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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 limited company incorporated in the People's Republic of China)

(Stock Code: 1157)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

- As at 30 June 2021, total assets of the Group amounted to RMB136,690 million, representing an increase of RMB20,447 million or 17.59% over that of 31 December 2020
- For the six months ended 30 June 2021, revenue of the Group amounted to RMB42,449 million, representing an increase of RMB13,622 million or 47.25 % over the same period of 2020
- For the six months ended 30 June 2021, profit attributable to equity shareholders of the Company amounted to RMB4,876 million, representing an increase of RMB851 million over the same period of 2020
- For the six months ended 30 June 2021, earnings per share amounted to approximately RMB0.60, representing an increase of RMB0.06 over the same period of 2020

The board of directors (the “**Board**”) of Zoomlion Heavy Industry Science and Technology Co., Ltd.* (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 (the “**Reporting Period**”). The Group’s interim financial report was prepared in accordance with the International Accounting Standard 34, “Interim Financial Reporting” issued by the International Accounting Standards Board (“**IAS34**”) and the disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

FINANCIAL RESULTS

The financial information set out below in this announcement represents an extract from the unaudited interim financial report for the six months ended 30 June 2021 prepared in accordance with IAS34.

Consolidated statement of comprehensive income
(Expressed in RMB)

	Note	For the six-month period ended 30 June	
		2021 RMB millions	2020 RMB millions
Revenue	2	42,449	28,827
Cost of sales and services		(31,835)	(20,364)
Gross profit		10,614	8,463
Other income		644	662
Sales and marketing expenses		(2,059)	(1,916)
General and administrative expenses		(1,048)	(1,021)
Impairment loss on trade and other receivables and receivables under finance lease		(433)	(443)
Research and development expenses		(2,005)	(1,048)
Profit from operations		5,713	4,697
Net finance income/(costs)		46	(37)
Share of profits less losses of associates		97	66
Profit before taxation	3	5,856	4,726
Income tax	4	(911)	(668)
Profit for the period		4,945	4,058
Profit attributable to:			
Equity shareholders of the Company		4,876	4,025
Non-controlling interests		69	33
		4,945	4,058
Profit for the period		4,945	4,058
Earnings per share (cents)	5		
Basic	5	59.66	54.10
Diluted	5	58.88	54.02
Profit for the period		4,945	4,058

	For the six-month period ended 30 June	
<i>Note</i>	2021	2020
	RMB	RMB
	millions	millions
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)	(2)	94
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of subsidiaries outside PRC	(60)	(289)
Total other comprehensive income for the period	<u>(62)</u>	<u>(195)</u>
Total comprehensive income for the period	<u>4,883</u>	<u>3,863</u>
Total comprehensive income attributable to:		
Equity shareholders of the Company	4,814	3,830
Non-controlling interests	69	33
Total comprehensive income for the period	<u>4,883</u>	<u>3,863</u>

Consolidated statement of financial position
(Expressed in RMB)

		As at 30 June 2021 RMB millions	As at 31 December 2020 RMB millions
Non-current assets			
Property, plant and equipment		8,403	7,342
Right-of-use assets		3,296	3,068
Intangible assets		1,869	1,965
Goodwill		1,993	2,054
Interests in associates	6	3,989	3,388
Other financial assets	7	2,703	2,703
Trade and other receivables	8	15,856	14,131
Receivables under finance lease	9	7,357	13,008
Pledged bank deposits		343	175
Deferred tax assets		1,273	1,453
		<hr/>	<hr/>
Total non-current assets		47,082	49,287
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current assets			
Inventories		16,673	14,652
Other current assets		1,284	1,374
Financial assets at fair value through profit or loss	10	12,737	4,284
Trade and other receivables	8	36,835	23,972
Receivables under finance lease	9	5,416	10,365
Pledged bank deposits		2,595	2,223
Cash and cash equivalents		14,068	10,086
		<hr/>	<hr/>
Total current assets		89,608	66,956
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total assets		136,690	116,243
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		As at 30 June 2021 RMB millions	As at 31 December 2020 RMB millions
Current liabilities			
Loans and borrowings		10,365	2,964
Trade and other payables	11	48,803	40,387
Contract liabilities		3,094	2,777
Lease liabilities		99	90
Income tax payable		629	710
Total current liabilities		<u>62,990</u>	<u>46,928</u>
Net current assets		<u>26,618</u>	20,028
Total assets less current liabilities		<u>73,700</u>	<u>69,315</u>
Non-current liabilities			
Loans and borrowings		11,708	16,337
Lease liabilities		384	320
Deferred tax liabilities		459	490
Other non-current liabilities		4,617	4,318
Total non-current liabilities		<u>17,168</u>	<u>21,465</u>
NET ASSETS		<u>56,532</u>	<u>47,850</u>
CAPITAL AND RESERVES			
Share capital	12	8,674	7,938
Reserves		46,664	38,768
Total equity attributable to equity shareholders of the Company		<u>55,338</u>	46,706
Non-controlling interests		<u>1,194</u>	1,144
TOTAL EQUITY		<u>56,532</u>	<u>47,850</u>

Notes

1 Basis of preparation

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

The Group's 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.

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

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

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

2 Revenue and segment reporting

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2021	2020
	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	11,474	8,630
— Crane machinery	22,676	15,330
— Others	6,186	3,372
Agricultural machinery	1,609	1,056
	<u>41,945</u>	<u>28,388</u>
Revenue from other sources		
Rental income from construction machinery	90	20
Financial services	414	419
	<u>504</u>	<u>439</u>
	<u>42,449</u>	<u>28,827</u>

(b) *Information about profit or loss*

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

(c) *Reconciliations of segment profit*

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

3 Profit before taxation

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

(a) *Net finance (income)/costs:*

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

(b) *Staff costs:*

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

Other items:

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

4 Income tax

(a) Taxation charged to profit or loss:

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

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

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

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

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

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

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

5 Earnings per share

(a) Basic earnings per share

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

(b) Diluted earnings per share

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

6 Interests in associates

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

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

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

Effect of disposal on the financial position of the Group

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

7 Other financial assets

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

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

8 Trade and other receivables

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

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

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

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

9 Receivables under finance lease

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

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

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

	As at 30 June 2021 <i>RMB</i> <i>millions</i>	As at 31 December 2020 <i>RMB</i> <i>millions</i>
<i>Present value of the minimum lease payments</i>		
Within 1 year	6,475	11,546
Over 1 year but less than 2 years	3,153	6,455
Over 2 years but less than 3 years	2,216	3,981
Over 3 years	2,161	2,995
	<u>14,005</u>	<u>24,977</u>
<i>Unearned finance income</i>		
Within 1 year	222	719
Over 1 year but less than 2 years	106	273
Over 2 years but less than 3 years	62	107
Over 3 years	59	36
	<u>449</u>	<u>1,135</u>
<i>Gross investment</i>		
Within 1 year	6,697	12,265
Over 1 year but less than 2 years	3,259	6,728
Over 2 years but less than 3 years	2,278	4,088
Over 3 years	2,220	3,031
	<u>14,454</u>	<u>26,112</u>
Overdue analysis of receivables under finance lease at the end of reporting period is as follows:		
	As at 30 June 2021 <i>RMB</i> <i>millions</i>	As at 31 December 2020 <i>RMB</i> <i>millions</i>
Not yet due	11,188	21,986
Within 1 year past due	658	392
Over 1 year but less than 2 years past due	587	449
Over 2 years past due	1,572	2,150
	<u>2,817</u>	<u>2,991</u>
Total past due	2,817	2,991
	<u>14,005</u>	<u>24,977</u>
Less: loss allowance	(1,232)	(1,604)
	<u>12,773</u>	<u>23,373</u>

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.

10 Financial assets at fair value through profit or loss

	As at 30 June 2021 RMB millions	As at 31 December 2020 RMB millions
Financial assets carried at fair value through profit or loss:		
— Wealth management products (<i>Note</i>)	6,673	3,363
— Structured deposits (<i>Note</i>)	5,044	—
— Securities investment funds (<i>Note 7 (iii)</i>)	1,020	921
	<u>12,737</u>	<u>4,284</u>

Note:

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

11 Trade and other payables

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

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

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

12 Capital, reserves and dividends

(a) Dividends

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

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

(b) Issue of ordinary shares

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

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

(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.

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

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

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

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

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

BUSINESS REVIEW

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

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

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

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

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

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

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

1. Strengthen and optimise construction machinery

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

① Continue to maintain a leading market position for hit products

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

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

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

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

② Potential businesses continue to make breakthroughs and progress

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

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

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

2. Accelerate the transformation and upgrade of agricultural machinery industry

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

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

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

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

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

(II) Accelerate the progression of digitalized transformation

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

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

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

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

(III) Fruitful results in intelligent manufacturing

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

- 1. Rapid development in intelligent manufacturing.** The host park and key component park of various product lines in Smart Industry City have entered the stage of full-scale construction. The second phase of the tower crane smart factory has operated in the industrial park, forming the production structure of one “smart factory”, two “lighthouse workshops”, three “smart warehouses” and four “lights-out production lines” and consolidating the Company’s industry foundation of being world number one in the tower crane. Changde Key Hydraulic Components (Hydraulic Valves) Intelligent Industrial Park has completed construction and put into production, which enhanced the independently controllable production capacity in the production of high-end hydraulic valves. The installation and adjustment of production lines and equipment in Mixer Truck Intelligent Manufacturing Industrial Park have completed. High-end Hydraulic Oil Cylinders Intelligent Manufacturing Park, Axles for Construction Vehicles Intelligent Manufacturing Park, Hanshou Agricultural Machinery Intelligent Manufacturing Park and Maanshan Infrastructure Construction Machinery Intelligent Manufacturing Park were under construction successively according to schedule.
- 2. Accelerated the research and development and application of intelligent technologies.** Flexible intelligent production lines were built through integrating AI technology and smart devices. An effective and synergic business chain was built through integrating intelligent control algorithm and digital system. We continuously facilitated the application of more than 50 industry leading advance intelligent manufacturing technologies, which cover the whole manufacturing process, in intelligent production lines to accelerate the intelligent upgrading of manufacturing. The whole manufacturing process covers material preparation, welding, machining, painting, assembly and adjustment, warehousing and logistics, and testing. Among which, more than 20 advance technologies were first initiated in the industry, which comprehensively facilitated the intelligent development of the Company to play a leading role in the industry.

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

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

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

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

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

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

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

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

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

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

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

1. The overseas market of construction machinery products continued to grow rapidly. During the Reporting Period, the Company’s export revenue increased by more than 70% year-on-year. Large-tonnage crawler crane products are exported to overseas markets in batches, and an export order for 2000-ton crawler cranes has been signed with Turkey, which is the largest tonnage crane exported to overseas countries by China, and gradually making breakthroughs in the global high-end crawler crane market; the aerial work machinery distribution network has covered key markets in the five continents of the world, successfully achieving the breakthrough of “agents + major customers + end customers”, and gradually establishing a global sales network and service outlets; an European factory was officially completed in Italy. Tower cranes, truck cranes, and aerial operating machinery are produced and sold locally, helping the in-depth expansion of the European market.
2. Speed up the “going out” of agricultural machinery. We have solidly promoted the “distribution + localization” marketing model, high-powered tractors achieved sales breakthroughs in the CIS market; successfully won the bid for the long-term agricultural machinery procurement qualification bidding project of the United Nations for Project Services, officially recognised as the long-term supplier qualification by the United Nations, and became the first manufacturer of agricultural machinery with such qualification in China.
3. Deepen the reform of overseas management. We have promoted the development of overseas business with global village mindset, and improve the end-to-end digital platform for overseas business through digital technology; deepen the market by engaging localized teams, make good use of localized talents, resources, and operation models to accelerate the building of localized sales, operations and functional support teams.

(VI) Continuous improvement of management quality and efficiency

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

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

ANALYSIS OF FINANCIAL RESULTS AND FINANCIAL POSITION

1. Analysis of operating income and profit

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

2. Cash flow and capital expenditure

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

(1) Operating activities

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

(2) Investing activities

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

(3) Financing activities

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

(4) Capital expenditures

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

CORPORATE GOVERNANCE

The Board has adopted all code provisions in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (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 A.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.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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.

DIVIDEND

The Board recommended not to declare any interim dividend.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

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

EVENTS AFTER THE REPORTING PERIOD

No important events affecting the Group have occurred after the end of the Reporting Period.

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the interim financial report of the Group for the six months ended 30 June 2021 prepared in accordance with IAS34.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company's website (www.zoomlion.com). The Company's 2021 interim report containing all the information required under the Listing Rules will be dispatched to holders of H shares and published on the websites of the Company and The Stock Exchange of Hong Kong Limited in due course.

By Order of the Board of
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 of the Company are Mr. He Liu and Mr. Zhao John Huan; and the independent non-executive directors of the Company are Mr. Zhao Songzheng, Mr. Lai Kin Keung, Ms. Liu Guiliang and Mr. Yang Changbo.

* *For identification purpose only*