

# ZOOMLION 中联重科

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 People's Republic of China with limited liability)

H Share Stock Code : 1157

A Share Stock Code : 000157



2020  
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.

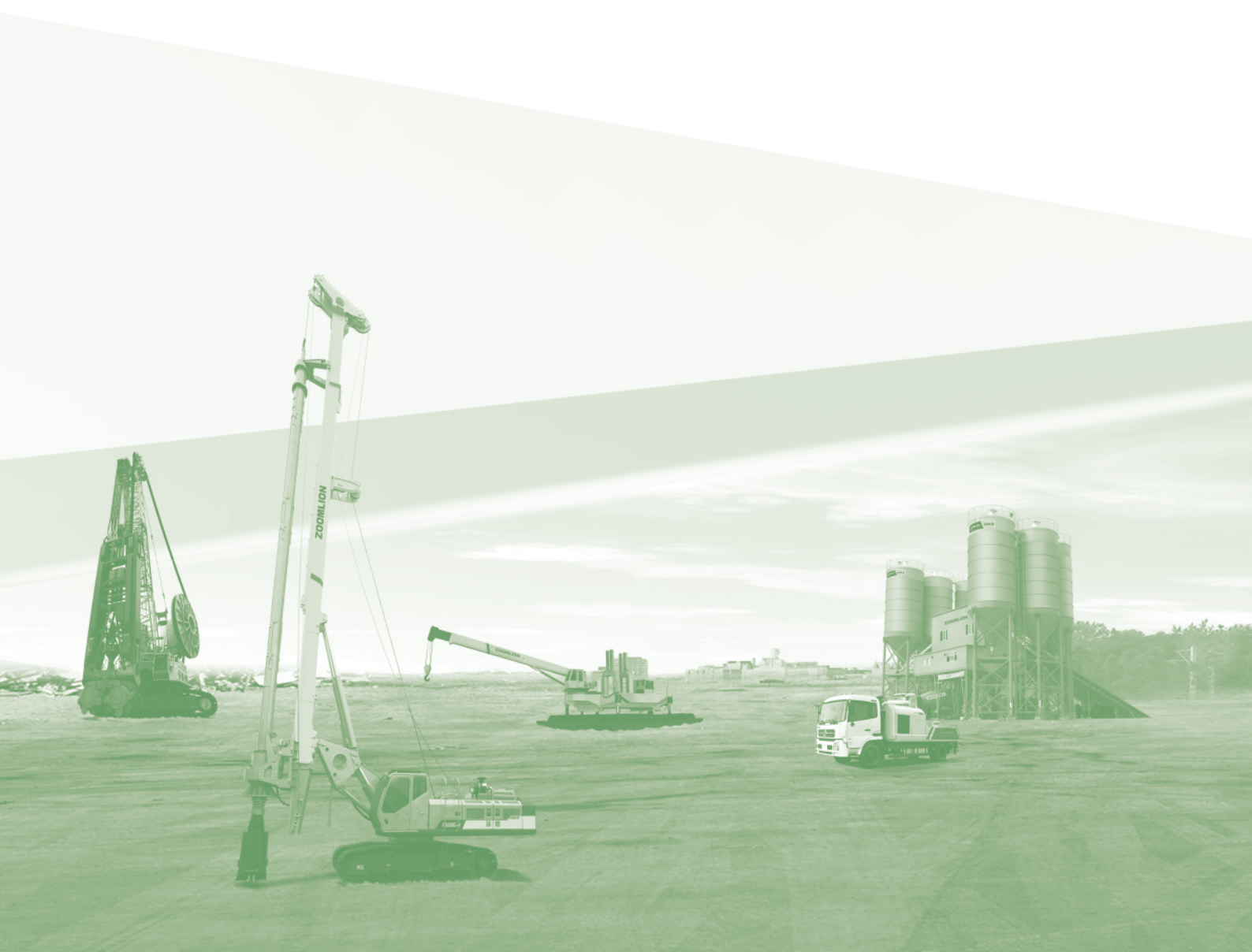
This report is published in both Chinese and English Language. If there are any inconsistencies in the content of this interim report (other than the interim financial report prepared in accordance with International Financial Reporting Standards), the Chinese version shall prevail. For the interim financial 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.

“the Company” or “Zoomlion”      Zoomlion Heavy Industry Science and Technology Co., Ltd.

“the Reporting Period”              the six months ended 30 June 2020.



# ZOOMLION 中联重科

2020 Interim Report

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# 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: Guo Tao  
Contact Address: No. 361 Yinpen South Road, Changsha, Hunan Province, PRC  
Telephone: (86 731) 85650157  
Fax: (86 731) 85651157  
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
- As to Hong Kong law: Norton Rose Fulbright Hong Kong  
38/F, Jardine House, 1 Connaught Place, Central, Hong Kong
- X. Auditors
- Domestic auditors: Baker Tilly China Certified Public Accountants Co., Ltd.  
Address: Room 208, Block B, Huatong Building, B19 Chegongzhuang West Road,  
Haidian District, Beijing, PRC
- International auditors: KPMG  
Address: 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	28,827,233,677.59	22,262,105,264.98	29.49%
Net profit attributable to shareholders of the Company	4,018,267,583.52	2,576,288,984.24	55.97%
Net profit attributable to equity shareholders of the Company after extraordinary items	3,505,451,231.10	2,114,313,029.02	65.80%
Net cash flow from operating income	1,479,118,441.92	3,575,081,807.12	-58.63%
Basic earnings per share (RMB/share)	0.54	0.33	63.64%
Diluted earnings per share (RMB/share)	0.54	0.33	63.64%
Weighted average return on net assets	9.88%	6.52%	Increased by 3.36 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	108,373,851,454.11	92,068,028,637.66	17.71%
Net assets attributable to shareholders of the Company	44,310,971,343.09	38,863,231,588.26	14.02%

## 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	
	2020 RMB millions	2019 RMB millions
<b>Profit attributable to:</b>		
Equity shareholders of the Company	4,025	2,585
Non-controlling interests	33	(5)
	4,058	2,580
<b>Profit for the period</b>	4,058	2,580
<b>Earnings per share (cents)</b>		
<b>Basic</b>	54.10	33.80
<b>Diluted</b>	54.02	33.80
<b>Total comprehensive income attributable to:</b>		
Equity shareholders of the Company	3,830	2,570
Non-controlling interests	33	(5)
<b>Total comprehensive income for the period</b>	3,863	2,565

## Principal Financial Data and Indicators

	<b>As at 30 June 2020 RMB millions</b>	As at 31 December 2019 RMB millions
Total non-current assets	<b>44,008</b>	37,979
Total current assets	<b>64,329</b>	54,052
Total assets	<b>108,337</b>	92,031
Total current liabilities	<b>41,607</b>	34,569
Net current assets	<b>22,722</b>	19,483
Total assets less current liabilities	<b>66,730</b>	57,462
Total non-current liabilities	<b>21,527</b>	17,965
NET ASSETS	<b>45,203</b>	39,497
Total equity attributable to equity shareholders of the Company	<b>44,274</b>	38,827
Non-controlling interests	<b>929</b>	670
TOTAL EQUITY	<b>45,203</b>	39,497
<b>Gearing ratio</b> <sup>(Note)</sup>	<b>58.28%</b>	57.08%

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



## Principal Financial Data and Indicators

### 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
<b>Under PRC GAAP</b>	<b>4,018,267,583.52</b>	2,576,288,984.24	<b>44,310,971,343.09</b>	38,863,231,588.26
<b>Items and amounts adjusted under IFRS</b>				
Acquisition related costs incurred on prior year business combination			<b>-36,528,600.00</b>	-36,528,600.00
Excess in the limit of withdrawal over expenses of safety production fund for the current period	<b>8,082,713.74</b>	9,606,612.69		
<b>Under IFRS</b>	<b>4,026,350,297.26</b>	2,585,895,596.93	<b>44,274,442,743.09</b>	38,826,702,988.26

Under PRC GAAP, safety production fund should be accrued and recognized 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 recognized in profit or loss when incurred, and fixed assets are capitalized and depreciated in accordance with applicable accounting policies.

# Management Discussion and Analysis

## I. Business Review

In the first half of 2020, with the epidemic of novel coronavirus, the global economy slowdown was obvious. Nevertheless, China's economy has gradually overcome the adverse effects brought by the epidemic, and its economic operation has shown a recovering growth, moving steadily toward revitalization, thereby further demonstrating its development resilience and vitality.

Driven by the multiple favorable drivers such as the renewal of aged equipment, effect of machinery replacement and continuous advancement of the “two new and one heavy” construction, the construction machinery industry remained prosperous in the first half of 2020. Under the current epidemic environment, the country continues to increase its emphasis on the agricultural sector. With rigid constraints imposed on the farming red lines, land circulation, and expected increase in food prices have brought a more positive support to the industry. Potential opportunities in the agricultural machinery industry have begun to emerge, thereby the market becomes more active.

Since 2020, by adhering to the philosophy of “technologies as the roots, products as the fundamentals” and driven by the momentum of scale, profits, operating cash flow and sustainable growth, the Company optimised the business end-to-end management model, deepened its digitalized transformation as well as imposed stringent control on business risks. Therefore, the management efficiency was steadily improved while the advantages in market competitiveness were strengthened, while the room for development of newly emerged industries continues to open up, thereby realizing a high quality and sustainable growth in business performance.

During the Reporting Period, the major works carried out by the Company were as follows:

### (1) Deepening the implementation of focal strategies and business sectors maintaining positive growth

During the Reporting Period, under the overall strategic framework of “equipment manufacturing + Internet” and “industry + finance”, the Company achieved a high quality and steady development by focusing on its main business of equipment manufacturing, optimizing resource allocation and strengthening the product echelon; to further promote industrial upgrade and continue to create a “digitalized enterprise”.

#### 1. Strengthening construction machinery.

① Market share of major products continues to lead in the domestic market.

During the Reporting Period, upon the premise of adhering to the business strategy of keeping premium quality and stringent control of business risks, orders and sales of core products continued to increase substantially. The scale of sales of construction cranes led the industry growth, and the scale of sales of construction crane machinery maintained No. 1 in the world while the market position of concrete machinery upheld its leading position.

Against the background of a substantial increase in the market share of truck cranes in 2019, the market share of truck cranes still increased steadily and strived to consolidate in the first half of the year; while the revenue of crawler cranes doubled in the first half of the year, and it ranked first in the domestic market of the industry.

## Management Discussion and Analysis

The sales of construction crane machinery hit a record high and remained No. 1 around the world in terms of sales volume. With the increase in production capacity and introduction of a new W series of cross generation tower cranes, the Company's market share continued to increase, firmly consolidating a leading position in the industry.

The market share of concrete machinery increased significantly, of which the market share of long-boom pump trucks and truck-mounted pumps still ranked No. 1 in the industry. Leveraging on the product advantages of lightweight mixer trucks, its market shares rose to the top Three in the industry.

### ② Achieving breakthrough in potential market.

By engaging in an all-round development in product innovation, sales model, market deployment, and service network, the latecomer advantages of the earth working machinery have begun to emerge. The E-10 series of excavators have reached industry advanced level in terms of product efficiency, fuel consumption, and controllability, along with other prominent advantages such as high efficiency, reliability, energy saving, and economical, they are widely complimented by customers in the industry. In the first half of the year, the sales of E-10 excavators rose to No. 7 among the domestic brands, with the sales volume ranking No. 5 among domestic brands in June this year.

The new products such as ZT42J, ZT38J and other long-meter boom arm aerial work platforms delivered by the work-at-height machinery are equipped with the automatic control technology tailored for intelligent arm frame, becoming the leading technological indicator in the industry. The Company is the first to launch the full AC (Alternating Current) electric crank arms and high-performance and full AC lithium-ion scissor type products, which received wide acclaims from customers. In the first half of the year, the sales of these new products increased by more than 100% year-on-year, with market share ranking the No. 1 echelon in the industry.

The dry mortar business continued to promote the localized production and application of core technologies such as the dry mortar construction equipment, intelligent control, and precise measurement. In the first half of the year, sales increased by more than 50% year-on-year, thereby indicating a favourable development trend. Integrating market needs, the wet spraying machinery business researched and developed two new products, namely the ZLCP-3017 vehicle-mounted wet spraying machine and ZLHP-3017 engineering chassis wet spraying machine, featuring the advantages of being "fast", "easy" and "economical" which are widely complimented by the industry users.

### ③ Continue to strengthen the layout of the key components industry.

The Company continued to strengthen our capacity in technological research and development, improving the independent research and development and independently controllable production capacity of core components such as oil cylinders, hydraulic valves and engineering bridges. 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.

## Management Discussion and Analysis

**2. Deepen the transformation and upgrade of agricultural machinery. The Company set clear strategic objectives for the development of agricultural machinery, strategically transforming and upgrading the Company from manufacturing traditional agricultural machinery to high-tech agricultural machinery.**

- ① Focus on upgrading core products and consolidate market advantages. Market advantages were further consolidated through integration of channels, deepening market cultivation, increased investment in research and development, optimization of the product structure as well as enhancement of product quality. The market shares of our products such as wheat harvester machinery, drying machinery, rotary tillers and baler maintained their leading positions in the domestic market while machine for full mechanization of sugarcane achieved a breakthrough in the overseas markets.
- ② Continue to deepen the use of artificial intelligence. The Company established three large platforms, namely the agricultural machinery industrial Internet, artificial intelligence big data, and intelligent agriculture to promote the implementation of artificial intelligence in the field of agricultural machinery. The construction of a digital agriculture model was completed, which was equipped with the capacity to implement commercial promotion, accelerating the formation of smart agricultural companies. The Company's AI artificial intelligence harvester helps the main summer grain production regions across the country to achieve green and efficient harvesting, greatly improving the operation efficiency of agricultural machinery.

**3. Deepened the expansion of the financial market and promote industrial upgrade**

Riding on Zoomlion Capital as platform and Industrial Fund as its core, the Company fully cooperated with the industrial sector to improve the industrial chain deployment and promote industrial transformation and upgrade. By synergizing with the finance companies, financial leasing companies, commercial factoring companies and financing guarantee companies, the Company provided all-rounded financial support to the upstream and downstream of the industrial chain, thereby facilitating sound development of the industrial chain and making a good in the integration between the industry and the finance sector.

**4. Accelerated digitalized transformation and strived towards industrial intelligent upgrading.**

The Company expedited the development of digitalization transformation, comprehensively strengthening end-to-end business management, thoroughly opening up the market chain, thereby supporting business to operation at high efficiency. Based on digitalization and intelligentization as the carrier, the Company released a combined solution of intelligent service and digitalized service platform in order to create convenient and highly effective intelligent services for the full-scenario application of customers. With its continuous efforts to promoting the digitalization and intelligent upgrade of products, manufacturing, supply chain and management as well as establishing a "digitalized Zoomlion", it will boost the move of the Company towards industrial intelligentization.

## Management Discussion and Analysis

### (2) Accelerated the advancement of intelligent manufacturing and created a new model for the development of the industry

The Company speeded up the construction of smart factories, intelligent production lines and intelligent manufacturing technologies, as well as continued to make every effort to build up core capacities in intelligent manufacturing in order to create a new model for the development of high-end equipment manufacturing industry.

1. Expedite the construction of smart factories. To accelerate the construction of smart factories swiftly, the Zoomlion Smart Industry City and the Yuanjiang Mixer Truck Products Intelligent Manufacturing Upgrade Industrial Park begin to take shape. The second phase construction project of the Changde Crane Machinery Industry Base (the second phase of the tower crane smart factory) has entered into stage of plant installation while the on-site installation and adjustment of the Changde Key Hydraulic Components (Hydraulic Valves) Intelligent Production Line has been progressing. The contract for the project of East China Intelligent Manufacturing Base of Tower Crane was signed. With the intelligent production lines of various industrial parks starting operations one by one subsequently, intelligent manufacturing is in full swing, thereby consolidating the foundation of the Company towards high quality development.
2. Accelerated the research and development and application of intelligent technologies. More than 30 industry-leading intelligent manufacturing technologies were developed, covering 7 fields such as material preparation, welding, machining, painting, assembly and adjustment, warehousing and logistics, and testing, thereby expediting the intelligent production upgrade and fully promoting the Company to become an intelligent enterprise.

### (3) Leading the market by technological innovation, acquiring new fruitful results through research and development innovation

Adhering to our technology innovation development philosophy of “technologies as the roots and products as the fundamentals”, the Company is committed to improving independent innovation capabilities and creating industry-leading technologies and high-end products.

1. Guided by standards, we resumed sound achievements. We realized a full coverage of product 4.0 standard. The Company is the first domestic construction machinery enterprise that takes the initiative to lead the formulation of international standards. The number of registered international standardization experts increased to 16. During the Reporting Period, one new national standard proposal was added while one international standard, two national standards and one industry standard were approved. The formulation and implementation of 4.0 product standard amounted to 34. The Company achieved a full coverage of 4.0 standard for its major products.

#### 2. Achieving outstanding results through independent innovation

##### ① Construction machinery products

During the Reporting Period, the Company created and successfully launched the ZAT2200H8 all-terrain crane equipped with 5 bridges and 8 booms single-head for super lifting which was unique in China and launched the new 4.0 product W series of tower crane which was up to the international advanced level, achieving a cross generation technology upgrade in terms of three technology upgrades in ETI intelligent control, structure and transmission. The “Lingyun” series of four-bridges 59-meter pump trucks

## Management Discussion and Analysis

was also launched, featuring hollowed out steel boom technology and dual independent hydraulic systems and having the weight of the whole machinery being reduced by 5%, thereby becoming a benchmark product for lightweight pump trucks in the industry.

The Company successfully launched several products such as the industry's lightest 4-bridges 8F Dongfeng chassis National V lightweight L3 mixer and the industry's first products of U-boom ZT42J straight-arm aerial work platform and stepped manufacturing sand production line ZSM100D, all of which have led the development of the industry.

The Company completed the development of various products including the world's first 25-ton new energy truck crane, 25-meter single-span folding emergency bridge truck, environmentally friendly and highly efficient container modular mixing plant HZS120R/180R and the large-tonnage crushing excavator ZE550EK-10, thereby creating a cluster of high-end products in the industry.

### ② Agricultural machinery products

The Company focused on the research and development of high-end and high horsepower products to overcome the shortcomings of the industry, among which the ordered rice seedling throwing machine was successfully launched; the AI wheat harvester machinery completed field trials and technology replacement; and the AC90 large-scale sugarcane machine completed internal verification. The development of key research and development products such as the 9GZ large bundling machine, 240 horsepower CVT tractors and orchard operation platform, second generation ordered rice seedling throwing machine as well as the 1288 large-feeding multi-functional harvester were progressing as scheduled. The development and application item of the segmented sugarcane combine harvester won the first prize of Anhui Province Scientific and Technological Progress Award.

### 3. Maintaining the lead in the industry with patent layout

During the Reporting Period, the number of patent applications increased by 291% year-on-year and that of invention patents increased by 180% year-on-year. The total number of authorized patents was nearly 140, among which 72 were invention patents, representing a year-on-year increase of 167%. The patent layout in the field of smart hoisting and smart sensing components was preliminarily completed. The number of valid invention patents being authorized ranked No. 1 in the industry.

### (4) Deepening the global “localization” strategy and achieving continuous breakthrough in oversea high-end market

In view of the worldwide COVID-19 epidemic, the Company continued to focus on major countries and regions and deepened the “localization” strategy, steadily enhancing its status in overseas market.

1. The export of construction machinery products grew despite downward trend. Under the negative impacts of general decline in market and changes in international environment, the Company continued to intensify our effort on “One Belt, One Road” market and adopted differentiated marketing strategy on different countries and regions. The revenue from exported

## Management Discussion and Analysis

products achieved growth despite downward trend and have made a new breakthrough in core countries and regions. During the Reporting Period, the ZAT4000 all-terrain truck cranes of the Company was exported to Malaysia, breaking the long-term monopoly of European and American brands on large-tonnage all-terrain truck cranes in Southeast Asian market. The Company cooperated with the largest local tower crane leaser in Slovenia, and deepened its development in European high-end tower crane market. The first T600-32R flat top tower crane was exported to the United State, marking a milestone of the deepening of our efforts in North American market.

2. Speeding up the “go global” process of agricultural machinery. Fully leveraging on the resource advantage of overseas market, the Company deeply explored the demand of overseas market, gradually realizing the deployment and sales in the overseas market of main cultivating areas for agricultural product. In the first half of the year, several batches of products of the Company, including equipment for complete mechanization of sugarcane production, such as sugarcane harvesting machine, large horsepower tractors, sugarcane transport vehicles and ancillary agricultural tools, were exported to overseas market, realizing the crossover from exporting sugarcane machine products to providing overall solution.
3. Facilitating the in-depth reform on overseas management. The Company established its overseas business operating system and developed localized function support team. With serving the market as guideline, the Company has also developed a backstage specialist team to collaborate and coordinate every business division and function department, with an aim to establish core competitiveness in overseas market.

### (5) Continuously optimizing management innovation, operational quality reaching new heights

During the Reporting Period, the management level and operational efficiency of the Company have reached new heights through the implementation of comprehensive end-to-end business management, strengthening the supply chain management, improving the service capacity, developing new marketing model and enhancing the cultivation of talent.

1. Implementing comprehensive end-to-end business management. For business management, the Company integrated business system to achieve interconnection and sharing of information. Leveraging on big data and digital technology, automatic business operation, online receipts, automatic review and approval were perfectly achieved. For risk management, the Company built a solid risk control line and developed an effective, transparent and controllable risk control system by means of informatization, so as to facilitate the stable operation and sustainable development of the Company.
2. Strengthening the construction of supply chain system. The Company sped up the centralized procurement and integration of common materials as well as the strategic procurement of key materials. It has also introduced quality suppliers and established multimodal and comprehensive cooperation relationship to jointly develop a stable, effective and low-cost supply chain system.

## Management Discussion and Analysis

3. Establishing core competitiveness in services. The Company has facilitated the iterative upgrade of service platform and realized the smart analysis and decision-making under service big data. The “hyperlink” with customers is developed through smart service platform solution and digital service platform, which formed a new benchmark for services in the industry by realizing seamless connection between user, equipment and service to provide simpler and more effective service.
4. Developing new marketing model. The Company implemented quality brand strategies by initialing multiple theme promotional activities, such as live selling, cross-border shopping and product demonstration event, and integrating with cloud launching, cloud announcement, cloud experience and cloud sales. It has also formulated a comprehensive marketing flow that integrated online and offline channel, which contributed to the enhancement in sales and reputation of product.
5. Strengthening the cultivation of talent. The Company strived to introduce quality talent, upgrade mobile learning platform and develop new talent cultivation model in order to facilitate the development and growth of key talent. By insisting on a 3-dimensional incentive mechanism of “creating mutual value and sharing common benefits”, the Company inspired the viability of the team as a whole.

## II. Analysis of Financial Position

### 1. Analysis of operating income and profit

Driven by the multiple favorable drivers such as the replacement of aged equipment, effect of machinery replacement and continuous advancement of the “two new and one heavy” construction, generally speaking, the construction machinery industry remained prosperous in the first half of the year. Under the current epidemic environment, the country continues to increase its emphasis on the agricultural sector. With rigid constraints imposed on the farming red lines, land circulation, and expected increase in food prices have brought a more positive support to the industry. Potential opportunities in the agricultural machinery industry have begun to emerge, thereby the market becomes more active. For the six months ended 30 June 2020, the Group’s revenue was RMB28,827 million, representing an increase of 29.49% as compared to the same period of 2019. In which, the Group recorded revenue of RMB23,976 million in concrete machinery and crane machinery products, representing an increase of 29.64% as compared to the same period of last year. The Group recorded revenue of RMB1,056 million in agricultural machinery products, representing an increase of 15.92% as compared to the same period of last year.

### 2. Cash flow and capital expenditure

The Company finances its operations primarily through bank loans and borrowings. As at 30 June 2020, the Company had RMB7,270 million in cash and cash equivalents. The Company’s cash and cash equivalents primarily consist of cash and deposits at bank.



## Management Discussion and Analysis

### (1) Operating activities

Despite the COVID-19 epidemic, resulting in a slight impact on the payment collection, orders of the core product segment and sales volume continued to increase significantly and payment collection continued to grow, due to the strong demand from the domestic infrastructure, new energy and other downstream industries. For the six months ended 30 June 2020, net cash generated from operating activities was RMB1,387 million.

### (2) Investing activities

For the six months ended 30 June 2020, net cash used in investing activities was RMB1,203 million, mainly attributable to the Company utilized part of its idle funds for the purchase of capital-guaranteed 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 2020, net cash generated from financing activities was RMB2,020 million, including the repayment of bank and other borrowings of RMB40,598 million, increase in bank and other borrowings of RMB41,719 million and interest payment of RMB337 million.

### (4) Capital expenditures

For the six months ended 30 June 2020, the capital expenditures for the purchases of property, plant and equipment, intangible assets and right-of-use assets amounted to RMB479 million.

Save as disclosed, the Company confirms that the Group's 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 2019 annual report.

## III. Employees

As at 30 June 2020, the Company had employed a total of 19,827 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 2019.

## IV. Dividend

Pursuant to a resolution passed by the Board at its meeting on 21 August 2020, an interim dividend of RMB0.21 per share (inclusive of tax) for the six months ended 30 June 2020 was proposed.

# 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”). 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 had adopted all code provisions of the code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (the “Codes”) contained in Appendix 14 to the Listing Rules as the codes of the Company. During the six months ended 30 June 2020, the Company had complied with all applicable code provisions of the Codes, other than the deviation of Code A.2.1 which the roles of the Chairman and Chief Executive Officer were not separated. Mr. Zhan Chunxin is currently the Chairman and Chief Executive Officer of the Company. The Board believes that Mr. Zhan Chunxin acting as the above two positions concurrently can more effectively facilitate the formulation and implementation of the business strategies of the Company. Through the regulation of the Board and Independent Executive Directors as well as the effective internal balancing mechanism of the Company, such arrangement will not affect the balance of the rights and authorizations regarding business management between the Board and the Company. The Board believes that such arrangement will benefit the Company and its operations.

## 2. Compliance with the Model Code during the Reporting Period

The Company had adopted the code provisions regarding the purchase and sale of the Company’s shares by the Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the “Model Code”). Having made specific enquiries to all directors and supervisors, the Company confirmed that all directors and supervisors had fully complied with the Model Code during the six months ended 30 June 2020. The Company was not aware of any noncompliance of the Model Code by any 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 2020 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	Issue of new shares	Bonus Issue	Issue of bonus shares from the capital reserve		Number	Percentage
					Other	Sub-total		
I. Shares subject to sales restriction	120,465,130	1.53%			-46,380,673	-46,380,673	74,084,457	0.94%
Shares held by other domestic listed companies	120,465,130	1.53%			-46,380,673	-46,380,673	74,084,457	0.94%
Shares held by domestic natural persons	120,465,130	1.53%			-46,380,673	-46,380,673	74,084,457	0.94%
II. Shares not subject to sales restriction	7,754,509,728	98.47%			70,184,047	70,184,047	7,824,693,775	99.06%
Ordinary shares denominated in RMB	6,366,302,642	80.84%			70,184,047	70,184,047	6,436,486,689	81.49%
Overseas listed foreign invested shares	1,388,207,086	17.63%			0	0	1,388,207,086	17.57%
III. Total number of shares	7,874,974,858	100.00%			23,803,374	23,803,374	7,898,778,232	100.00%

## Changes in Share Capital and Shareholders

### 2. Number and shareholdings of the shareholders of the Company

Unit: share

Total number of holders of ordinary shares as at the end of the Reporting Period 257,435

Shareholdings of holders of ordinary shares holding more than 5% of shares or the top ten shareholders

Name of shareholder	Nature of interest	Percentage of shares held	Number of shares held at the end of the Reporting Period	Changes during the Reporting Period
HKSCC Nominees Limited	Overseas legal person	17.54%	1,385,318,879	
The State-owned Assets Supervision and Administration Commission of People's Government of Hunan Province	State-owned legal person	15.87%	1,253,314,876	
The Hong Kong Securities Clearing Company Limited	Overseas legal person	7.35%	580,678,292	-40,510,881
Zoomlion Heavy Industry Science and Technology Co., Ltd. — The First Phase of Employee Stock Ownership Plan	Other	4.94%	390,449,924	390,449,924
Changsha Hesheng Science and Technology Investment Co., Ltd.	Domestic non state-owned legal person	4.89%	386,517,443	
China Securities Finance Corporation Limited	State-owned legal person	2.95%	233,042,928	
Real Smart International Limited	Overseas legal person	2.13%	168,635,602	
Changsha Yifang Science and Technology Investment Co., Ltd.	Domestic non state-owned legal person	1.99%	156,864,942	
AVIC Trust Co., Ltd. — AVIC Trust Tianshun [2018] No. 220 Zoomlion Single Capital Trust	Domestic non state-owned legal person	1.76%	138,819,479	
Central Huijin Asset Management Ltd.	State-owned legal person	1.47%	115,849,400	

## Changes in Share Capital and Shareholders

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

As at 30 June 2020, so far as the Company's directors, supervisors and chief executive were aware, the following persons (other than the Company's directors, supervisors and chief executive) 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 <sup>(1)</sup>	Percentage of class of shares issued (%)	Percentage of total issued shares (%)
State-owned Assets Supervision and Administration Commission of Hunan Provincial People's Government	Beneficial owner	A shares	1,253,314,876 (L)	19.25	15.87
Zoomlion Heavy Industry Science and Technology Co., Ltd. – The First Phase of Employee Stock Ownership Plan <sup>(2)</sup>	Beneficial owner	A shares	390,449,924 (L)	6.00	4.94
Changsha Hesheng Science and Technology Investment Co., Ltd. <sup>(3)</sup>	Beneficial owner	A shares	386,517,443 (L)	5.94	4.89
BlackRock, Inc. <sup>(4)</sup>	Interest in a controlled corporation	H shares	103,878,177 (L)	7.48	1.32
			322,600 (S)	0.02	< 0.01
Citigroup Inc. <sup>(5)</sup>	Interest in a controlled corporation	H shares	1,594,114 (L)	0.11	0.02
			743,600 (S)	0.05	0.01
	Approved lending agent	H shares	98,006,697 (L)	7.06	1.24
98,006,697 (P)			7.06	1.24	
JPMorgan Chase & Co. <sup>(6)</sup>	Interest in a controlled corporation	H shares	14,661,906 (L)	1.06	0.19
			8,988,012 (S)	0.65	0.11
	Investment manager	H shares	924,990 (L)	0.07	0.01
	Person having a security interest in shares	H shares	2,556,848 (L)	0.18	0.03
Approved lending agent			H shares	63,589,338 (L)	4.58
Brown Brothers Harriman & Co. <sup>(7)</sup>	Agent	H shares	63,589,338 (P)	4.58	0.81
			73,778,168 (L)	5.31	0.93
			73,778,168 (P)	5.31	0.93

## Changes in Share Capital and Shareholders

Notes:

- (1) L represents long position  
S represents short position  
P represents lending pool
- (2) 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. Please refer to the Company's circular dated 21 November 2019 and announcement dated 6 January 2020 for details.
- (3) Changsha Hesheng Science and Technology Investment Co., Ltd. is an investment entity controlled and owned by the Group's management.
- (4) The disclosure is based on information available on the website of the Hong Kong Stock Exchange ([www.hkexnews.com.hk](http://www.hkexnews.com.hk)). As stated in the form of disclosure of shareholder's interests submitted by BlackRock, Inc. on 2 July 2020, these shares are held via its affiliates.
- (5) The disclosure is based on information available on the website of the Hong Kong Stock Exchange ([www.hkexnews.com.hk](http://www.hkexnews.com.hk)). As stated in the form of disclosure of shareholder's interests submitted by Citigroup Inc. on 26 June 2020, these shares are held via its affiliates.
- (6) The disclosure is based on information available on the website of the Hong Kong Stock Exchange ([www.hkexnews.com.hk](http://www.hkexnews.com.hk)). As stated in the form of disclosure of shareholder's interests submitted by JPMorgan Chase & Co. on 16 June 2020, 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](http://www.hkexnews.com.hk)), as stated in the form of disclosure of shareholder's interests submitted by Brown Brothers Harriman & Co. on 9 April 2020.

Save as disclosed above, as at 30 June 2020, so far as the Company's directors, supervisors and chief executive were aware, no persons (other than the Company's directors, supervisors and chief executive) 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.

## Changes in Share Capital and Shareholders

### 4. Purchase, sale or redemption of shares by the Company and its subsidiaries

During the Reporting Period, the Company repurchased off market and cancelled a total of 2,008,515 A shares pursuant to the terms of its restricted A share incentive scheme as follows:

Month/year	Number of A shares purchased	Price paid or highest price paid per A share (RMB)	Lowest price paid per share (RMB)	Aggregate consideration (RMB)
01/2020	2,008,515	1.84	NA	3,695,667.60
TOTAL	2,008,515			3,695,667.60

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the company's listed securities during the Reporting Period.

### 5. Share Option Scheme

On 1 November 2017, a share incentive scheme of the Company (the "Share Option Scheme") and the first grant of options thereunder (the "First Grant of Options") were approved by way of special resolutions at the extraordinary general meeting, the H shares class meeting and the A shares class meeting of the Company.

On 7 November 2017, during the seventh extraordinary meeting of the fifth session of the Board for 2017, the Board considered and approved the First Grant of Options and confirmed that the date of the First Grant of Options shall be 7 November 2017, pursuant to which 171,568,961 options were granted to 1,231 participants. 39 participants waived their right to subscribe for new A shares under the Share Option Scheme, leaving 1,192 participants to subscribe for an aggregate of 168,760,911 A shares under the First Grant of Options.

On 10 September 2018, during the sixth extraordinary meeting of the fifth session of the Board for 2018, the Board considered and approved the second grant of options under the Share Option Scheme (the "Second Grant of Options") and confirmed that the date of the Second Grant of Options shall be 10 September 2018, pursuant to which 19,063,218 options were granted to 405 participants. 16 participants waived their right to subscribe for new A shares under the Share Option Scheme, leaving 389 participants to subscribe for an aggregate of 18,554,858 A shares under the Second Grant of Options.

## Changes in Share Capital and Shareholders

Details of movements of the options granted under the Share Option Scheme for the six months ended 30 June 2020 were as follows:

Name or category of participant	Date of grant	Vesting period	Exercise period	Exercise price (RMB)	As at 1 January 2020	Granted during the period	Number of options			As at 30 June 2020
							Lapsed during the period	Cancelled during the period	Exercised during the period	
Zhan Chunxin (chief executive of the Company)	7 November 2017	1-3 years from the date of grant	7 November 2018 to 5 November 2021	4.14 <sup>(2)</sup>	1,733,112	-	-	-	-	1,733,112
					1,733,112	-	-	-	-	1,733,112
Key technical and managerial personnel <sup>(1)</sup>	7 November 2017	1-3 years from the date of grant	7 November 2018 to 5 November 2021	4.14 <sup>(2)</sup>	93,216,169	-	-	3,309,759 <sup>(4)</sup>	24,130,546 <sup>(5)</sup>	65,775,864
	10 September 2018	1-2 years from the date of grant	10 September 2019 to 9 September 2021	3.73 <sup>(3)</sup>	11,386,329	-	-	-	1,681,343 <sup>(6)</sup>	9,704,986
					104,602,498	-	-	3,309,759	25,811,889	75,480,850
					106,335,610	-	-	3,309,759	25,811,889	77,213,962

### Notes:

- (1) There are 1,093 grantees in total under the First Grant of Options and 372 grantees in total under the Second Grant of Options.
- (2) The exercise price of the options granted under the First Grant of Options was RMB4.57 per A share. Pursuant to the terms of the Share Option Scheme, if the Company declares a dividend during the period from the date on which the Share Option Scheme is first announced to the date on which a participant exercises his options, the exercise price shall be adjusted accordingly such that it shall be the exercise price minus the amount dividend declared per share. In accordance with the terms of the Share Option Scheme, as a result of the implementation of the 2017 and 2018 profit distribution plans, the exercise price of the options granted under the First Grant of Options was adjusted to RMB4.14 per share.
- (3) The exercise price of the options granted under the Second Grant of Options was RMB3.96 per A share. Pursuant to the terms of the Share Option Scheme, if the Company declares a dividend during the period from the date on which the Share Option Scheme is first announced to the date on which a participant exercises his options, the exercise price shall be adjusted accordingly such that it shall be the exercise price minus the amount dividend declared per share. In accordance with the terms of the Share Option Scheme, as a result of the implementation of the 2018 profit distribution plan, the exercise price of the options granted under the Second Grant of Options was adjusted to RMB3.73 per share.
- (4) The exercise price of such options was RMB4.14 per A share.
- (5) The exercise price of such options was RMB4.14 per A share. The weighted averaging closing price of A shares immediately before the dates on which such options were exercised was RMB6.77 per A share.
- (6) The exercise price of such options was RMB3.73 per A share. The weighted averaging closing price of A shares immediately before the dates on which such options were exercised was RMB6.64 per A share.



# Directors, Supervisors and Senior Management

## I. Changes in Directors, Supervisors and Senior Management

There were no changes in directors, supervisors and senior management of the Company during the Reporting Period. For details, please refer to the 2019 Annual Report.

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

The changes in each of the directors, supervisors and chief executives' interests in shares of the Company as at 30 June 2020 compare to equity interest set out in the Annual Report of 2019 were as follows:

Name	Post	Employment Status	Number of Shares held at the beginning of the period (share)	Number of Shares Increased during the period (share)	Number of Shares Decreased during the period (share)	Number of Shares held at the end of the period (share)
He Jianming	Supervisor	incumbent	1,261,647	0	315,300	946,347
Xiong Yanming	Vice President	incumbent	3,108,071	0	776,821	2,331,250
Sun Changjun	Vice President	incumbent	2,688,725	0	672,076	2,016,649
Guo Xuehong	Vice President	incumbent	2,865,945	0	716,350	2,149,595
Fu Ling	Vice President	incumbent	2,274,397	0	568,500	1,705,897
Du Yigang	Vice President	incumbent	2,426,442	0	606,600	1,819,842
Wang Yongxiang	Assistant President	incumbent	1,050,000	0	262,500	787,500
Luo Kai	Assistant President	incumbent	1,087,500	0	271,800	815,700
Tian Bing	Assistant President	incumbent	1,470,000	0	367,500	1,102,500
Tang Shaofang	Assistant President	incumbent	1,050,000	0	262,500	787,500
Shen Ke	Investment Director	incumbent	3,933,644	0	983,300	2,950,344
Total	-	-	23,216,371	0	5,803,247	17,413,124

## Directors, Supervisors and Senior Management

As at 30 June 2020, the directors, supervisors and senior management 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 the Hong Kong Stock Exchange under the Model Code were as follows:

Name of directors/ supervisors	Nature of interest	Class of shares	Number of shares <sup>(1)</sup>	Percentage of the total share capital of the same class
Zhan Chunxin	Beneficiary owner	A share	9,195,964 (L)	0.1409%
	Interest in a controlled corporation <sup>(2)</sup>	H share	5,250,000 (L)	0.3781%
He Jianming	Beneficiary owner	A share	946,347 (L)	0.0145%
Liu Xiaoping	Beneficiary owner	A share	326,840 (L)	0.0050%

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 2020, save as disclosed above, none of the Company's directors, supervisors or chief executive officer had 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 would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which would be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

As at 30 June 2020, none of the directors, supervisors, or chief executive officers or their respective spouse or children under 18 years of age had 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 26 to 72 which comprises the consolidated statement of financial position of Zoomlion Heavy Industry Science and Technology Co., Ltd. (the "Company") as of 30 June 2020, 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 2020 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

21 August 2020

# Consolidated Statement of Comprehensive Income (Unaudited)

For the six-month period ended 30 June 2020

(Expressed in RMB)

	Note	For the six-month period ended 30 June	
		2020 RMB millions	2019 RMB millions
<b>Revenue</b>	3	<b>28,827</b>	22,262
Cost of sales and services		<b>(20,364)</b>	(15,584)
<b>Gross profit</b>		<b>8,463</b>	6,678
Other income	4	<b>662</b>	622
Sales and marketing expenses		<b>(1,916)</b>	(1,881)
General and administrative expenses		<b>(1,464)</b>	(1,324)
Research and development expenses		<b>(1,048)</b>	(461)
<b>Profit from operations</b>		<b>4,697</b>	3,634
Net finance costs	5(a)	<b>(37)</b>	(596)
Share of profits less losses of associates		<b>66</b>	82
<b>Profit before taxation</b>	5	<b>4,726</b>	3,120
Income tax	6	<b>(668)</b>	(540)
<b>Profit for the period</b>		<b>4,058</b>	2,580

The notes on pages 38 to 72 form part of the interim financial report.

## Consolidated Statement of Comprehensive Income (continued) (Unaudited)

For the six-month period ended 30 June 2020

(Expressed in RMB)

	Note	For the six-month period ended 30 June	
		2020 RMB millions	2019 RMB millions
<b>Profit attributable to:</b>			
Equity shareholders of the Company		4,025	2,585
Non-controlling interests		33	(5)
		<b>4,058</b>	2,580
<b>Profit for the period</b>		<b>4,058</b>	2,580
<b>Earnings per share (cents)</b>			
<b>Basic</b>	7	<b>54.10</b>	33.80
<b>Diluted</b>	7	<b>54.02</b>	33.80

The notes on pages 38 to 72 form part of the interim financial report.

# Consolidated Statement of Comprehensive Income (continued) (Unaudited)

For the six-month period ended 30 June 2020

(Expressed in RMB)

	Note	For the six-month period ended 30 June	
		2020 RMB millions	2019 RMB millions
<b>Profit for the period</b>		<b>4,058</b>	2,580
<b>Other comprehensive income for the period (after tax):</b>			
<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)		<b>94</b>	(48)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of subsidiaries outside PRC		<b>(289)</b>	33
<b>Total other comprehensive income for the period</b>		<b>(195)</b>	(15)
<b>Total comprehensive income for the period</b>		<b>3,863</b>	2,565
<b>Total comprehensive income attributable to:</b>			
Equity shareholders of the Company		<b>3,830</b>	2,570
Non-controlling interests		<b>33</b>	(5)
<b>Total comprehensive income for the period</b>		<b>3,863</b>	2,565

The notes on pages 38 to 72 form part of the interim financial report.

# Consolidated Statement of Financial Position (Unaudited)

As at 30 June 2020  
(Expressed in RMB)

	Note	As at 30 June 2020 RMB millions	As at 31 December 2019 RMB millions
<b>Non-current assets</b>			
Property, plant and equipment		<b>6,726</b>	6,735
Right-of-use assets		<b>2,412</b>	2,433
Intangible assets		<b>1,991</b>	2,043
Goodwill	8	<b>2,043</b>	2,017
Interests in associates	9	<b>3,914</b>	3,909
Other financial assets	10	<b>3,107</b>	2,644
Trade and other receivables	11	<b>10,532</b>	9,072
Receivables under finance lease	12	<b>11,718</b>	7,771
Pledged bank deposits		<b>157</b>	84
Deferred tax assets		<b>1,408</b>	1,271
<b>Total non-current assets</b>		<b>44,008</b>	37,979
<b>Current assets</b>			
Inventories	13	<b>13,280</b>	11,772
Other current assets		<b>1,377</b>	1,413
Financial assets at fair value through profit or loss	14	<b>6,508</b>	4,311
Trade and other receivables	11	<b>23,588</b>	20,839
Receivables under finance lease	12	<b>11,073</b>	9,229
Pledged bank deposits		<b>1,233</b>	1,415
Cash and cash equivalents	15	<b>7,270</b>	5,073
<b>Total current assets</b>		<b>64,329</b>	54,052
<b>Total assets</b>		<b>108,337</b>	92,031

The notes on pages 38 to 72 form part of the interim financial report.

# Consolidated Statement of Financial Position (continued) (Unaudited)

As at 30 June 2020

(Expressed in RMB)

	Note	As at 30 June 2020 RMB millions	As at 31 December 2019 RMB millions
<b>Current liabilities</b>			
Loans and borrowings	16(a)	6,435	7,312
Trade and other payables	17	32,067	25,012
Financial liabilities at fair value through profit or loss		—	37
Contract liabilities		2,409	1,934
Lease liabilities		85	88
Income tax payable		611	186
<b>Total current liabilities</b>		<b>41,607</b>	<b>34,569</b>
<b>Net current assets</b>		<b>22,722</b>	<b>19,483</b>
<b>Total assets less current liabilities</b>		<b>66,730</b>	<b>57,462</b>
<b>Non-current liabilities</b>			
Loans and borrowings	16(b)	16,637	14,515
Lease liabilities		333	329
Deferred tax liabilities		502	455
Other non-current liabilities		4,055	2,666
<b>Total non-current liabilities</b>		<b>21,527</b>	<b>17,965</b>
<b>NET ASSETS</b>		<b>45,203</b>	<b>39,497</b>

The notes on pages 38 to 72 form part of the interim financial report.



## Consolidated Statement of Financial Position (continued) (Unaudited)

As at 30 June 2020  
(Expressed in RMB)

	Note	<b>As at 30 June 2020 RMB millions</b>	As at 31 December 2019 RMB millions
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>7,899</b>	7,875
Reserves		<b>36,375</b>	30,952
<b>Total equity attributable to equity shareholders of the Company</b>		<b>44,274</b>	38,827
<b>Non-controlling interests</b>		<b>929</b>	670
<b>TOTAL EQUITY</b>		<b>45,203</b>	39,497

Approved and authorised for issue by the board of directors on 21 August 2020.

**Zhan Chunxin**

*Chairman and Chief Executive Officer*

**Du Yigang**

*Vice-president*

The notes on pages 38 to 72 form part of the interim financial report.

# Consolidated Statement of Changes in Equity (Unaudited)

For the six-month period ended 30 June 2020

(Expressed in RMB)

Note	Attributable to equity shareholders of the Company										
	Share capital	Capital reserve	Statutory surplus reserve	Exchange reserve	Fair value reserve			Retained earnings	Total	Non-controlling interests	Total equity
					(non-recycling)	Other reserves					
					RMB	RMB	RMB				
millions	millions	millions	millions	millions	millions	millions	millions	millions	millions		
<b>Balance at 31 December 2018 and 1 January 2019</b>		7,809	13,134	3,333	(1,239)	(12)	33	15,106	38,164	567	38,731
<b>Changes in equity for the six-month period ended 30 June 2019:</b>											
Profit for the period		–	–	–	–	–	–	2,585	2,585	(5)	2,580
Other comprehensive income		–	–	–	33	(2)	–	(46)	(15)	–	(15)
Total comprehensive income		–	–	–	33	(2)	–	2,539	2,570	(5)	2,565
Cash dividends	18(a)	–	27	–	–	–	–	(1,861)	(1,834)	–	(1,834)
Repurchase of own shares		–	(2,145)	–	–	–	–	–	(2,145)	–	(2,145)
Share incentive scheme											
– Share option scheme	18(b)	36	143	–	–	–	–	–	179	–	179
– Restricted share scheme	18(b)	–	38	–	–	–	–	–	38	–	38
Safety production fund	23(b)	–	–	–	–	–	10	(10)	–	–	–
<b>Balance at 30 June 2019</b>		7,845	11,197	3,333	(1,206)	(14)	43	15,774	36,972	562	37,534

The notes on pages 38 to 72 form part of the interim financial report.

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

For the six-month period ended 30 June 2020

(Expressed in RMB)

	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	Non- controlling interests RMB millions	Total equity RMB millions
					(non- recycling) RMB millions	Other reserves RMB millions	Total			
<b>Balance at 30 June 2019 and 1 July 2019</b>	7,845	11,197	3,333	(1,206)	(14)	43	15,774	36,972	562	37,534
<b>Changes in equity for the six-month period ended 31 December 2019:</b>										
Profit for the period	–	–	–	–	–	–	1,796	1,796	(91)	1,705
Other comprehensive income	–	–	–	(62)	28	–	46	12	–	12
Total comprehensive income	–	–	–	(62)	28	–	1,842	1,808	(91)	1,717
Appropriation for surplus reserve	–	–	222	–	–	–	(222)	–	–	–
Cash dividends	–	–	–	–	–	–	–	–	–	–
Share incentive scheme										
– Share option scheme	35	135	–	–	–	–	–	170	–	170
– Restricted share scheme	(5)	155	–	–	–	–	–	150	–	150
Contributions in a subsidiary	–	(291)	–	–	–	–	–	(291)	291	–
Acquisition of non-controlling interests in subsidiaries	–	(15)	–	–	–	–	–	(15)	(140)	(155)
Dividends declared by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	(9)	(9)
Contribution from non-controlling shareholders in a subsidiary	–	33	–	–	–	–	–	33	57	90
<b>Balance at 31 December 2019</b>	7,875	11,214	3,555	(1,268)	14	43	17,394	38,827	670	39,497

The notes on pages 38 to 72 form part of the interim financial report.

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

For the six-month period ended 30 June 2020

(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	Non-controlling interests RMB millions	
						(non-recycling) RMB millions	Other reserves RMB millions	Total RMB millions			
<b>Balance at 31 December 2019 and 1 January 2020</b>		7,875	11,214	3,555	(1,268)	14	43	17,394	38,827	670	39,497
<b>Changes in equity for the six-month period ended 30 June 2020:</b>											
Profit for the period		–	–	–	–	–	–	4,025	4,025	33	4,058
Other comprehensive income		–	–	–	(289)	94	–	–	(195)	–	(195)
Total comprehensive income		–	–	–	(289)	94	–	4,025	3,830	33	3,863
Share incentive scheme											
– Share option scheme	18(b)	26	86	–	–	–	–	–	112	–	112
– Restricted share scheme	18(b)	(2)	1,268	–	–	–	–	–	1,266	–	1,266
Acquisition of non-controlling interests in subsidiaries		–	23	–	–	–	–	–	23	(23)	–
Dividends declared by subsidiaries to non-controlling interests		–	–	–	–	–	–	–	–	(35)	(35)
Contribution from non-controlling shareholders in a subsidiary		–	216	–	–	–	–	–	216	284	500
Safety production fund	23(b)	–	–	–	–	–	8	(8)	–	–	–
<b>Balance at 30 June 2020</b>		7,899	12,807	3,555	(1,557)	108	51	21,411	44,274	929	45,203

The notes on pages 38 to 72 form part of the interim financial report.

# Consolidated Cash Flow Statement (Unaudited)

For the six-month period ended 30 June 2020

(Expressed in RMB)

	Note	For the six-month period ended 30 June	
		2020 RMB millions	2019 RMB millions
<b>Operating activities</b>			
<b>Profit before taxation</b>		<b>4,726</b>	3,120
Adjustments for:			
Depreciation of property, plant and equipment	5(c)	<b>286</b>	290
Depreciation of right-of-use assets	5(c)	<b>64</b>	47
Amortisation of intangible assets	5(c)	<b>99</b>	104
Share of profits less losses of associates		<b>(66)</b>	(82)
Interest income	5(a)	<b>(267)</b>	(277)
Interest expenses	5(a)	<b>533</b>	868
Unrealised exchange gains		<b>—</b>	(47)
Gain on disposal of property, plant and equipment and right-of-use assets	4	<b>(187)</b>	(2)
Net realised and unrealised gains on financial assets at FVPL	4	<b>(378)</b>	(455)
Dividends income from financial assets at FVOCI	4	<b>—</b>	(76)
Gain on disposal of interest in an associate		<b>(12)</b>	—
Share incentive scheme expenses	5(b)	<b>198</b>	59
		<b>4,996</b>	3,549
Increase in inventories		<b>(1,393)</b>	(502)
Increase in trade and other receivables		<b>(4,317)</b>	(5,109)
Increase in receivables under finance lease		<b>(5,792)</b>	(762)
Increase in trade and other payables		<b>7,833</b>	5,957
Increase in contract liabilities		<b>475</b>	405
<b>Cash generated from operations</b>		<b>1,802</b>	3,538
Income tax paid		<b>(415)</b>	(240)
<b>Net cash generated from operating activities carried forward</b>		<b>1,387</b>	3,298

The notes on pages 38 to 72 form part of the interim financial report.

## Consolidated Cash Flow Statement (continued) (Unaudited)

For the six-month period ended 30 June 2020

(Expressed in RMB)

	Note	For the six-month period ended 30 June	
		2020 RMB millions	2019 RMB millions
<b>Net cash generated from operating activities brought forward</b>		<b>1,387</b>	3,298
<b>Investing activities</b>			
Payment for purchase of property, plant and equipment		(423)	(173)
Payment for purchase of right-of-use assets		(24)	(79)
Payment for purchase of intangible assets		(32)	(44)
Dividends from associates		16	5
Payment for investments in associates		—	(14)
Payment for acquisition of financial assets at FVOCI		(101)	(209)
Payment for financial assets at FVPL		(9,449)	(17,220)
Proceeds from disposal of financial assets at FVPL		7,362	13,949
Dividend income from financial assets at FVOCI	4	—	76
Proceeds from proposed disposal of property, plant, equipment and right-of-use assets		938	—
Proceeds from disposal of property, plant and equipment, intangible assets and right-of-use assets		261	65
Proceeds from disposal of financial assets at FVOCI		1	94
Proceeds from disposal of interest in an associate		47	—
Payment for acquisition of a subsidiary	8	—	(165)
Interest received		92	277
Decrease/(increase) in pledged bank deposits		109	(146)
<b>Net cash used in investing activities</b>		<b>(1,203)</b>	(3,584)

The notes on pages 38 to 72 form part of the interim financial report.

## Consolidated Cash Flow Statement (continued) (Unaudited)

For the six-month period ended 30 June 2020

(Expressed in RMB)

	Note	For the six-month period ended 30 June	
		2020 RMB millions	2019 RMB millions
<b>Financing activities</b>			
Proceeds from loans and borrowings		<b>42,100</b>	20,371
Repayments of loans and borrowings		<b>(40,979)</b>	(19,939)
Proceeds from exercise of share options	18(b)	<b>106</b>	158
Capital contributions from non-controlling shareholders		<b>500</b>	—
Payment for repurchase of own shares		<b>—</b>	(2,145)
Proceeds from issue of restricted shares	18(b)	<b>1,074</b>	—
Dividends paid to equity shareholders	18(a)	<b>(313)</b>	(251)
Interest paid		<b>(337)</b>	(494)
Dividends paid by subsidiaries to non-controlling interests		<b>(35)</b>	—
Payment for acquisition of non-controlling interests		<b>(36)</b>	—
Capital element of lease rentals paid		<b>(55)</b>	(23)
Interest element of lease rentals paid		<b>(5)</b>	(4)
<b>Net cash generated from/(used in) financing activities</b>		<b>2,020</b>	(2,327)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,204</b>	(2,613)
<b>Cash and cash equivalents at the beginning of period</b>		<b>5,073</b>	8,754
<b>Effect of foreign exchange rate changes</b>		<b>(7)</b>	4
<b>Cash and cash equivalents at the end of period</b>	15	<b>7,270</b>	6,145

The notes on pages 38 to 72 form part of the interim financial report.

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2020

## 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 21 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 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 2019 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.

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



## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2020

### 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:

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB</b>	RMB
	<b>millions</b>	millions
<b>Revenue from contracts with customers within the scope of IFRS 15</b>		
Disaggregated by major products of service lines		
Construction machinery		
— Concrete machinery	<b>8,630</b>	7,481
— Crane machinery	<b>15,330</b>	10,992
— Others	<b>3,372</b>	2,510
Agricultural machinery	<b>1,056</b>	911
	<b>28,388</b>	21,894
<b>Revenue from other sources</b>		
Construction machinery		
— Concrete machinery	<b>7</b>	9
— Crane machinery	<b>9</b>	13
— Others	<b>4</b>	12
Rental income from construction machinery	<b>20</b>	34
Financial services	<b>419</b>	334
	<b>439</b>	368
	<b>28,827</b>	22,262

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2020

### 3 Revenue and segment reporting (continued)

#### (a) Disaggregation of revenue (continued)

Disaggregation of revenue from contracts with customers by timing of revenue recognition regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six-month period ended 30 June 2020 is set out below:

	Six months ended 30 June 2020			Six months ended 30 June 2019		
	Point in time RMB millions	Over time RMB millions (Note)	Total RMB millions	Point in time RMB millions	Over time RMB millions (Note)	Total RMB millions
Reportable segment revenue:						
Construction machinery						
– Concrete machinery	8,630	7	8,637	7,481	9	7,490
– Crane machinery	15,330	9	15,339	10,992	13	11,005
– Others	3,372	4	3,376	2,510	12	2,522
Agricultural machinery	1,056	—	1,056	911	—	911
Financial services	—	419	419	—	334	334
	<b>28,388</b>	<b>439</b>	<b>28,827</b>	21,894	368	22,262

Note: Revenue recognised over time include rental income and service income.

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2020

### 3 Revenue and segment reporting (continued)

#### (b) Information about profit or loss

	For the six-month period ended 30 June	
	2020 RMB millions	2019 RMB millions
Reportable segment profit:		
Construction machinery		
— Concrete machinery	2,393	2,050
— Crane machinery	4,790	3,541
— Others	733	662
Agricultural machinery	130	91
Financial services	417	334
	<b>8,463</b>	6,678

#### (c) Reconciliations of segment profit

	For the six-month period ended 30 June	
	2020 RMB millions	2019 RMB millions
Total reportable segment profit	8,463	6,678
Other income	662	622
Sales and marketing expenses	(1,916)	(1,881)
General and administrative expenses	(1,464)	(1,324)
Research and development expenses	(1,048)	(461)
Net finance costs	(37)	(596)
Share of profits less losses of associates	66	82
Profit before taxation	<b>4,726</b>	3,120

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2020

### 4 Other income

	For the six-month period ended 30 June	
	2020 RMB millions	2019 RMB millions
Government grants	93	89
Gain on disposal of property, plant and equipment, intangible assets and right-of-use assets	187	2
Net realised and unrealised gains on financial assets at FVPL	378	455
Dividend income from financial assets at FVOCI	—	76
Others	4	—
	<b>662</b>	622

### 5 Profit before taxation

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

#### (a) Net finance costs:

	For the six-month period ended 30 June	
	2020 RMB millions	2019 RMB millions
Interest income	(267)	(277)
Interest on loans and borrowings	528	864
Interest on lease liabilities	5	4
Net exchange (gain)/loss	(229)	5
	<b>37</b>	596

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2020

### 5 Profit before taxation (continued)

#### (b) Staff costs:

	For the six-month period ended 30 June	
	2020 RMB millions	2019 RMB millions
Salaries, wages and other benefits	1,666	1,510
Contributions to retirement schemes	202	171
Share incentive scheme expense	198	59
	<b>2,066</b>	1,740

#### (c) Other items:

	For the six-month period ended 30 June	
	2020 RMB millions	2019 RMB millions
Cost of inventories sold	20,364	15,584
Depreciation charge		
— owned property, plant and equipment	286	290
— right-of-use assets	64	47
Amortisation of intangible assets	99	104
Gain on disposal of property, plant and equipment, intangible assets and right-of-use assets	(187)	(2)
Product warranty costs	93	115
Impairment losses		
— trade receivables (Note 11(b))	361	107
— receivables under finance lease (Note 12(c))	21	105
— inventories	48	81

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2020

### 6 Income tax

(a) Taxation charged/(credited) to profit or loss:

	For the six-month period ended 30 June	
	2020 RMB millions	2019 RMB millions
Current tax — PRC income tax	788	372
Current tax — Income tax in other tax jurisdictions	3	5
Deferred taxation	(123)	163
Tax expenses	668	540

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

	For the six-month period ended 30 June	
	2020 RMB millions	2019 RMB millions
Profit before taxation	4,726	3,120
Notional tax on profit before taxation, calculated at the statutory income tax rate applicable to the jurisdictions concerned (Note (a))	1,182	780
Tax effect of non-deductible expenses	62	107
Current year loss for which no deferred tax assets was recognised	3	43
Tax effect of non-taxable income	(89)	(86)
Tax effect of tax concessions (Note (b))	(417)	(259)
Additional deduction for qualified research and development expenses (Note (c))	(73)	(45)
Actual income tax expenses	668	540

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2020

### 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% (2019: 25%).

The Company's subsidiaries in the HKSAR are subject to Hong Kong Profits Tax at 16.5% (2019: 16.5%) in respect of assessable profits arising in or derived from Hong Kong. For the six-month period ended 30 June 2020, 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% (2019: 19.0% to 28.4%).

- (b) 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. The Company and its PRC subsidiaries have begun the renewal approval process. It is probable that they are qualified as high-technology enterprises. Management therefore believes 15% represents the best estimate of the annual tax rate of these entities for the year ending 31 December 2020.

- (c) Under the income tax law and its relevant regulations, a 75% additional tax deduction is allowed for qualified research and development expenditure for the year ending 31 December 2020 (2019: 75%).

### 7 Earnings per share

#### (a) Basic earnings per share

The calculation of basic earnings per share for the six-month period ended 30 June 2020 is based on the profit attributable to equity shareholders of the Company of RMB4,025 million (six months ended 30 June 2019: RMB2,585 million), and the weighted-average number of ordinary shares in issue of 7,440 million shares (six-month period ended 30 June 2019: 7,647 million shares).

#### (b) Diluted earnings per share

The calculation of diluted earnings per share for the six-month period ended 30 June 2020 is based on the profit attributable to equity shareholders of the Company of RMB4,025 million (six months ended 30 June 2019: RMB2,585 million), and the weighted-average number of ordinary shares in issue of 7,451 million shares (six-month period ended 30 June 2019: 7,647 million shares) after adjusting for the exercisable options in year 2020.

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2020

### 8 Goodwill and business combination

	<b>2020</b>	2019
	<b>RMB</b>	RMB
	<b>millions</b>	millions
Balance at 1 January	<b>2,017</b>	2,046
Addition	—	6
Impairment loss	—	(30)
Effect of exchange rate difference	<b>26</b>	(5)
Balance at 30 June/31 December	<b>2,043</b>	2,017

### 9 Interests in associates

	<b>30 June</b>	31 December
	<b>2020</b>	2019
	<b>RMB</b>	RMB
	<b>millions</b>	millions
Infore Environment Technology Group Co., Ltd. (“Infore Environment”)	<b>2,992</b>	2,933
Aggregate carrying amount of individually material associates in the consolidated financial statements	<b>2,992</b>	2,933
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	<b>922</b>	976
	<b>3,914</b>	3,909

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 2020

### 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 (Note)	Incorporated	China	RMB3,163	12.62%	12.62%	Environmental construction and project operation

Note: Infore Environment is listed on the main board of Shenzhen Stock Exchange. On 30 June 2020, the quoted market price of Infore Environment was RMB8.25 (31 December 2019: RMB6.17) per share and the fair value of the investment in Infore Environment was RMB3,293 million (31 December 2019: RMB2,463 million).

### 10 Other financial assets

	Note	30 June 2020 RMB millions	31 December 2019 RMB millions
<b>Financial assets at FVOCI</b>			
Equity securities	(i)	2,602	2,367
<b>Financial assets at FVPL</b>			
Listed equity securities	(ii)	353	127
Securities investment funds	(iii)	152	150
<b>Total</b>		<b>3,107</b>	2,644

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2020

## 10 Other financial assets (continued)

- (i) The equity securities comprises equity funds and other unlisted equity securities. The aggregate fair value of equity funds and unlisted equity securities was RMB1,491 million and RMB1,111 million as at 30 June 2020 (31 December 2019: RMB1,264 million and RMB1,103 million). The Group designated these investments at FVOCI (non-recycling), as these investments are held for strategic purposes. No dividends were received on investments in equity securities during the period (period ended 30 June 2019: RMB76 million) (see Note 4).
- (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 RMB353 million, based on their quoted market prices as at 30 June 2020 (31 December 2019: RMB127 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.

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2020

### 11 Trade and other receivables

	<b>As at 30 June 2020 RMB millions</b>	As at 31 December 2019 RMB millions
Trade receivables	<b>33,734</b>	30,437
Less: loss allowance for doubtful debts (Note (b))	<b>(5,281)</b>	(5,146)
	<b>28,453</b>	25,291
Less: trade receivables due after one year	<b>(10,532)</b>	(9,072)
	<b>17,921</b>	16,219
Bills receivable (Note (c))	<b>2,273</b>	1,748
	<b>20,194</b>	17,967
Amounts due from related parties	<b>156</b>	181
Prepayments for purchase of raw materials	<b>752</b>	644
Prepaid expenses	<b>379</b>	368
VAT recoverable	<b>739</b>	771
Deposits	<b>190</b>	197
Others	<b>1,178</b>	711
	<b>23,588</b>	20,839

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2020

### 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 is as follows:

	<b>As at 30 June 2020 RMB millions</b>	As at 31 December 2019 RMB millions
Within 1 year	<b>18,255</b>	16,984
Over 1 year but less than 2 years	<b>4,779</b>	3,086
Over 2 years but less than 3 years	<b>1,896</b>	1,641
Over 3 years but less than 5 years	<b>2,394</b>	2,698
Over 5 years	<b>1,129</b>	882
	<b>28,453</b>	25,291

Trade receivables under credit sales arrangement are generally due within 1 to 3 months (2019: 1 to 3 months) from the date of billing, and customers are normally required to make an upfront payment ranging from 40% to 50% (2019: 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 (2019: 6 to 42 months), customers are normally required to make an upfront payment ranging from 30% to 50% (2019: 30% to 50%) of the product price.

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2020

### 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 2020 RMB millions	31 December 2019 RMB millions
Balance at 1 January		5,146	5,912
Impairment losses recognised		361	425
Reclassification from loss allowance of receivables under finance lease	12(c)	—	22
Uncollectible amounts written off		(225)	(307)
Written off upon sale of trade receivables		(1)	(906)
Balance at 30 June/31 December		5,281	5,146

- (c) As at 30 June 2020, bills receivable of RMB 2,273 million (31 December 2019: RMB 1,748 million) whose fair values approximate to their carrying values were classified as financial assets at fair value through other comprehensive income under IFRS 9. The fair value changes of these bills receivable at fair value through other comprehensive income were insignificant during the six-month period ended 30 June 2020.

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 2020, 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 2020, 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 RMB2,022 million (31 December 2019: RMB1,387 million).

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2020

### 12 Receivables under finance lease

	<b>As at 30 June 2020 RMB millions</b>	As at 31 December 2019 RMB millions
Gross investment	<b>25,222</b>	19,406
Unearned finance income	<b>(764)</b>	(760)
	<b>24,458</b>	18,646
Less: loss allowance for doubtful debts (Note (c))	<b>(1,667)</b>	(1,646)
	<b>22,791</b>	17,000
Less: receivables under finance lease due after one year	<b>(11,718)</b>	(7,771)
Receivables under finance lease due within one year	<b>11,073</b>	9,229

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 (2019: 2 to 5 years). Customers are normally required to make an upfront payment ranging from 5% to 40% of the product price (2019: 5% to 40%) and pay a security deposit ranging from 1% to 20% of the product price (2019: 1% to 10%). 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 2020

### 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:

	<b>As at 30 June 2020 RMB millions</b>	As at 31 December 2019 RMB millions
<b>Present value of the minimum lease payments</b>		
Within 1 year	<b>13,200</b>	10,670
Over 1 year but less than 2 years	<b>5,436</b>	4,223
Over 2 years but less than 3 years	<b>3,531</b>	2,498
Over 3 years	<b>2,291</b>	1,255
	<b>24,458</b>	18,646
<b>Unearned finance income</b>		
Within 1 year	<b>471</b>	468
Over 1 year but less than 2 years	<b>189</b>	192
Over 2 years but less than 3 years	<b>77</b>	76
Over 3 years	<b>27</b>	24
	<b>764</b>	760
<b>Gross investment</b>		
Within 1 year	<b>13,671</b>	11,138
Over 1 year but less than 2 years	<b>5,625</b>	4,415
Over 2 years but less than 3 years	<b>3,608</b>	2,574
Over 3 years	<b>2,318</b>	1,279
	<b>25,222</b>	19,406

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2020

### 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:

	<b>As at 30 June 2020 RMB millions</b>	As at 31 December 2019 RMB millions
Not yet due	<b>19,586</b>	13,360
Within 1 year past due	<b>1,493</b>	1,621
Over 1 year but less than 2 years past due	<b>830</b>	1,114
Over 2 years past due	<b>2,549</b>	2,551
Total past due	<b>4,872</b>	5,286
	<b>24,458</b>	18,646
Less: loss allowance	<b>(1,667)</b>	(1,646)
	<b>22,791</b>	17,000

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 2020

### 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	<b>2020</b> <b>RMB</b> <b>millions</b>	2019 RMB millions
Balance at 1 January		<b>1,646</b>	1,667
Impairment losses recognised		<b>21</b>	1
Reclassification to loss allowance of trade receivables	11(b)	<b>—</b>	(22)
Balance at 30 June/31 December		<b>1,667</b>	1,646

### 13 Inventories

	<b>As at</b> <b>30 June</b> <b>2020</b> <b>RMB</b> <b>millions</b>	As at 31 December 2019 RMB millions
Raw materials	<b>4,061</b>	2,509
Work in progress	<b>2,261</b>	2,611
Finished goods (Note)	<b>6,958</b>	6,652
	<b>13,280</b>	11,772

Note: The Group takes various measures to recover overdue debtors including repossession of sold machinery. These repossessed machinery 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 2020

### 14 Financial assets at fair value through profit or loss

	<b>As at 30 June 2020 RMB millions</b>	As at 31 December 2019 RMB millions
<b>Financial assets carried at fair value through profit or loss:</b>		
— Wealth management products (Note)	<b>3,622</b>	3,953
— Structured deposits (Note)	<b>1,912</b>	—
Securities investment funds (Note 10(iii))	<b>974</b>	358
	<b>6,508</b>	4,311

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.

### 15 Cash and cash equivalents

	<b>As at 30 June 2020 RMB millions</b>	As at 31 December 2019 RMB millions
Cash at bank and on hand		
— RMB denominated	<b>6,312</b>	3,826
— USD denominated	<b>415</b>	632
— EUR denominated	<b>291</b>	366
— HKD denominated	<b>77</b>	4
— Other currencies	<b>175</b>	245
	<b>7,270</b>	5,073

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2020

### 16 Loans and borrowings

#### (a) Short-term loans and borrowings:

	Note	As at 30 June 2020 RMB millions	As at 31 December 2019 RMB millions
Secured short-term bank loans			
— RMB denominated	(i)	—	48
Pledged short-term bank loans	(ii)	697	358
Unsecured short-term bank loans			
— RMB denominated	(iii)	3,470	3,803
— USD denominated	(iv)	427	490
— EUR denominated	(v)	730	340
— RUB denominated	(vi)	—	4
Deposits borrowed from an associate	(vii)	13	32
		<b>5,337</b>	5,075
Add: Current portion of long-term loans and borrowings	16(b)	<b>1,098</b>	2,237
		<b>6,435</b>	7,312

#### Notes:

- (i) During the six-month period ended 30 June 2020, RMB denominated secured short-term bank loan of RMB48 million was all repaid.
- (ii) As at 30 June 2020, RMB denominated pledged short-term bank loans of RMB697 million (31 December 2019: RMB358 million) bore interest at rates ranging from 2.25% to 4.10% per annum were pledged by financial assets and bank acceptance bills, and will be repayable in full in 2020.
- (iii) As at 30 June 2020, RMB denominated unsecured short-term bank loans of RMB3,470 million (31 December 2019: RMB3,803 million) bore interest at rates ranging from 1.90% to 4.35% per annum and will be repayable from 2020 to 2021.
- (iv) As at 30 June 2020, USD denominated unsecured short-term bank loans of RMB427 million (31 December 2019: RMB490 million) bore interest at rates ranging from 1.10% to 2.31% per annum and will be repayable in full in 2020.
- (v) As at 30 June 2020, EUR denominated unsecured short-term bank loans of RMB730 million (31 December 2019: RMB340 million) bore interest at rates ranging from 0.80% to 1.10% per annum and will be repayable from 2020 to 2021.
- (vi) During the six-month period ended 30 June 2020, RUB denominated unsecured short-term bank loans of RMB4 million was all repaid.
- (vii) As at 30 June 2020, the demand deposits due to an associate amounted to RMB13 million (31 December 2019: RMB32 million).

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2020

## 16 Loans and borrowings (continued)

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

	Note	<b>As at 30 June 2020 RMB millions</b>	As at 31 December 2019 RMB millions
Unsecured long-term bank loans			
– RMB denominated	(i)	<b>1,598</b>	2,801
– EUR denominated	(ii)	<b>1,554</b>	1,561
– USD denominated	(iii)	<b>888</b>	717
RMB medium-term notes	(iv)	<b>4,991</b>	4,988
Guaranteed USD senior notes	(v)	<b>3,714</b>	3,692
Debentures	(vi)	<b>4,990</b>	2,993
		<b>17,735</b>	16,752
Less: Current portion of long-term loans and borrowings	16(a)	<b>(1,098)</b>	(2,237)
		<b>16,637</b>	14,515

#### Notes:

- (i) As at 30 June 2020, RMB denominated unsecured long-term bank loans of RMB1,098 million (31 December 2019: RMB1,911 million) bore interest at a fixed rate at 3.69% per annum and will be repayable in full in 2020.

As at 30 June 2020, RMB denominated unsecured long-term bank loans of RMB500 million (31 December 2019: RMB890 million) bore interest at a fixed rate at 4.18% per annum and will be repayable in 2022. Such loans are subject to the fulfilment of certain financial covenants of the Group. As at 30 June 2020, the Group was in compliance with these financial covenants.

- (ii) As at 30 June 2020, EUR denominated unsecured long-term bank loans of RMB1,554 million (31 December 2019: RMB1,561 million) bore interest at rates ranging from 0.85% to 1.20% per annum and will be repayable from 2021 to 2022.

- (iii) As at 30 June 2020, USD denominated unsecured long-term bank loans of RMB336 million (31 December 2019: RMB717 million) bore interest at rates ranging from 1.80% to 3.14% per annum and will be repayable from 2022 to 2028.

As at 30 June 2020, USD denominated unsecured long-term bank loans of RMB552 million (31 December 2019: nil) bore interest at a fixed rate at 2.78% 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 2020, the Group was in compliance with these financial covenants.

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2020

## 16 Loans and borrowings (continued)

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

- (iv) In December 2018, the Company issued 5-year RMB medium-term notes with principal amount of RMB2,500 million. The notes bore 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 2019.

In October 2019, the Company issued 5-year RMB medium-term notes with principal amount of RMB2,500 million. The notes bore 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 2020.

- (v) 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.

- (vi) In December 2018, the Company issued 5-year RMB debentures with principal amount of RMB2,000 million. The debentures bore 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 2019.

In July 2019, the Company issued 5-year RMB debentures with principal amount of RMB1,000 million. The debentures bore interest at a fixed rate of 4.00% per annum and will mature in December 2024. Interest on the debentures will be payable yearly in arrears in July, beginning from July 2020.

In March 2020, the Company issued 5-year RMB debentures with principal amount of RMB2,000 million. The debentures bore 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.

- (c) Except as disclosed in Note 16(b)(i) and 16(b)(iii) 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 2020

### 17 Trade and other payables

	<b>As at 30 June 2020 RMB millions</b>	As at 31 December 2019 RMB millions
Trade creditors	<b>13,630</b>	9,301
Bills payable	<b>11,772</b>	9,760
Trade creditors and bills payable	<b>25,402</b>	19,061
Amounts due to related parties (Note 22(b))	<b>1</b>	3
Amounts due to non-controlling shareholders of certain subsidiaries	<b>174</b>	254
Payable for acquisition of property, plant and equipment	<b>170</b>	284
Accrued staff costs	<b>821</b>	786
Product warranty provision	<b>126</b>	99
VAT payable	<b>1,060</b>	640
Sundry taxes payable	<b>120</b>	125
Security deposits	<b>596</b>	607
Interest payable	<b>259</b>	81
Financial guarantees issued (Note 21)	<b>77</b>	67
Other accrued expenses and payables	<b>3,161</b>	2,592
Dividends payable	<b>—</b>	313
Locked restricted share	<b>100</b>	100
	<b>32,067</b>	25,012

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2020

### 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:

	<b>As at 30 June 2020 RMB millions</b>	As at 31 December 2019 RMB millions
Due within 1 month or on demand	<b>4,718</b>	5,119
Due after 1 month but within 3 months	<b>10,478</b>	5,935
Due after 3 months but within 6 months	<b>6,682</b>	7,619
Due after 6 months but within 12 months	<b>3,524</b>	388
	<b>25,402</b>	19,061

### 18 Capital, reserves and dividends

#### (a) Dividends

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.

Pursuant to the shareholders' approval at the Annual General Meeting held on 21 June 2019, a final cash dividend of RMB0.25 per share based on 7,460 million ordinary shares in issue, totaling RMB1,863 million in respect of the year ended 31 December 2018 was declared, of which RMB27 million was declared to restricted shareholders who are expected to be unlocked and RMB2 million was declared to restricted shareholders who are not expected to be unlocked. RMB1,550 million of the dividends was paid in 2019, and 313 million was paid in March 2020.

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2020

## 18 Capital, reserves and dividends (continued)

### (b) 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.



# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2020

## 18 Capital, reserves and dividends (continued)

### (b) Share incentive scheme (continued)

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 2020, 25,811,889 share options were exercised at an exercise price of RMB4.11 (six months ended 30 June 2019: 36,035,558 share options at an exercise price of RMB4.37). No share option was granted during the six months ended 30 June 2020 and 2019. There were 3,309,759 share options forfeited during the six months ended 30 June 2020 (six months ended 30 June 2019: nil). There were 77,213,962 share options outstanding and 21,206,109 share options exercisable at 30 June 2020 (31 December 2019: 106,335,610 and 47,017,998).

During the six-month period ended 30 June 2020, 390,449,924 restricted shares were granted (six-month period ended 30 June 2019: nil). There were 2,008,515 restricted shares forfeited during the six-month period ended 30 June 2020 (six-month period ended 30 June 2019: nil). There were 446,457,711 restricted shares outstanding at 30 June 2020 (31 December 2019: 58,016,302).

During the six months ended 30 June 2020, share incentive scheme expenses of RMB198 million (six-month period ended 30 June 2019: RMB59 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 2020

### 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 at 30 June 2020	Fair value measurements as at 30 June 2020		
		Level 1	Level 2	Level 3
<b>Recurring fair value measurements</b>				
Financial assets:				
Fair value through other comprehensive income				
– Bills receivable	2,273	–	2,273	–
– Equity securities	2,602	–	1,491	1,111
Fair value through profit or loss				
– Wealth management products	3,622	–	3,622	–
– Listed equity securities	353	353	–	–
– Structured deposits	1,912	–	1,912	–
– Securities investment funds	1,126	–	1,126	–

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2020

### 19 Fair value measurement of financial instruments (continued)

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

##### (i) Fair value hierarchy (continued)

	Fair value at 31 December 2019	Fair value measurements as at 31 December 2019		
		Level 1	Level 2	Level 3
<b>Recurring fair value measurements</b>				
Financial assets:				
Fair value through other comprehensive income				
— Bills receivable	1,748	—	1,748	—
— Equity securities	2,367	—	1,264	1,103
Fair value through profit or loss				
— Wealth management products	3,953	—	3,953	—
— Listed equity securities	127	127	—	—
— Securities investment funds	508	—	508	—
Financial liabilities:				
Fair value through profit or loss	(37)	—	(37)	—

During the six months ended 30 June 2020 and 2019, 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 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 2020

### 19 Fair value measurement of financial instruments (continued)

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

##### (ii) 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:

	<b>2020</b>	2019
	<b>RMB</b>	RMB
	<b>millions</b>	millions
Unlisted equity securities:		
At 1 January	<b>1,103</b>	904
Additional equity securities acquired	<b>8</b>	199
At 30 June/31 December	<b>1,111</b>	1,103
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	<b>—</b>	—

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 2020

### 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 2020 and 31 December 2019 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	<b>Carrying amount at 30 June 2020</b>	<b>Fair value at 30 June 2020 categorised into level 1</b>	Carrying amount at 31 December 2019	Fair value at 31 December 2019 categorised into level 1
Guaranteed USD senior notes	<b>3,714</b>	<b>3,816</b>	3,692	3,673
RMB medium-term notes	<b>4,991</b>	<b>5,047</b>	4,988	5,052
Debentures	<b>4,990</b>	<b>5,068</b>	2,993	3,036

### 20 Commitments

#### (a) Capital commitments

As at 30 June 2020, the Group had capital commitments as follows:

	<b>As at 30 June 2020 RMB millions</b>	As at 31 December 2019 RMB millions
Authorised and contracted for — property, plant and equipment	<b>846</b>	182

# Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2020

## 21 Contingent liabilities

### (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 2020, the Group's maximum exposure to such guarantees was RMB5,331 million (31 December 2019: RMB4,542 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 2020, the Group made payments of RMB17 million (six-month period ended 30 June 2019: RMB58 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 the customer. 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 2020, the Group's maximum exposure to such guarantees was RMB182 million (31 December 2019: RMB231 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 2020, there was no payment made for repossession of machinery incurred (six-month period ended 30 June 2019: 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 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 2020, the Group's maximum exposure to such guarantees was RMB49 million (31 December 2019: RMB72 million). For the six-month period ended 30 June 2020, there was no payment to banks incurred (six-month period ended 30 June 2019: Nil) 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 2020

### 21 Contingent liabilities (continued)

#### (a) Financial guarantees issued (continued)

The Group issued 3-year Asset-backed Securities (“ABS”) for some of the trade and other receivables and receivables under finance lease (“Underlying Assets”) which bore interest at rates ranging from 2.40% to 10% per annum for various tranches. The Group undertakes to provide payment to the ABS plan should any shortage, between actual cash inflows from the Underlying Assets and the planned cash inflows. The payment for the temporary shortage and the interests arising thereof will be compensated by future cash inflows from the Underlying Assets to the Group. As at 30 June 2020, the outstanding planned payment due to the ABS plan was approximately RMB2,107 million (31 December 2019: RMB454 million), nil of which has any temporary shortage as at 30 June 2020 (31 December 2019: Nil).

#### (b) 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 2020

### 22 Related party transactions

#### (a) Transactions with related parties

	For the six-month period ended 30 June	
	2020 RMB millions	2019 RMB millions
<b>Transactions with associates:</b>		
Sales of products	132	103
Purchase of raw materials	16	—
Payment for acquisition of receivables under commercial factoring	219	198
Payment for acquisition of finance lease assets	119	1
Guarantees provided	—	2
Net (repayments for)/proceeds from borrowings	(19)	7

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.



## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2020

### 23 Reconciliation of financial information prepared under PRC GAAP to IFRSs

#### (a) Reconciliation of total equity of the Group

	<b>As at 30 June 2020 RMB millions</b>	As at 31 December 2019 RMB millions
Total equity reported under PRC GAAP	<b>45,240</b>	39,534
— Acquisition-related costs incurred on prior year business combination	<b>(37)</b>	(37)
Total equity reported under IFRSs	<b>45,203</b>	39,497

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

	<b>For the six-month period ended 30 June</b>	
	<b>2020 RMB millions</b>	2019 RMB millions
Total comprehensive income for the period reported under PRC GAAP	<b>3,855</b>	2,555
— Safety production fund (Note)	<b>8</b>	10
Total comprehensive income for the period reported under IFRSs	<b>3,863</b>	2,565

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.

## Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2020

### 24 Impacts of COVID-19 pandemic

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the group's operating environment and has impacted the Group's operations and financial position.

The Group have assessed various accounting estimates and other matters, including but not limited to provision for expected credit losses, inventory provisions and revenue recognition. Based on the assessment performed, there was no material impact on the financial information of the Group. The Group will monitor the developments of COVID-19 epidemic closely, assess and react actively to its impacts on the financial position and operating results of the Group.

### 25 Non-adjusting event after the reporting period

Pursuant to a resolution passed at the directors' meeting on 21 August 2020, an interim dividend in respect of the six-month period ended 30 June 2020 of RMB0.21 (six-month period ended 2019: nil) per share totaling RMB1,662 million (six-month period ended 30 June 2019: nil) was proposed for shareholders' approval at the forthcoming extraordinary general meeting. The interim dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.



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