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

中联重科股份有限公司

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

(Stock Code: 1157)

ANNOUNCEMENT

(1) PROVISIONS FOR ASSET IMPAIRMENT FOR THE YEAR 2022

(2) PROPOSED ISSUE OF MEDIUM-TERM NOTES

(3) PROPOSED GENERAL MANDATE TO REPURCHASE H SHARES

I. PROVISIONS FOR ASSET IMPAIRMENT FOR THE YEAR 2022

The Company has conducted impairment tests on, among others, its accounts receivables, inventories and fixed assets which showed indication of impairment as at 31 December 2022, in accordance with the relevant requirements under the Accounting Standards for Business Enterprises and the accounting policies of the Company on a prudent basis. When the net realisable value of an asset is estimated to be lower than its carrying amount, a provision for asset impairment will be made upon recognition or measurement.

A. Overview

After conducting tests, the Company made a provision of RMB1,034.94 million for impairment for the year 2022, among which bad debts provision for accounts receivables amounted to RMB393.43 million, bad debts provision for other receivables amounted to RMB46.73 million, provision for decline in value of inventories amounted to RMB589.79 million, provision for impairment of fixed assets amounted to RMB0.0155 million, impairment loss of loans and advances issued amounted to RMB5.80 million, and reversal of provision for impairment of contract assets amounted to RMB0.82 million.

Excluding the effect of difference arising from currency conversion, the effect of provisions for asset impairment on the profit or loss (before tax) for the year 2022 was RMB1,034.94 million in aggregate.

B. Provisions for asset impairment

1. *Accounts receivables*

For the year 2022, the Company made a bad debts provision of RMB1,034.94 million for accounts receivables, a bad debts provision of RMB46.73 million for other receivables and a reversal of provision for impairment of contract assets of RMB0.82 million on the following basis:

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

2. *Inventory*

For the year 2022, the Company made a provision of RMB589.79 million for decline in value of inventories on the following basis:

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

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

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

3. *Loans and advances issued*

For the year 2022, the Company made a provision of RMB5.80 million for credit impairment of loans and advances issued on the following basis:

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

4. *Fixed assets*

For the year 2022, the Company made a provision of RMB0.0155 million for the impairment of fixed assets on the following basis:

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

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

C. Effects of the provisions for asset impairment on the financial position of the Company

The profit before tax of the Company decreased by RMB1,034.94 million for the year 2022 due to the provisions for asset impairment.

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

II. PROPOSED ISSUE OF MEDIUM-TERM NOTES

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

A. Proposed issue of the Medium-term Notes

1. *Issue size*

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

2. *Term of issue*

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

3. *Interest rate*

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

4. *Target of issue*

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

5. *Use of proceeds*

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

6. *Effective period of the resolution*

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

B. Authorisation

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

C. Approval procedures

The final proposal of the issue is subject to the notice of registration to be issued by the NAFMII.

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

III. PROPOSED GENERAL MANDATE TO REPURCHASE H SHARES

To stabilise investors' investment expectations, safeguard their general interests and strengthen their confidence in investing in the Company, taking into account its financial position and operation condition, the Company proposes to repurchase a portion of H Shares for the purpose of boosting confidence for corporate growth, protecting share prices and practically enhancing the investment return of the Shareholders through increasing the profit per share. The Board therefore proposes to seek approval from the Shareholders in general meeting to authorise the Board and any of its authorised persons to deal with all matters in connection with the repurchase of a portion of H Shares. Details of the Repurchase Mandate are as follows:

1. Subject to the restrictions set out in paragraphs 2 and 3 below, to approve the Board to exercise all rights of repurchasing H Shares in issue and listed on the Hong Kong Stock Exchange of nominal value of RMB1 each within the effective term in accordance with all applicable laws, regulations, rules and/or requirements of the governmental or regulatory authorities of the PRC in charge of securities matters, the Hong Kong Stock Exchange, the Shenzhen Stock Exchange or any other governmental or regulatory authorities.
2. To authorise the Board to repurchase H Shares in an amount not exceeding 10% of the total number of H Shares in issue at the date of passing of such resolution in general meeting within the effective term, and the repurchase price on the date of repurchase shall not be equal to or higher than 105% of the average closing price of H Shares for the five preceding trading days on which H Shares were traded on the Hong Kong Stock Exchange.

3. The Repurchase Mandate shall include, without limitation, authority to:
- (1) determine the timing, the number of H Shares to be repurchased and the price and duration of the repurchase;
 - (2) open an offshore stock account and deal with the relevant registration of changes in foreign exchange;
 - (3) deal with such relevant approval formalities as may be required by the relevant regulatory authorities and the place(s) of listing of the Company, and make the necessary filings with the relevant regulatory authorities (if necessary); and
 - (4) cancel the repurchased H Shares, and execute and deal with any relevant documents and matters in connection with the repurchase.

The effective term of the Repurchase Mandate will expire on the earliest of:

- (1) the conclusion of the next annual general meeting of the Company;
 - (2) the expiry of a period of 12 months following the passing of the relevant special resolution by the Shareholders in general meeting; or
 - (3) the date on which the authority given under the relevant special resolution is revoked or varied by a special resolution of the Shareholders in general meeting.
4. To authorise the Board to:
- (1) execute and sign all such documents, do all such acts and matters and take all such steps relevant to the proposed repurchase of H Shares as described in paragraphs 1 and 2 above, and as are expedient, necessary or desirable to give effect to such repurchase as it thinks fit, in accordance with the relevant laws, regulations and rules; and
 - (2) make such amendments to the Company's articles of association as it thinks fit to reduce the registered capital and reflect the new capital structure of the Company, and to deal with the relevant statutory registration and filing formalities both within and outside the PRC.

Subject to the approval and authorisation of the Repurchase Mandate being granted to the Board in general meeting, the Board proposes to authorise the Chairman and any of his authorised persons to exercise the authority granted to it to deal with the Repurchase Mandate and other matters which may be authorised by the Board in connection with the repurchase of a portion of H Shares.

This proposal shall be conditional upon the approval by the Shareholders in general meeting.

DEFINITIONS

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

“A Share(s)”	domestic shares of nominal value of RMB1.00 each in the share capital of the Company
“Board”	the board of Directors
“Chairman”	the chairman of the Board
“Company”	中聯重科股份有限公司(Zoomlion Heavy Industry Science and Technology Co., Ltd.*), a joint stock company incorporated in the PRC with limited liability
“Director(s)”	the director(s) of the Company
“H Share(s)”	overseas listed foreign shares of nominal value of RMB1.00 each in the share capital of the Company
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Medium-term Notes”	the medium-term notes with a principal amount of not more than RMB5 billion in aggregate proposed to be issued by the Company
“NAFMII”	National Association of Financial Market Institutional Investors
“PRC” or “China”	the People’s Republic of China, for the purpose of this announcement, excluding Taiwan, Hong Kong Special Administrative Region of the PRC and Macao Special Administrative Region of the PRC
“Repurchase Mandate”	the general mandate proposed to be granted by the Shareholders to the Board and any of its authorised persons in general meeting for repurchase of a portion of H Shares
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	A Share(s) and H Share(s) or where the context requires, either of them

“Shareholder(s)”	holder(s) of Share(s)
“Shenzhen Stock Exchange”	Shenzhen Stock Exchange
“%”	per cent.

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

Changsha, PRC, 30 March 2023

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

* *For identification purpose only*