultural sector.

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

During the Reporting Period, the Company strengthened risk control, continuously improved the management standards of supply chain, aftersales service and human resources to ensure the high-quality development of the Company.

1. Comprehensively strengthening risk control. The Company improved the end-to-end risk control management system, built a solid risk control defence line, used the risk intelligent early warning platform with perception and thinking, actively discovered business risks, firmly grasped the key points of risk control, and promoted the steady growth of business.
2. Strengthening the construction of supply chain system. The Company continued to promote the centralized procurement and integration of common materials in multiple categories and strategic procurement of key materials, optimized the layout of the supply chain, and achieved cost reduction and efficiency enhancement.
3. Creating excellent service capabilities. The Company launched the operation service dispatch centre, continued to promote the digital and intelligent upgrading of services, promoted the refined management of services, realizing the improvement of service efficiency, continuously improved customer satisfaction, and continuously improved service quality.
4. Strengthening the construction and incentive of talent team. Adhering to the human resources management concept of "keeping strategy at the same frequency and business at the same time", the Company gathered the introduction of key talents, optimized the quality structure of employees, strengthened the cultivation of key talents, and launched a key talent team with multiple measures. During the Reporting Period, the Company issued a share repurchase plan. All the repurchased shares will be used for the implementation of the Employee Stock Ownership Plan to further motivate the team, increase the impetus for the Company's digital transformation and upgrading, internationalization and rapid development of emerging businesses, and promote the Company's long-term and healthy 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 2022, the international situation was complex and challenging, and the world economy showed an obvious trend of economic slow-down. There had been repeated yet sporadic outbreaks of COVID-19 in China, resulting in more unexpected factors. China's economy overcame the difficulties and maintained growth, showing a trend of stabilization and recovery. In the first half of 2022, due to the decline in the number of projects commencing construction in the fields of infrastructure and real estate, as well as the impacts of the COVID-19 outbreak, the domestic sales of the construction machinery industry dropped significantly. With continuous increase in the demand in the international market for Chinese construction machinery, the export sales of the construction machinery industry continued to maintain high-speed growth. Guided by the idea of "operating the business with Internet mind-set and produce products with finest thoughts", the Company accelerated the pace of digitalization, intelligentization, and green transformation and upgrade centered around the objective of high-quality development, strengthened presence in emerging sectors, and continued to expand overseas markets. With continuous increase in development resilience and endogenous driving force, the Company recorded an operating performance better than industry average.

During the Reporting Period, the Company achieved operating income amounting to RMB21,299 million, representing a decrease of 49.82% compared to the same period of 2021, and net profit attributable to equity shareholders of the Company amounting to RMB1,736 million, representing a decrease of 64.40% compared to the same period of 2021. Among which, revenue from concrete machinery and crane machinery products was RMB14,521 million, representing a decrease of 57.48% compared to the same period of 2021, and revenue from agricultural machinery products was RMB1,095 million, representing a decrease of 31.95% compared to the same period of 2021.

2. Cash flow and capital expenditure

The Company finances its operations primarily through bank loans and borrowings. As at 30 June 2022, the Company had RMB16,254 million in cash and cash equivalents. The Company's cash and cash equivalents primarily consist of cash and deposits at bank.

(1) Operating activities

For the six months ended 30 June 2022, net cash generated from operating activities was RMB1,598 million, decreased compared with the same period of 2021, mainly due to the decrease in sales collection as a result of sales decrease during the Reporting Period.

Management Discussion and Analysis

(2) Investing activities

For the six months ended 30 June 2022, net cash used in investing activities was RMB288 million, mainly including payment for acquisition of subsidiaries of RMB724 million.

(3) Financing activities

For the six months ended 30 June 2022, net cash generated from financing activities was RMB1,781 million, mainly including increase in bank and other borrowings of RMB9,697 million, repayment of bank and other borrowings of RMB6,675 million, and payment for acquisition of non-controlling interests of subsidiaries of RMB886 million.

(4) Capital expenditures

For the six months ended 30 June 2022, the capital expenditures for the purchases of property, plant and equipment, intangible assets and lease prepayments amounted to RMB993 million.

III. Employees

As at 30 June 2022, the Company had employed a total of 25,212 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 2021.

IV. Dividend

The Board recommended not to declare any interim dividend.

Management Discussion and Analysis

V. Use of Proceeds from Issue of Equity Securities made in Previous Financial Year(s)

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 subscribers at the issue price of RMB10.17 per A share, and raised a total amount of RMB5,199 million in gross proceeds and a total amount of RMB5,146 million in net proceeds respectively. As at 30 June 2022, a total amount of RMB2,266 million of the net proceeds remained unutilised and will be applied as follows:

No.	Purpose	Proposed allocation of net proceeds (RMB million)	Amount utilised (RMB million)	Unutilised amount as at 30 June 2022 (RMB million)	Expected timeline of full utilisation
1	Excavating machinery intelligent manufacturing project	2,400.00	1,234.66	1,165.34	2022 2H
2	Project for upgrading of intelligent manufacturing of mixer product	350.00	259.85	90.15	2022 2H
3	Key components intelligent manufacturing project	1,300.00	289.14	1,010.86	2023 2H
4	Liquidity replenishment	1,095.69	1095.69	—	—
TOTAL		5,145.69	2,879.34	2,266.35	

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

VI. Material Acquisition

On 30 March 2022, the Company entered into an equity transfer agreement with Beijing Hony 2010 Equity Investment Center (Limited Partnership) to acquire 7.2% interest in Zoomlion Agricultural Machinery Co., Ltd. (“the target”, a subsidiary of the Company), at the cash consideration of RMB265,930,740. Upon completion, the target became held as to 79.16% by the Company. The target is principally engaged in the business of agricultural equipment and agricultural services. Please refer to the Company’s announcement dated 30 March 2022 for details.

Save as disclosed, the Company’s current 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 2021 annual report.

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 or “SEHK”). 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 has adopted all code provisions in part 2 of the Corporate Governance Code (the “Code”) set out in Appendix 14 to the Listing Rules as the code of the Company. During the Reporting Period, the Company has complied with all the applicable code provisions set out in the Code, save and except the only deviation from code provision C.2.1 of the Code, namely, the roles of the chairman and chief executive officer have not been separated. Dr. Zhan Chunxin is currently the chairman of the Board and chief executive officer of the Company. The Board is of the view that vesting of these two roles in Dr. Zhan Chunxin can facilitate efficient planning and implementation of business strategies of the Company, and that through the supervision of the Board and its independent non-executive directors as well as the internal effective check-and-balance system, the balance of power and authority between the Board and management of the Company will not be affected. The Board believes that this arrangement is in the interests of the Company and its business.

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

The Company has adopted the rules governing the securities transactions by directors set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry to all its directors and supervisors, and all of its directors and supervisors have confirmed that they have fully complied with the Model Code throughout the Reporting Period. The Company has not identified any non-compliance with the Model Code by any of its 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 2022 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	Other	Sub-total	Number	Percentage
I. Shares subject to sales restriction	29,918,505	0.34%	-2,617,800	-2,617,800	27,300,705	0.31%
II. Shares not subject to sales restriction	8,648,073,731	99.66%	2,617,800	2,617,800	8,650,691,531	99.69%
Ordinary shares denominated in RMB	7,066,109,183	81.43%	2,617,800	2,617,800	7,068,726,983	81.46%
Overseas listed foreign invested shares	1,581,964,548	18.23%			1,581,964,548	18.23%
III. Total number of shares	8,677,992,236	100.00%			8,677,992,236	100.00%

Changes in Share Capital and Shareholders

2. Number and shareholdings of the shareholders of the Company

Unit: share

Name of shareholder	Percentage of shares held	Number of shares held at the end of the reporting period	Changes during the Reporting period
HKSCC NOMINEES LIMITED	18.19%	1,578,767,321	-266,720
Hunan Xing Xiang Investment Holding Group Co., Ltd.	14.44%	1,253,314,876	0
Changsha Zoomlion and Yisheng Investment Partnership (LLP)	7.86%	682,201,864	0
Zoomlion Heavy Industry Science and Technology Co., Ltd. — Phase I Employee Stock Ownership Plan	4.50%	390,449,924	0
Hong Kong Securities Clearing Company Limited	3.38%	293,657,367	43,991,573
China Securities Finance Co., Ltd.	2.69%	233,042,928	0
Real Smart International	1.94%	168,635,602	0
Urumqi Phoenix Cornerstone Equity Investment Management Limited Partnership — Maanshan Xuanyuan Cornerstone Equity Investment Partnership (Limited Partnership)	1.72%	148,869,223	0
Urumqi Phoenix Cornerstone Equity Investment Management Limited Partnership — Phoenix Cornerstone Tongli Private Equity Investment Fund	0.86%	74,434,611	0
Ning Chen	0.48%	41,308,859	41,308,859

Changes in Share Capital and Shareholders

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

As at 30 June 2022, so far as the Company's directors and chief executive officer were aware, the following persons (other than the Company's directors, supervisors and chief executive officer) 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 ⁽¹⁾	Percentage of class of shares issued (%)	Percentage of total issued shares (%)
State-owned Assets Supervision and Administration Commission of Hunan Provincial People's Government ⁽²⁾	Interest in a controlled corporation	A shares	1,253,314,876 (L)	17.66	14.44
Changsha Zoomlion and Yisheng Investment Partnership (LLP) ⁽³⁾	Beneficial owner	A shares	682,201,864 (L)	9.61	7.86
Zoomlion Heavy Industry Science and Technology Co., Ltd. – The First Phase of Employee Stock Ownership Plan ⁽⁴⁾	Beneficial owner	A shares	390,449,924 (L)	5.50	4.50
Changsha Hesheng Science and Technology Investment Co., Ltd. ⁽⁵⁾	Interest in a controlled corporation	H shares	193,757,462 (L)	12.25	2.23
Schroders PLC ⁽⁶⁾	Investment manager	H shares	157,083,200 (L)	9.93	1.81
BlackRock, Inc. ⁽⁷⁾	Interest in a controlled corporation	H shares	121,245,627 (L)	7.66	1.40

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). As stated in the form of disclosure of shareholder's interests submitted by Schroders PLC on 29 April 2022, 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). As stated in the form of disclosure of shareholder's interests submitted by BlackRock, Inc. on 17 June 2022, these shares are held via its affiliates.

Save as disclosed above, as at 30 June 2022, so far as the Company's directors and chief executive officer were aware, no persons (other than the Company's directors, supervisors and chief executive officer) 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 2022.

Changes in Share Capital and Shareholders

5. Events after the Reporting Period

On 20 July 2022, the Board resolved to repurchase up to 433,899,611 A shares of the Company by means of centralised bidding for the purpose of procuring healthy and stable long-term development, safeguarding interests of shareholders as a whole, enhancing investors' confidence and improving the long-term incentive mechanism of the Company, taking into account the trend of share prices and financial condition of the Company. The repurchase price shall not exceed RMB9.19 per A share.

All of the A shares to be repurchased will be used for implementation of the Company's employee share ownership scheme in order to further motivate its employees, and effectively amalgamate the interests of shareholders, the Company and its employees for enhancing the long-term and healthy development of the Company.

The repurchase period shall not exceed 12 months from 20 July 2022. Please refer to the Company's announcement dated 20 July 2022 for details.

6. Share option scheme

On 1 November 2017, the Company adopted a share option scheme. The validity period of the scheme shall commence from the grant date(s) of the options, and end on the date on which all the options have been exercised or cancelled, provided that such period must not exceed 48 months. Since all options granted had been exercised or cancelled (as applicable) during the year ended 31 December 2021, and no further grants may be made, the scheme is deemed expired.

Directors, Supervisors and Senior Management

I. Changes in information regarding Directors, Supervisors and Chief Executive

No changes occurred during the Reporting Period in any of the information regarding the Company's directors, supervisors or chief executive that are required to be disclosed in this report pursuant to Rule 13.51B(1) of the Listing Rules.

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

As at 30 June 2022, the directors, supervisors and chief executive 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 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 were as follows:

Name of Directors/ Supervisors	Nature of interest	Class of shares	Number of shares ⁽¹⁾	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 ⁽²⁾	H share	5,250,000 (L)	0.3318%
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 2022, save as disclosed above, none of the directors, supervisors or chief executive 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 2022, none of the directors, supervisors, or chief executive 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 27 to 76 which comprises the consolidated statement of financial position of Zoomlion Heavy Industry Science and Technology Co., Ltd. (the "Company") as of 30 June 2022, 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 2022 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 2022

Consolidated Statement of Comprehensive Income (Unaudited)

For the six-month period ended 30 June 2022

(Expressed in RMB)

	Note	For the six-month period ended 30 June	
		2022 RMB millions	2021 RMB millions
Revenue	3	21,299	42,449
Cost of sales and services		(16,873)	(31,835)
Gross profit		4,426	10,614
Other income	4	692	644
Sales and marketing expenses		(1,156)	(2,059)
General and administrative expenses		(819)	(1,048)
Impairment loss on trade and other receivables and receivables under finance lease		(219)	(433)
Research and development expenses		(1,122)	(2,005)
Profit from operations		1,802	5,713
Net finance income	5(a)	225	46
Share of profits less losses of associates		68	97
Profit before taxation	5	2,095	5,856
Income tax	6	(316)	(911)
Profit for the period		1,779	4,945

The notes on pages 39 to 76 form part of the interim financial report.

Consolidated Statement of Comprehensive Income (continued) (Unaudited)

For the six-month period ended 30 June 2022

(Expressed in RMB)

	Note	For the six-month period ended 30 June	
		2022 RMB millions	2021 RMB millions
Profit attributable to:			
Equity shareholders of the Company		1,736	4,876
Non-controlling interests		43	69
		1,779	4,945
Profit for the period			
		1,779	4,945
Earnings per share (cents)			
Basic	7	20.46	59.66
Diluted	7	20.28	58.88

The notes on pages 39 to 76 form part of the interim financial report.

Consolidated Statement of Comprehensive Income (continued) (Unaudited)

For the six-month period ended 30 June 2022

(Expressed in RMB)

	Note	For the six-month period ended 30 June	
		2022 RMB millions	2021 RMB millions
Profit for the period		1,779	4,945
Other comprehensive income for the period (after tax):			
<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)		(84)	(2)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of subsidiaries outside PRC		(201)	(60)
Total other comprehensive income for the period		(285)	(62)
Total comprehensive income for the period		1,494	4,883
Total comprehensive income attributable to:			
Equity shareholders of the Company		1,451	4,814
Non-controlling interests		43	69
Total comprehensive income for the period		1,494	4,883

The notes on pages 39 to 76 form part of the interim financial report.

Consolidated Statement of Financial Position (Unaudited)

At 30 June 2022

(Expressed in RMB)

	Note	As at 30 June 2022 RMB millions	As at 31 December 2021 RMB millions
Non-current assets			
Property, plant and equipment		11,086	9,740
Right-of-use assets		4,431	4,113
Investment properties		162	—
Intangible assets		1,881	1,850
Goodwill	8	2,486	1,908
Interests in associates	9	4,208	4,190
Other financial assets	10	2,279	2,418
Trade and other receivables	11	13,673	16,353
Receivables under finance lease	12	7,768	7,206
Loans and advances	11	170	140
Pledged bank deposits		126	202
Deferred tax assets		1,123	1,148
Total non-current assets		49,393	49,268
Current assets			
Inventories	13	15,840	13,501
Other current assets		1,099	1,156
Financial assets measured at fair value through profit or loss (FVPL)	14	5,967	6,408
Trade and other receivables	11	35,502	32,108
Receivables under finance lease	12	4,691	4,496
Loans and advances	11	112	80
Pledged bank deposits		1,469	1,775
Cash and cash equivalents	15	16,254	13,190
Total current assets		80,934	72,714
Total assets		130,327	121,982

The notes on pages 39 to 76 form part of the interim financial report.

Consolidated Statement of Financial Position (continued) (Unaudited)

At 30 June 2022
(Expressed in RMB)

	Note	As at 30 June 2022 RMB millions	As at 31 December 2021 RMB millions
Current liabilities			
Loans and borrowings	16(a)	14,005	11,011
Trade and other payables	17	43,073	36,600
Contract liabilities		2,019	1,874
Lease liabilities		118	93
Income tax payable		121	97
Total current liabilities		59,336	49,675
<hr style="border-top: 1px dashed black;"/>			
Net current assets		21,466	23,039
<hr/>			
Total assets less current liabilities		70,991	72,307
<hr/>			
Non-current liabilities			
Loans and borrowings	16(b)	8,171	7,894
Lease liabilities		388	320
Deferred tax liabilities		424	405
Other non-current liabilities		5,364	5,428
Total non-current liabilities		14,347	14,047
<hr/>			
NET ASSETS		56,644	58,260

The notes on pages 39 to 76 form part of the interim financial report.

Consolidated Statement of Financial Position (continued) (Unaudited)

At 30 June 2022

(Expressed in RMB)

	As at 30 June 2022 RMB millions	As at 31 December 2021 RMB millions
CAPITAL AND RESERVES		
Share capital	8,678	8,678
Reserves	46,294	48,153
Total equity attributable to equity shareholders of the Company	54,972	56,831
Non-controlling interests	1,672	1,429
TOTAL EQUITY	56,644	58,260

Approved and authorised for issue by the board of directors on 30 August 2022.

Zhan Chunxin

Chairman and Chief Executive Officer

Du Yigang

Vice-president

The notes on pages 39 to 76 form part of the interim financial report.

Consolidated Statement of Changes in Equity (Unaudited)

For the six-month period ended 30 June 2022

(Expressed in RMB)

	Note	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		Retained earnings RMB millions	Total RMB millions	Non-controlling interests RMB millions	
						(non-recycling) RMB millions	Other reserves RMB millions				
Balance at 31 December 2020 and 1 January 2021		7,938	13,517	3,924	(1,300)	12	59	22,556	46,706	1,144	47,850
Changes in equity for the six-month period ended 30 June 2021:											
Profit for the period		–	–	–	–	–	–	4,876	4,876	69	4,945
Other comprehensive income		–	–	–	(60)	28	–	(30)	(62)	–	(62)
Total comprehensive income		–	–	–	(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		–	349	–	–	–	–	–	349	–	349
Dividends declared by subsidiaries to non-controlling interests		–	–	–	–	–	–	–	–	(19)	(19)
Safety production fund	24(b)	–	–	–	–	–	25	(25)	–	–	–
Balance at 30 June 2021		8,674	19,377	3,924	(1,360)	40	84	24,599	55,338	1,194	56,532

The notes on pages 39 to 76 form part of the interim financial report.

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

For the six-month period ended 30 June 2022

(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	
Balance at 30 June 2021 and 1 July 2021	8,674	19,377	3,924	(1,360)	40	84	24,599	55,338	1,194	56,532
Changes in equity for the six-month period ended 31 December 2021:										
Profit for the period	–	–	–	–	–	–	1,427	1,427	47	1,474
Other comprehensive income	–	–	–	(112)	(29)	–	(21)	(162)	–	(162)
Total comprehensive income	–	–	–	(112)	(29)	–	1,406	1,265	47	1,312
Appropriation for surplus reserve	–	–	460	–	–	–	(460)	–	–	–
Share incentive scheme										
– Share option scheme	4	9	–	–	–	–	–	13	–	13
– Restricted share scheme	–	214	–	–	–	–	–	214	–	214
Disposal of a subsidiary	–	–	–	–	–	–	–	–	(7)	(7)
Contribution from non-controlling shareholders in a subsidiary	–	1	–	–	–	–	–	1	195	196
Appropriation for general risk reserve	–	–	–	–	–	169	(169)	–	–	–
Safety production fund	–	–	–	–	–	7	(7)	–	–	–
Balance at 31 December 2021	8,678	19,601	4,384	(1,472)	11	260	25,369	56,831	1,429	58,260

The notes on pages 39 to 76 form part of the interim financial report.

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

For the six-month period ended 30 June 2022

(Expressed in RMB)

Note	Attributable to equity shareholders of the Company												
	Share capital RMB millions	Capital reserve RMB millions	Statutory surplus reserve RMB millions	Exchange reserve RMB millions	Fair value reserve			Retained earnings RMB millions	Total	Non- controlling interests RMB millions	Total equity RMB millions		
					(non- recycling)							Other reserves RMB millions	Total
					RMB millions	RMB millions	RMB millions						
Balance at 31 December 2021 and 1 January 2022	8,678	19,601	4,384	(1,472)	11	260	25,369	56,831	1,429	58,260			
Changes in equity for the six-month period ended 30 June 2022:													
Profit for the period	-	-	-	-	-	-	1,736	1,736	43	1,779			
Other comprehensive income	-	-	-	(201)	(71)	-	(13)	(285)	-	(285)			
Total comprehensive income	-	-	-	(201)	(71)	-	1,723	1,451	43	1,494			
Cash dividends	18(a)	-	-	-	-	-	(2,777)	(2,777)	-	(2,777)			
Share incentive scheme													
— Restricted share scheme	18(c)	-	80	-	-	-	-	80	-	80			
Acquisition of a subsidiary	8	-	-	-	-	-	-	-	383	383			
Acquisition of non-controlling interests in subsidiaries		-	(626)	-	-	-	-	(626)	(256)	(882)			
Contribution from non-controlling shareholders in a subsidiary		-	13	-	-	-	-	13	85	98			
Dividends declared by subsidiaries to non-controlling interests		-	-	-	-	-	-	-	(12)	(12)			
Safety production fund	24(b)	-	-	-	-	21	(21)	-	-	-			
Balance at 30 June 2022		8,678	19,068	4,384	(1,673)	(60)	281	24,294	54,972	1,672	56,644		

The notes on pages 39 to 76 form part of the interim financial report.

Consolidated Cash Flow Statement (Unaudited)

For the six-month period ended 30 June 2022

(Expressed in RMB)

	Note	For the six-month period ended 30 June	
		2022 RMB millions	2021 RMB millions
Operating activities			
Profit before taxation		2,095	5,856
Adjustments for:			
Depreciation of property, plant and equipment	5(c)	349	304
Depreciation of right-of-use assets	5(c)	90	90
Amortisation of intangible assets	5(c)	80	82
Share of profits less losses of associates		(68)	(97)
Interest income	5(a)	(501)	(480)
Interest expenses	5(a)	497	463
Gain on disposal of property, plant and equipment and right-of-use assets	4	(8)	(63)
Net realised and unrealised gains on financial assets at FVPL	4	(167)	(264)
Dividends income from financial assets measured at fair value through other comprehensive income (FVOCI)	4	(10)	(25)
Loss on troubled debt restructurings	4	6	27
Loss on disposal of trade receivables and receivables under finance lease	4	30	133
Gain on disposal of subsidiaries and associates		—	(5)
Share incentive scheme expenses	5(b)	85	213
		2,478	6,234
Increase in inventories		(1,961)	(1,859)
Increase in trade and other receivables		(759)	(9,089)
(Increase)/decrease in receivables under finance lease		(1,437)	1,866
Increase in trade and other payables		3,516	7,235
Increase in contract liabilities		117	317
Cash generated from operations		1,954	4,704
Income tax paid		(356)	(704)
Net cash generated from operating activities carried forward		1,598	4,000

The notes on pages 39 to 76 form part of the interim financial report.

Consolidated Cash Flow Statement (continued) (Unaudited)

For the six-month period ended 30 June 2022

(Expressed in RMB)

	Note	For the six-month period ended 30 June	
		2022 RMB millions	2021 RMB millions
Net cash generated from operating activities brought forward		1,598	4,000
Investing activities			
Payment for purchase of property, plant and equipment		(719)	(794)
Payment for purchase of right-of-use assets		(237)	(222)
Payment for purchase of intangible assets		(37)	(28)
Dividends from associates		25	—
Payment for investments in associates		(14)	(133)
Payment for acquisition of financial assets at FVOCI		—	(934)
Payment for acquisition of financial assets at FVPL		(7,736)	(14,856)
Proceeds from disposal of financial assets at FVPL		8,414	6,578
Dividend income from financial assets at FVOCI	4	10	25
Proceeds from government for disposal of industrial parks		—	250
Proceeds from disposal of property, plant and equipment, intangible assets and right-of-use assets		69	135
Proceeds from disposal of financial assets at FVOCI		22	820
Payment for acquisition of a subsidiary, net of cash acquired	8	(724)	—
Proceeds from disposal of a subsidiary, net of cash disposed of	9	—	1,444
Interest received		257	128
Decrease/(increase) in pledged bank deposits		382	(540)
Net cash used in investing activities		(288)	(8,127)

The notes on pages 39 to 76 form part of the interim financial report.

Consolidated Cash Flow Statement (continued) (Unaudited)

For the six-month period ended 30 June 2022

(Expressed in RMB)

	Note	For the six-month period ended 30 June	
		2022 RMB millions	2021 RMB millions
Financing activities			
Payment for acquisition of non-controlling interests of subsidiaries		(886)	—
Proceeds from loans and borrowings		9,697	44,717
Repayments of loans and borrowings		(6,675)	(41,912)
Proceeds from exercise of share options	18(c)	—	123
Capital contributions from non-controlling shareholders of subsidiaries		89	—
Dividends paid to equity shareholders		(48)	(496)
Interest paid		(326)	(304)
Dividends paid by subsidiaries to non-controlling shareholders		(10)	(19)
Proceeds from issue of ordinary shares	18(b)	—	6,088
Capital element of lease rentals paid		(51)	(45)
Interest element of lease rentals paid		(9)	(6)
Net cash generated from financing activities		1,781	8,146
Net increase in cash and cash equivalents		3,091	4,019
Cash and cash equivalents at the beginning of period		13,190	10,086
Effect of foreign exchange rate changes		(27)	(37)
Cash and cash equivalents at the end of period	15	16,254	14,068

The notes on pages 39 to 76 form part of the interim financial report.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2022

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 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 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 2021 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 2022

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 IAS 16, Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract

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:

	For the six-month period ended 30 June	
	2022	2021
	RMB	RMB
	millions	millions
Revenue from contracts with customers within the scope of IFRS 15, all recognised at point in time		
Disaggregated by major products of service lines		
Construction machinery		
– Concrete machinery	4,702	11,474
– Crane machinery	9,635	22,676
– Others	5,439	6,186
Agricultural machinery	1,095	1,609
	20,871	41,945
Revenue from other sources		
Rental income from construction machinery	189	90
Financial services	239	414
	428	504
	21,299	42,449

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2022

3 Revenue and segment reporting (continued)

(b) Information about profit or loss

	For the six-month period ended 30 June	
	2022 RMB millions	2021 RMB millions
Reportable segment profit:		
Construction machinery		
— Concrete machinery	986	2,861
— Crane machinery	1,881	5,839
— Others	1,257	1,294
Agricultural machinery	69	210
Financial services	233	410
	4,426	10,614

(c) Reconciliations of segment profit

	For the six-month period ended 30 June	
	2022 RMB millions	2021 RMB millions
Total reportable segment profit	4,426	10,614
Other income	692	644
Sales and marketing expenses	(1,156)	(2,059)
General and administrative expenses	(819)	(1,048)
Impairment loss on trade and other receivables and receivables under finance lease	(219)	(433)
Research and development expenses	(1,122)	(2,005)
Net finance income	225	46
Share of profits less losses of associates	68	97
Profit before taxation	2,095	5,856

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2022

4 Other income

	For the six-month period ended 30 June	
	2022 RMB millions	2021 RMB millions
Government grants	532	450
Gain on disposal of property, plant and equipment, intangible assets and right-of-use assets	8	63
Net realised and unrealised gains on financial assets at FVPL	167	264
Dividend income from financial assets at FVOCI	10	25
Loss on disposal of trade receivables and receivables under finance lease	(30)	(133)
Loss on troubled debt restructurings	(6)	(27)
Others	11	2
	692	644

5 Profit before taxation

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

(a) Net finance income:

	For the six-month period ended 30 June	
	2022 RMB millions	2021 RMB millions
Interest income	(501)	(480)
Interest expense on loans and borrowings	488	457
Interest expense on lease liabilities	9	6
Net exchange gain	(221)	(29)
	(225)	(46)

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2022

5 Profit before taxation (continued)

(b) Staff costs:

	For the six-month period ended 30 June	
	2022 RMB millions	2021 RMB millions
Salaries, wages and other benefits	1,772	1,972
Contributions to retirement schemes	269	316
Share incentive scheme expense	85	213
	2,126	2,501

(c) Other items:

	For the six-month period ended 30 June	
	2022 RMB millions	2021 RMB millions
Cost of inventories sold	16,873	31,835
Depreciation charge		
— owned property, plant and equipment	349	304
— right-of-use assets	90	90
Amortisation of intangible assets	80	82
Gain on disposal of property, plant and equipment, intangible assets and right-of-use assets	(8)	(63)
Product warranty costs	98	283
Impairment losses		
— trade receivables (Note 11(b))	106	226
— receivables under finance lease (Note 12(c))	75	102
— other receivables	51	17
— loans and advances	1	—
— financial guarantee issued	(14)	88
— inventories	1	2

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2022

6 Income tax

(a) Taxation charged to profit or loss:

	For the six-month period ended 30 June	
	2022 RMB millions	2021 RMB millions
Current tax — PRC income tax	256	742
Current tax — Income tax in other tax jurisdictions	4	5
Deferred taxation	56	164
Tax expenses	316	911

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

	For the six-month period ended 30 June	
	2022 RMB millions	2021 RMB millions
Profit before taxation	2,095	5,856
Notional tax on profit before taxation, calculated at the statutory income tax rate applicable to the jurisdictions concerned (Note (a))	524	1,464
Tax effect of non-deductible expenses	67	64
Current year loss for which no deferred tax assets was recognised	53	32
Tax effect of non-taxable income	(90)	(65)
Tax effect of tax concessions (Note (b))	(112)	(459)
Additional deduction for qualified research and development expenses (Note (c))	(126)	(125)
Actual income tax expenses	316	911

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2022

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% (2021: 25%).

The Company's subsidiaries in the Hong Kong Special Administrative Region (HKSAR) are subject to Hong Kong Profits Tax at 16.5% (2021: 16.5%) in respect of assessable profits arising in or derived from Hong Kong. For the six-month period ended 30 June 2022, 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% (2021: 19.0% to 30.0%).

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

The 15% preferential tax rate applicable to high and new 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 and new technology enterprise. Management therefore believes 15% represents the best estimate of the annual tax rate of these entities for the year ending 31 December 2022.

- (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 2022 (2021:100%).

7 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the six-month period ended 30 June 2022 is based on the profit attributable to equity shareholders of the Company of RMB1,736 million (six-month period ended 30 June 2021: RMB4,876 million), and the weighted-average number of ordinary shares in issue of 8,484 million shares (six-month period ended 30 June 2021: 8,173 million shares).

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six-month period ended 30 June 2022 is based on the profit attributable to equity shareholders of the Company of RMB1,736 million (six-month period ended 30 June 2021: RMB4,876 million), and the weighted-average number of ordinary shares in issue of 8,561 million shares (six-month period ended 30 June 2021: 8,281 million shares) after adjusting for the vested restricted shares for the reporting period.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2022

8 Goodwill and business combination

	2022	2021
	RMB	RMB
	millions	millions
Balance at 1 January	1,908	2,054
Add: goodwill from new acquisition	616	—
Effect of exchange rate difference	(38)	(146)
Balance at 30 June/31 December	2,486	1,908

In February 2022, the Group entered into Equity Transfer Agreement (the “Agreement”) with an independent third party (the “Seller”) for the acquisition of 29.99% equity interests in Shenzhen RoadRover Technology Co., Ltd. (“RoadRover Technology”), a joint stock company listed in the Shenzhen Stock Exchange, and its subsidiaries (collectively “RoadRover Group”) with a total consideration of RMB780 million, which could be adjusted downward if the post-acquisition net profits of a subsidiary of RoadRover Technology for the years ending 31 December 2022, 2023 and 2024 do not meet certain target guaranteed by the previous controlling shareholder of RoadRover Technology.

RoadRover Group is mainly engaged in the development, manufacturing, sales and provision of service relating to automotive information, automotive intelligence and smart transportation system products.

On 23 February 2022, the Group completed the acquisition of 29.99% of the issued share capital of RoadRover Technology and obtained the right to appoint 4 out of 5 directors on the Board of Directors of RoadRover Technology. As the Seller (being the largest shareholder of the remaining equity interests) has agreed to relinquish her voting rights in RoadRover Technology’s future shareholders’ meetings, the Group effectively holds 46.74% of the voting rights of RoadRover Technology’s ultimate governing body. The Group’s voting rights are significantly more than the remaining shareholders who are widely dispersed and have less than 5% participation rate in the historical vote casting. Consequently, the Group has determined that it has obtained the ability to direct the relevant activities of RoadRover Technology and commenced consolidation of RoadRover Technology from the date of acquisition.

The acquisition has been accounted for by the Group under the acquisition method. Based on a preliminary assessment of purchase price allocation, the Group has determined that the fair value of net identifiable assets acquired to be approximately RMB547 million, mainly comprising of property, plant and equipment of RMB191 million, investment properties of RMB164 million, intangible assets of RMB88 million, trade and other receivables of RMB156 million, cash and cash equivalents of RMB56 million, trade and other payables of RMB122 million, contract liabilities of RMB28 million, deferred tax liabilities of RMB28 million, non-controlling interest of RMB383 million, arising from this business combination, resulting to a goodwill of RMB616 million.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2022

8 Goodwill and business combination (continued)

As the allocation of purchased price to be identifiable assets acquired and liabilities assumed of the above business combination had not been finalised as at 30 June 2022, these items were reported in their provisional amounts in the interim financial statements.

On 9 May 2022, the Group completed the acquisition of additional 23.83% equity interests of RoadRover Technology through a tender offer to other shareholders of RoadRover Technology at a total consideration of RMB620 million in cash. An amount of RMB132 million (being the proportionate share of the carrying amount of the net assets of RoadRover Group) has been transferred from non-controlling interests. The difference of RMB488 million between the decrease in the non-controlling interests and the consideration paid has been debited to capital reserve.

9 Interests in associates

	30 June 2022	31 December 2021
	RMB millions	RMB millions
Carrying amount of the individually material associate in the consolidated financial statements	3,110	3,110
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	1,098	1,080
	4,208	4,190

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 2022

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	RMB3,179	12.56%	12.56%	Environmental construction and project operation

Note: Infore Environment is listed on the main board of Shenzhen Stock Exchange. On 30 June 2022, the quoted market price of Infore Environment was RMB4.96 (31 December 2021: RMB7.33) per share and the fair value of the investment in Infore Environment was RMB1,980 million (31 December 2021: RMB2,926 million).

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2022

9 Interests in associates (continued)

In 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 six-month period ended 30 June 2021, 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)
Net assets disposed of	2,002
Consideration received	1,627
Cash and cash equivalents disposed of	(183)
Net cash inflows	1,444

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2022

10 Other financial assets

	Note	30 June 2022 RMB millions	31 December 2021 RMB millions
Financial assets at FVOCI			
Equity securities	(i)	2,188	2,307
Financial assets at FVPL			
Listed equity securities	(ii)	91	111
Total		2,279	2,418

- (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 RMB1,596 million, RMB12 million and RMB580 million, respectively, as at 30 June 2022 (31 December 2021: RMB1,690 million, RMB14 million and RMB603 million). The Group designated these investments at FVOCI (non-recycling), as these investments are held for strategic purposes. Dividends of RMB10 million (six-month period ended 30 June 2021: RMB25 million) were received from these investments in equity securities during the six-month period ended 30 June 2022 (see Note 4). A loss accumulated in the fair value reserve (non-recycling) of RMB13 million in relation to disposal of equity securities was transferred to retained earnings during the six-month period ended 30 June 2022 (six-month period ended 30 June 2021: RMB30 million).
- (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 RMB91 million, based on their quoted market prices as at 30 June 2022 (31 December 2021: RMB111 million).

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2022

11 Trade and other receivables

	As at 30 June 2022 RMB millions	As at 31 December 2021 RMB millions
Trade receivables	48,393	47,823
Less: loss allowance for doubtful debts (Note (b))	(5,200)	(4,937)
	43,193	42,886
Less: trade receivables due after one year	(13,673)	(16,353)
	29,520	26,533
Bills receivable (Note (c))	1,347	1,882
	30,867	28,415
Amounts due from related parties	283	265
Prepayments for purchase of raw materials	892	639
Prepaid expenses	604	408
VAT recoverable	1,611	1,070
Deposits	186	91
Financial assets at amortised cost	205	200
Others	854	1,020
	35,502	32,108

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2022

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 allowance is as follows:

	As at 30 June 2022 RMB millions	As at 31 December 2021 RMB millions
Within 1 year	32,640	34,721
Over 1 year but less than 2 years	6,223	3,768
Over 2 years but less than 3 years	1,089	1,448
Over 3 years but less than 5 years	1,491	1,308
Over 5 years	1,750	1,641
	43,193	42,886

Trade receivables under credit sales arrangement are generally due within 1 to 3 months (2021: 1 to 3 months) from the date of billing, and customers are normally required to make an upfront payment ranging from 40% to 50% (2021: 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 (2021: 6 to 42 months), customers are normally required to make an upfront payment ranging from 30% to 50% (2021: 30% to 50%) of the product price.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2022

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	30 June 2022 RMB millions	31 December 2021 RMB millions
Balance at 1 January		4,937	4,943
Impairment losses recognised		106	496
Reclassification from loss allowance of receivables under finance lease	12(c)	284	554
Uncollectible amounts written off		(121)	(1,037)
Written off upon sale of trade receivables		(6)	(19)
Balance at 30 June/31 December		5,200	4,937

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2022

11 Trade and other receivables (continued)

- (c) As at 30 June 2022, bills receivable of RMB1,243 million (31 December 2021: RMB1,882 million) whose fair values approximate to their carrying values were classified as financial assets at FVOCI under IFRS 9. The fair value changes of these bills receivable measured at FVOCI were insignificant during the six-month period ended 30 June 2022.

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 2022, 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 2022, 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 RMB1,196 million (31 December 2021: RMB740 million).

As at 30 June 2022, no bills receivable (31 December 2021: RMB13 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 2022, bills receivable of RMB300 million (31 December 2021: RMB730 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 2022

11 Trade and other receivables (continued)

(d) Loans and advances

	2022	2021
	RMB	RMB
	millions	millions
Loans and advances	289	226
Less: loss allowance	(7)	(6)
	282	220
Less: loans and advances due after one year	(170)	(140)
Loans and advances due within one year	112	80

The Group began to provide loan services to customers purchasing machinery products of the Group since 2021. Customers are normally required to make an upfront payment ranging from 20% to 50% of the product price. Loans and advances under these arrangements are generally due within 2 to 5 years.

As part of the Group's ongoing credit control procedures, management monitors the creditworthiness of customers to which it provides loans and advances in the business. Loan credit exposure limits are established to avoid concentration risk with respect to any single customer.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2022

12 Receivables under finance lease

	As at 30 June 2022 RMB millions	As at 31 December 2021 RMB millions
Gross investment	14,029	13,344
Unearned finance income	(825)	(688)
	13,204	12,656
Less: loss allowance for doubtful debts (Note(c))	(745)	(954)
	12,459	11,702
Less: receivables under finance lease due after one year	(7,768)	(7,206)
Receivables under finance lease due within one year	4,691	4,496

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 1 to 6 years (2021: 1 to 6 years). Customers are normally required to make an upfront payment ranging from 5% to 50% of the product price (2021: 5% to 50%) and pay a security deposit ranging from 1% to 20% of the product price (2021: 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 2022

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:

	As at 30 June 2022 RMB millions	As at 31 December 2021 RMB millions
Present value of the minimum lease payments		
Within 1 year	5,113	4,782
Over 1 year but less than 2 years	3,365	3,191
Over 2 years but less than 3 years	2,281	2,217
Over 3 years	2,445	2,466
	13,204	12,656
Unearned finance income		
Within 1 year	331	280
Over 1 year but less than 2 years	186	160
Over 2 years but less than 3 years	137	109
Over 3 years	171	139
	825	688
Gross investment		
Within 1 year	5,444	5,062
Over 1 year but less than 2 years	3,552	3,351
Over 2 years but less than 3 years	2,418	2,326
Over 3 years	2,615	2,605
	14,029	13,344

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2022

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:

	As at 30 June 2022 RMB millions	As at 31 December 2021 RMB millions
Not yet due	12,093	11,299
Within 1 year past due	892	478
Over 1 year but less than 2 years past due	175	145
Over 2 years past due	44	734
Total past due	1,111	1,357
Less: loss allowance	(745)	(954)
	12,459	11,702

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 2022

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	2022 RMB millions	2021 RMB millions
Balance at 1 January		954	1,604
Impairment losses recognised		75	178
Written off upon sale of receivables under finance lease		—	(54)
Reclassification to loss allowance of trade receivables	11(b)	(284)	(554)
Written off upon repossession of sold machinery		—	(28)
Disposal of a subsidiary		—	(192)
Balance at 30 June/31 December		745	954

13 Inventories

	As at 30 June 2022 RMB millions	As at 31 December 2021 RMB millions
Raw materials	4,377	4,204
Work in progress	2,664	2,815
Finished goods (Note)	8,799	6,482
	15,840	13,501

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 2022

14 Financial assets at fair value through profit or loss

	Note	As at 30 June 2022 RMB millions	As at 31 December 2021 RMB millions
Financial assets carried at fair value through profit or loss:			
— Wealth management products	(i)	109	1,120
— Structured deposits	(i)	5,087	4,310
— Derivatives		15	—
— Securities investment funds	(ii)	756	978
		5,967	6,408

Notes:

- (i) 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.
- (ii) 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.

15 Cash and cash equivalents

	As at 30 June 2022 RMB millions	As at 31 December 2021 RMB millions
Cash at bank and on hand		
— RMB denominated	13,625	11,337
— USD denominated	1,309	699
— EUR denominated	853	673
— HKD denominated	30	65
— Other currencies	437	416
	16,254	13,190

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2022

16 Loans and borrowings

(a) Short-term loans and borrowings:

	Note	As at 30 June 2022 RMB millions	As at 31 December 2021 RMB millions
Pledged short-term bank loans			
— RMB denominated	(i)	310	408
Unsecured short-term bank loans			
— RMB denominated	(ii)	2,154	1,225
— USD denominated	(iii)	334	209
— EUR denominated	(iv)	1,982	1,471
		4,780	3,313
Add: current portion of long-term loans and borrowings	16(b)	9,225	7,698
		14,005	11,011

Notes:

- (i) As at 30 June 2022, RMB denominated pledged short-term bank loans of RMB310 million (31 December 2021: RMB408 million) bear interest at rates ranging from 2.00% to 2.98% per annum were pledged by patents, bank acceptance bills and investment properties, and will be repayable in full from 2022 to 2023. Such loans are subject to the fulfilment of certain financial covenants of the Group. As at 30 June 2022, the Group was in compliance with these financial covenants.
- (ii) As at 30 June 2022, RMB denominated unsecured short-term bank loans of RMB2,154 million (31 December 2021: RMB1,225 million) bear interest at rates ranging from 1.40% to 3.70% per annum and will be repayable from 2022 to 2023.
- (iii) As at 30 June 2022, USD denominated unsecured short-term bank loans of RMB334 million (31 December 2021: RMB209 million) bear interest at rates ranging from 0.96% to 1.34% per annum and will be repayable in full in 2023.
- (iv) As at 30 June 2022, EUR denominated unsecured short-term bank loans of RMB1,982 million (31 December 2021: RMB1,471 million) bear interest at rates ranging from 0.25% to 1.00% per annum and will be repayable from 2022 to 2023. Such loans are subject to the fulfilment of certain financial covenants of the Group. As at 30 June 2022, the Group was in compliance with these financial covenants.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2022

16 Loans and borrowings (continued)

(b) Long-term loans and borrowings:

	Note	As at 30 June 2022 RMB millions	As at 31 December 2021 RMB millions
Unsecured long-term bank loans			
– RMB denominated	(i)	6,854	4,654
– EUR denominated	(ii)	219	759
– USD denominated	(iii)	191	295
Secured long-term bank loans			
– EUR denominated	(iv)	17	19
RMB medium-term notes	(v)	2,621	2,571
Guaranteed USD senior notes	(vi)	3,530	3,333
Debentures	(vii)	3,964	3,961
		17,396	15,592
Less: current portion of long-term loans and borrowings	16(a)	(9,225)	(7,698)
		8,171	7,894

Notes:

(i) As at 30 June 2022, RMB denominated unsecured long-term bank loans of RMB6,832 million (31 December 2021: RMB4,485 million) bear interest at rates ranging from 2.65% to 3.70% per annum and will be repayable from year 2023 to 2025. Such loans are subject to the fulfilment of certain financial covenants of the Group. As at 30 June 2022, the Group was in compliance with these financial covenants.

As at 30 June 2022, RMB denominated unsecured long-term bank loans of RMB22 million (31 December 2021: RMB169 million) bear interest at rates ranging from 3.10% to 3.70% per annum and will be repayable from year 2022 to 2023.

(ii) As at 30 June 2022, EUR denominated unsecured long-term bank loans of RMB210 million (31 December 2021: RMB222 million) bear interest at rates ranging from 0.50% to 2.80% per annum and will be repayable from year 2023 to 2030.

As at 30 June 2022, EUR denominated unsecured long-term bank loans of RMB9 million (31 December 2021: RMB537 million) bear interest at the rate of 2.00% per annum and will be repayable in year 2023.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2022

16 Loans and borrowings (continued)

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

- (iii) As at 30 June 2022, USD denominated unsecured long-term bank loans of RMB157 million (31 December 2021: RMB184 million) bear interest at rates ranging from 1.10% to 1.80% per annum and will be repayable from year 2023 to 2029.

As at 30 June 2022, USD denominated unsecured long-term bank loans of RMB34 million (31 December 2021: RMB111 million) bear interest at the rate of 3mlibor+65bps per annum and will be repayable in year 2023.

- (iv) As at 30 June 2022, EUR denominated secured long-term bank loans of RMB17 million (31 December 2021: RMB19 million) bear interest at rates ranging from 1.00% to 1.80% per annum were secured by property, plant and equipment, and will be repayable in year 2031.

- (v) 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. Interest on the notes will be payable yearly in arrears in December, beginning from December 2018. By December 2021, the note holders have the right to demand partial or full repayment of the medium-term notes. In December 2021, the Company redeemed these notes in the principal amount of RMB2,450 million. As at 30 June 2022, the balance of the medium-term notes was RMB51 million.

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. Interest on the notes will be payable yearly in arrears in October, beginning from October 2019. By October 2022, the note holders have the right to demand partial or full repayment of the medium-term notes. As at 30 June 2022, the balance of the medium-term notes including accrued interest was RMB2,570 million.

- (vi) 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. As at 30 June 2022, the balance of the senior notes was RMB3,530 million.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2022

16 Loans and borrowings (continued)

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

(vii) 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. Interest on the debentures will be payable yearly in arrears in December, beginning from December 2018. By December 2021, the bond holders have the right to demand partial or full repayment of the medium-term bonds. In December 2021, the Company redeemed the bonds in the principal amount of RMB1,113 million. As at 30 June 2022, the balance of the medium-term notes including accrued interest was RMB904 million.

In July 2019, the Company issued 5-year RMB debentures with principal amount of RMB1,000 million. The debentures bear interest at a fixed rate of 4.00% per annum and will mature in July 2024. Interest on the debentures will be payable yearly in arrears in July, beginning from July 2019. By July 2022, the bond holders have the right to demand partial or full repayment of the medium-term bonds. As at 30 June 2022, the balance of the medium-term notes including accrued interest was RMB1,040 million.

In March 2020, the Company issued 5-year RMB debentures with principal amount of RMB2,000 million. The debentures bear interest at a fixed rate of 3.30% per annum and will mature in December 2025. Interest on the debentures will be payable yearly in arrears in March, beginning from March 2021. By March 2023, the bond holders have the right to demand partial or full repayment of the medium-term bonds. As at 30 June 2022, the balance of the medium-term notes including accrued interest was RMB2,020 million.

(c) Except as disclosed in Notes 16(a)(i), 16(a)(iv) and 16(b)(i) 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 2022

17 Trade and other payables

	As at 30 June 2022 RMB millions	As at 31 December 2021 RMB millions
Trade creditors	14,255	14,709
Digital bills payable	12,712	5,695
Bills payable	7,354	9,528
Trade payable	34,321	29,932
Amounts due to related parties (Note 23(b))	16	1
Payable for acquisition of property, plant and equipment	259	618
Accrued staff costs	627	954
Product warranty provision	105	137
VAT payable	1,159	925
Sundry taxes payable	44	108
Security deposits	555	787
Financial guarantees issued (Note 21)	79	94
Dividends payable (Note 18(a))	2,729	—
Other accrued expenses and payables	3,179	3,044
	43,073	36,600

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2022

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:

	As at 30 June 2022 RMB millions	As at 31 December 2021 RMB millions
Due within 1 month or on demand	2,970	6,078
Due after 1 month but within 3 months	14,304	10,188
Due after 3 months but within 6 months	11,984	8,040
Due after 6 months but within 12 months	5,063	5,626
	34,321	29,932

18 Capital, reserves and dividends

(a) Dividends

Pursuant to the shareholders' approval at the Annual General Meeting held on 2 June 2022, a final cash dividend of RMB0.32 per share based on 8,678 million ordinary shares in issue, totaling RMB2,777 million in respect of the year ended 31 December 2021 was declared. As at 30 June 2022, RMB2,729 million of such dividends were not paid.

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 was fully paid by 31 December 2021.

(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 2022

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 2022

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-month period ended 30 June 2022, no share options were exercised (six-month period ended 30 June 2021: 31,425,103 share options were exercised at the exercise price of RMB3.92).

There were 117,134,977 restricted shares outstanding at 30 June 2022 (31 December 2021: 234,269,954 restricted shares outstanding).

During the six-month period ended 30 June 2022, share incentive scheme expenses of RMB85 million (six-month period ended 30 June 2021: RMB213 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 2022

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 measurements as at 30 June 2022			
	Fair value at 30 June 2022	Level 1	Level 2	Level 3
Recurring fair value measurements				
Financial assets:				
Fair value through other comprehensive income				
— Bills receivable	1,243	—	—	1,243
— Equity securities	2,176	—	—	2,176
— Listed equity securities	12	12	—	—
Fair value through profit or loss				
— Wealth management products	109	—	109	—
— Structured deposits	5,087	—	5,087	—
— Listed equity securities	91	91	—	—
— Securities investment funds	756	756	—	—
— Derivatives	15	—	15	—

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2022

19 Fair value measurement of financial instruments (continued)

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

(i) Fair value hierarchy (continued)

	Fair value measurements as at 31 December 2021			
	Fair value at 31 December 2021	Level 1	Level 2	Level 3
	Recurring fair value measurements			
Financial assets:				
Fair value through other comprehensive income				
– Bills receivable	1,882	—	—	1,882
– Equity securities	2,293	—	—	2,293
– Listed equity securities	14	14	—	—
Fair value through profit or loss				
– Wealth management products	1,120	—	1,120	—
– Structured deposits	4,310	—	4,310	—
– Listed equity securities	111	111	—	—
– Securities investment funds	978	978	—	—

During the six-month periods ended 30 June 2022 and 2021, 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 2 fair value measurements

The fair value of wealth management products, structured deposits and derivatives is estimated directly with reference to the prices provided by the counterparty financial institutions.

(iii) 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 2022

19 Fair value measurement of financial instruments (continued)

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

(iii) 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:

	As at 30 June 2022 RMB millions	As at 30 June 2021 RMB millions
Unlisted equity securities:		
At 1 January	2,293	594
(Disposal)/acquisition of investments in equity securities	(37)	8
Net unrealised gains or losses recognised in other comprehensive income during the period	(80)	(6)
At 30 June	2,176	596
Bills receivable:		
At 1 January	1,882	2,532
Disposal of bills receivable	(535)	(594)
At 30 June	1,347	1,938
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	10	25

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 2022

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 2022 and 31 December 2021 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	Carrying amount at 30 June 2022	Fair value at 30 June 2022 categorised into level 1	Carrying amount at 31 December 2021	Fair value at 31 December 2021 categorised into level 1
Guaranteed USD senior notes	3,530	3,543	3,333	3,418
RMB medium-term notes	2,621	2,701	2,571	2,610
Debentures	3,964	3,981	3,961	3,962

20 Commitments

(a) Capital commitments

As at 30 June 2022, the Group had capital commitments as follows:

	As at 30 June 2022 RMB millions	As at 31 December 2021 RMB millions
Authorised and contracted for — property, plant and equipment	4,180	1,798

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2022

21 Financial guarantee issued and payment commitments

(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 2022, the Group's maximum exposure to such guarantees was RMB7,206 million (31 December 2021: RMB8,505 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 2022, the Group made payments of RMB57 million (six-month period ended 30 June 2021: RMB55 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 2022, the Group's maximum exposure to such guarantees was RMB21 million (31 December 2021: RMB43 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 2022, the Group made payment of RMB1 million for repossession of machinery incurred (six-month period ended 30 June 2021: 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 and industrial vehicle 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 2022, the Group's maximum exposure to such guarantees was RMB148 million (31 December 2021: RMB175 million). For the six-month period ended 30 June 2022, the Group made payments of RMB2 million (six-month period ended 30 June 2021: Nil) to the banks for repossession of machinery 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 2022

21 Financial guarantee issued and payment commitments (continued)

(b) Payment commitments

During years 2019 and 2021, 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 RMB8,275 million which bear interest at rates ranging from 2.4% 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 RMB8,275 million. The payment for the shortage will be compensated by future cash inflows from the Underlying Assets. As at 30 June 2022, the outstanding planned payment due to the ABS&ABN plans was approximately RMB3,695 million (31 December 2021: RMB4,513 million), none of which has any cashflow shortage as at 30 June 2022 (31 December 2021: Nil).

During years 2019 and 2020, Beijing Leasing issued 3-year Asset-backed Securities (“ABS”) for some of receivables under finance lease (“Underlying Assets”) with a face value of RMB3,579 million which bear interest at rates ranging from 2.5% to 4.3% per annum for priority tranches and 8% to 10% per annum for inferior tranches. Beijing Leasing undertakes to provide payment to the ABS plans should any shortage, between actual cash inflows from the Underlying Assets and the planned cash inflows of RMB3,579 million, and the Group provides guarantee to Beijing Leasing for this shortage commitment. The payment for the shortage will be compensated by future cash inflows from the Underlying Assets. As at 30 June 2022, the outstanding planned payment due to the ABS plans was approximately RMB606 million (31 December 2021: RMB1,065 million), none of which has any cashflow shortage as at 30 June 2022 (31 December 2021: Nil).

22 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 2022

23 Related party transactions

(a) Transactions with related parties

	For the six-month period ended 30 June	
	2022 RMB millions	2021 RMB millions
Transactions with associates:		
Sales of products	158	99
Purchase of raw materials	12	29
Payment for acquisition of receivables under commercial factoring	—	49
Payment for acquisition of finance lease assets	—	21
Interest income	—	12
Net proceeds from borrowings	—	17
Transactions with Beijing Leasing:		
Finance lease service provided through Beijing Leasing	1,903	733
Repossession of machinery	61	—

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.

(c) Directors' and supervisors' emoluments

	For the six-month period ended 30 June	
	2022 RMB millions	2021 RMB millions
Directors' and supervisors' emoluments	14	14

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2022

24 Reconciliation of financial information prepared under PRC GAAP to IFRSs

(a) Reconciliation of total equity of the Group

	As at 30 June 2022 RMB millions	As at 31 December 2021 RMB millions
Total equity reported under PRC GAAP	56,681	58,297
— Acquisition-related costs incurred on prior year business combination	(37)	(37)
Total equity reported under IFRSs	56,644	58,260

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

	For the six-month period ended 30 June	
	2022 RMB millions	2021 RMB millions
Total comprehensive income for the period reported under PRC GAAP	1,473	4,858
— Safety production fund (Note)	21	25
Total comprehensive income for the period reported under IFRSs	1,494	4,883

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.

25 Non-adjusting events after the reporting period

Pursuant to a resolution passed at the fourth extraordinary meeting of the sixth session of the board of directors on 20 July 2022, the Company will repurchase A shares of the Company from stock market over a period of no more than 12 months from 20 July 2022. All repurchased shares will be used for future employee stock ownership plan. The Company will repurchase no less than 2.5% and no more than 5% of the total issued A shares of the Company at a price of not exceeding RMB9.19 per share, and the aggregate repurchase amount is expected to be no more than RMB3,988 million.



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