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ZOOMLION 中 聯 重 科

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

中聯重科股份有限公司

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

(Stock Code: 1157)

ANNOUNCEMENT PROVISIONS FOR ASSET IMPAIRMENT FOR THE FIRST HALF OF 2021

Zoomlion Heavy Industry Science and Technology Co., Ltd. (the “**Company**”) has conducted impairment tests on, among others, its accounts receivables, inventories and intangible assets which showed indication of impairment as at 30 June 2021, in accordance with the relevant requirements under the Accounting Standards for Business Enterprises and the accounting policies of the Company on a prudent basis. When the net realisable value of an asset is estimated to be lower than its carrying amount, a provision for asset impairment will be made upon recognition or measurement.

1. Overview of the provisions for asset impairment

After conducting tests, the Company made a provision of RMB435 million for impairment for the first half of 2021, among which bad debts provision for accounts receivables amounted to RMB454 million, bad debts provision for other receivables amounted to RMB22 million, written-back bad debts provision for long-term receivables amounted to RMB131 million, provision for decline in value of inventories amounted to RMB2 million; and provision for risk specific to guarantee obligations in connection with mortgages and financial leases amounted to RMB88 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 period was RMB435 million in aggregate.

2. Provisions for asset impairment

(1). Amounts receivables

For the period, the Company made a bad debts provision of RMB454 million for accounts receivables, a bad debts provision of RMB22 million for other receivables, and a written-back bad debts provision of RMB131 million for long-term receivables on the following basis:

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

(2). Inventory

For the period, the Company made a provision of RMB2 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). Guarantee obligations in connection with mortgage and financial lease

For the period, the Company made a provision of RMB88 million for risk specific to guarantee obligations in connection with mortgage and financial lease on the following basis:

As at the end of the period, the Company made the provision for risk specific to guarantee obligations in connection with mortgage and financial lease on the basis of the data in relation to the ratio of historic guarantee obligation actually performed and the ratio of actual loss incurred due to the performance of guarantee obligations, and after comprehensive consideration of factors such as risks, uncertainty and the time value of money in relation to guarantee obligations.

3. Effects of the provisions for impairment loss on the financial position of the Company

The profit before tax of the Company decreased by RMB435 million for the first half of year 2021 due to the provisions for asset impairment.

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

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

Changsha, the PRC, 30 August 2021

As at the date of this announcement, the executive director of the Company 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*