

ZOOMLION 中联重科

中联重科股份有限公司

ZOOMLION HEAVY INDUSTRY
SCIENCE AND TECHNOLOGY CO., LTD.*

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

H Share Stock Code : 1157 | A Share Stock Code : 000157



Interim Report 2023

* 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 Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“the Reporting Period”	the six months ended 30 June 2023



Interim Report 2023

ZOOMLION
中联重科

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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
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- 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 Guanhua Road Chaoyang District,
Beijing 100020, China P.R.
- As to Hong Kong law: Norton Rose Fulbright Hong Kong
38/F, Jardine House, 1 Connaught Place, Central, Hong Kong
- X. Auditors
- Domestic auditors: KPMG Huazhen LLP
8th Floor, KPMG Tower, Oriental Plaza,
1 East Chang An Avenue, Beijing, China P.R.
- International auditors: KPMG
Public Interest Entity Auditor registered in accordance with the Accounting and
Financial Reporting Council Ordinance
8/F, Prince's Building, 10 Chater Road, Central, Hong Kong

Principal Financial Data and Indicators

I. Major financial data and indicators prepared in accordance with China Accounting Standards for Business Enterprises (“PRC GAAP”)

Unit: RMB

	The Reporting Period	Corresponding period of last year	Changes in the Reporting Period as compared with the corresponding period of last year
Operating income	24,075,171,438.22	21,299,497,985.01	13.03%
Net profit attributable to shareholders of the Company	2,040,104,177.20	1,715,822,741.96	18.90%
Net profit attributable to equity shareholders of the Company after extraordinary items	1,688,492,820.41	1,203,421,445.33	40.31%
Net cash flow from operating income	931,174,530.98	1,857,312,306.03	-49.86%
Basic earnings per share (RMB/share)	0.25	0.20	25.00%
Diluted earnings per share (RMB/share)	0.25	0.20	25.00%
Weighted average return on net assets	3.73%	3.14%	0.59%

	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	133,596,293,897.62	123,553,025,612.04	8.13%
Net assets attributable to shareholders of the Company	53,232,003,341.22	54,741,097,896.87	-2.76%

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	
	2023 RMB millions	2022 RMB millions
Profit attributable to:		
Equity shareholders of the Company	2,056	1,736
Non-controlling interests	180	43
	<u>2,236</u>	<u>1,779</u>
Profit for the period	<u>2,236</u>	<u>1,779</u>
Earnings per share (cents)		
Basic	<u>24.95</u>	<u>20.46</u>
Diluted	<u>24.72</u>	<u>20.28</u>

Principal Financial Data and Indicators

	For the six-month period ended 30 June	
	2023 RMB millions	2022 RMB millions
Profit for the period	2,236	1,779
Other comprehensive income for the period (after tax):		
<i>Item that will not be reclassified to profit or loss:</i>		
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	(162)	(84)
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of subsidiaries outside PRC	182	(201)
Total other comprehensive income for the period	20	(285)
Total comprehensive income for the period	2,256	1,494
Total comprehensive income attributable to:		
Equity shareholders of the Company	2,076	1,451
Non-controlling interests	180	43
Total comprehensive income for the period	2,256	1,494

Principal Financial Data and Indicators

	As at 30 June 2023 RMB millions	As at 31 December 2022 RMB millions
Total non-current assets	54,657	49,915
Total current assets	78,904	73,602
Total assets	133,561	123,517
Total current liabilities	53,651	48,393
Net current assets	25,253	25,209
Total assets less current liabilities	79,910	75,124
Total non-current liabilities	24,052	18,185
NET ASSETS	55,858	56,939
Gearing ratio (Note)	58.18%	53.90%

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
Under PRC GAAP	<u>2,040,104,177.20</u>	<u>1,715,822,741.96</u>	<u>53,232,003,341.22</u>	<u>54,741,097,896.87</u>
Items and amounts adjusted under IFRS				
Acquisition related costs incurred on prior year business combination			-36,528,600.00	-36,528,600.00
Excess in the limit of withdrawal over expenses of safety production fund for the current period	<u>17,290,429.78</u>	<u>20,672,339.80</u>		
Under IFRS	<u>2,057,394,606.98</u>	<u>1,736,495,081.76</u>	<u>53,195,474,741.22</u>	<u>54,704,569,296.87</u>

Management Discussion and Analysis

I. Business Review

In the first half of 2023, the economic growth of the developed economies slowed down, while the emerging markets and developing economies maintained stable growth. The domestic market demand in China gradually recovered and the overall economy resumed growth.

In the first half of 2023, due to the decline in the number of infrastructure projects and real estate projects under construction and shortage of funds, the demand of the construction machinery industry in the domestic market continued to drop, but the decline gradually narrowed. On the other hand, the demand in overseas markets continued to increase and the overseas competitiveness of Chinese brands improved, and thus the export sales volume of the construction machinery industry maintained a high growth rate.

Under the guidance of the concept of “building up enterprises with Internet thinking and producing products by pushing everything to the limit”, the Company closely focused on the goal of high-quality development, accelerated the transformation and upgradation of digitalisation, intelligentisation and eco-friendliness, sped up the development of emerging sectors, promoted the expansion of overseas markets and enhanced the development tenacity and endogenous momentum of the Company, achieving an unparalleled business quality in the industry.

During the Reporting Period, the main work carried out by the Company was as follows:

1. The industrial echelons of the Company gathered momentum continuously

During the Reporting Period, within the framework of the overall strategies of “equipment manufacturing + Internet” and “industry + finance”, the Company accelerated the development of and the overall arrangement for engineering machinery, agricultural machinery + intelligent agriculture and Zoomlion New Materials to strengthen our industrial echelons, and the above-mentioned fields gathered momentum continuously.

(1) The engineering machinery products of the Company was becoming increasingly important on the market.

① The leading products of the Company were unparalleled on the market.

The competitiveness of the three key products of the Company (i.e. concrete machinery, engineering cranes and construction cranes) was increasing continuously without compromising the high-quality operation strategy and the strict business risk control of the Company, and the market shares were gained steadily.

The market shares of the Company’s concrete long-boom pump trucks, truck-mounted pumps and mixing plants still ranked first in the industry, and the market share of our concrete mixers remained the second place in the industry.

The Company’s engineering cranes still led in the market share in the industry. The sales of our 25-tonne and above truck cranes ranked first in the industry.

Management Discussion and Analysis

The sales of our construction cranes ranked first in the world. The Company delivered the world's largest tower crane R20000-720 and continued to lead the development of the industry with its mature technologies, product series and ecosystem model.

② New breakthroughs brought by accelerated development of potential businesses

In terms of earthmovers, the Company insisted on focusing on the strategy of developing medium and large excavators, and the market share continued to increase. After the whole demonstrative intelligent plant manufacturing excavators in Changsha went into operation, the reliability and intelligent technologies of our medium and large excavators improved continuously and the product catalogue was fully covered, through which, we accelerated the expansion of product catalogue of electric products and rapidly promoted the development of new products, product iteration and upgrading and market layout for 75-tonne and above super-large excavators. In the first half the year, the expansion of major customers and large projects achieved satisfactory results and the domestic market share of our medium and large excavators doubled year-on-year, maintaining the leading positions in the industry in terms of market share.

The sales of our mobile elevated working platforms (MEWPs) increased steadily in the first half of the year, maintaining the first in the domestic market share of small and medium-sized customers. The product catalogue of our MEWPs was fully covered, with work heights ranging from four metres to seventy-two metres, and the penetration rate of our electric products exceeded 90%, allowing the Company to have the largest number of MEWP models in China. We first launched ZT72J-V, the world's highest 72-metre telescopic boom lift, setting a new world record for telescopic boom lift series MEWPs again. We also launched SR-V800, the world's first high-rise curtain wall installation robot, which successfully realised the transformation from manned operations to intelligent high-rise operations.

③ Accelerating independent research and development of key components

The Company focused on key core technologies, such as perception, interaction, control, transmission, axles, hydraulic, hydraulic cylinders, rubber pipes, high-strength steel, thin plates. We kept on taking the technological research and development of key components and parts to a higher level and tried to connect links of the industrial chain and integrate similar companies in each link of the chain continuously. We enhanced the independent research and development and independent controllable manufacturing capacity of core components and parts such as hydraulic cylinders, hydraulic valves, axles for construction vehicles and reducers, thus improving the self-manufacturing rate of core components and parts. Furthermore, we made breakthroughs in technologies and core process bottlenecks of key components and parts such as middle and high-end hydraulic cylinders, high-end hydraulic components, axles for large-tonnage construction vehicles and reducers.

Management Discussion and Analysis

(2) Promoting the transformation and upgradation of agricultural machinery industry

The Company implemented the policy of “solidifying the foundation, transforming and improving quality” for agricultural machinery. We focused on the staple food grain machinery, and we were committed to the iteration and upgrading of three major staple grain harvesting series of wheat harvesters, rice harvesters and corn harvesters by relying on the technological accumulation and advantageous resources of “digitalisation, intelligentisation and eco-friendliness” in the construction machinery sector. The new products launched in the first half of the year, such as the wheat harvester TK100 and the tractor RS1304/1604, which were fully optimized in terms of product reliability, work efficiency, adaptability to working conditions and maintenance convenience, were sold on a large scale and were well received by customers.

By virtue of intelligent agriculture, we continued to accelerate our process of self-development and external cooperation and were committed to the development and research of the intelligent decision-making system for agricultural production, aiming to basically realise the intelligent management of rice cultivation, management and harvest. The Company continued to focus on the market development in Hunan’s Dongting Lake Plain and Anhui market and facilitated the implementation of key projects.

(3) Steady progress in the dry mortar new material business

By fully combining the application scenarios of featured products of dry mortar new materials and new construction technologies, the Company created a comprehensive solution and launched a combination of new techniques + new materials + new equipment to improve construction quality and construction efficiency and reduce comprehensive usage costs.

The factory construction for dry mortar new material business has proceeded steadily. The Xiangyin benchmark factory has been put into trial production in May and can produce and delivery products on a large scale. We have completed the layout of the sales outlets based on the surrounding areas of the factories that were put into operation and under construction.

(4) The combination of industry and finance facilitated the industrial upgradation

During the Reporting Period, the proposed spin-off and separate listing of Zoomlion Aerial Machinery was approved at a general meeting. Upon completion of the spin-off, it will help Zoomlion Aerial Machinery to expand financing channels, fully release the intrinsic value, and further accelerate the development and innovation progress. The spin-off will also help to promote the leap-forward development of the emerging business segment, consolidate the leading position in the industry, and thus improving the profitability, robustness and the overall asset quality of the Company.

Management Discussion and Analysis

2. Promoting digital transformation

With the help of the Internet thinking and the empowerment of new technology and based on core business scenarios of enterprises, the Company kept on making breakthroughs in core technology fields such as the Internet of Things, Cloud Computing, Big Data, industrial AI, accelerated the construction of systems such as the end-to-end platform for overseas business, the agricultural machinery marketing management platform, digital platform for business and finance, digitalisation of intelligent manufacturing and digitalisation of intelligent industrial cities, and promoted innovations in management modes, business modes and manufacturing modes, forging ahead towards the great goal of equipping Zoomlion with intelligent data operation.

In 2023, ZValley under Zoomlion has been selected as a national “cross-industry and cross-field” platform, which represents the highest level of industrial Internet platforms in China and is an important carrier for the gathering and sharing of industrial resources, the integration and utilisation of industrial data, and the optimisation and innovation of industrial production and services.

3. An intelligent manufacturing industry cluster leading the industry development

(1) The formation of an intelligent manufacturing industry cluster was accelerating. The construction of intelligent plants had satisfactory results, which solidified the Company’s high-quality development foundation in an all-round way. With Zoomlion Intelligent Industrial City as the centre, the intelligent plants manufacturing overall units, components and parts were being built at an accelerated pace. Nine intelligent manufacturing lines of the intelligent plant manufacturing aerial machinery were established and put into operation, among which, the boom product assembly line had a monthly output of 1,200 boom lifts, solidifying our foundation of the first echelon in the industry. Ten intelligent manufacturing lines (e.g. the pump truck overall unit assembly line) of the intelligent plant manufacturing concrete pumping machinery were established. The worlding-leading thin plate centre and the high-strength steel centre were being installed and going through a preliminary test, and the cab products manufactured by the intelligent assembly line of the thin plate centre have been launched. The construction of intelligent plants manufacturing engineering cranes, foundation construction machinery, crane trucks, axles for construction vehicles and middle and high-end hydraulic cylinders was being accelerated.

The manufacturing capacity of intelligent plants manufacturing excavators, tower cranes, concrete mixers and key components (e.g. hydraulic valves) was increasing, among which, the “Demonstrative Intelligent Plant Manufacturing Excavators”, a national intelligent manufacturing demonstrative project, achieved a monthly output of 1,000 excavators. By this means we provided clients with more premium products and solidified our leading position in the intelligent manufacturing industry.

Management Discussion and Analysis

- (2) The application research results in advanced intelligent manufacturing technologies were rapidly applied. With the development direction of “digitalisation, intelligentisation and eco-friendliness”, the Company integrated AI, intelligent manufacturing technology and intelligent equipment in a deep-going way to create intelligent, flexible and green manufacturing lines. The Company also innovated and applied intelligent control algorithms and digital systems to create efficient and collaborative intelligent plants. We kept on promoting the application research in more than 150 industry-leading end-to-end complete sets of intelligent manufacturing technologies. 124 technologies of them were applied to the intelligent manufacturing lines. 56 technologies of them were new technologies in the industry. The research results of advanced intelligent manufacturing technology have been rapidly applied, which facilitated the progress of empowering and upgrading intelligent manufacturing and led the development of the industry.

4. Integrating “digitalisation, intelligentisation and eco-friendliness” to build a platform for scientific and technological innovations

The Company adhered to the enterprise development philosophy of “technology and products are the foundation”, continuously integrated the “digitalisation, intelligentisation and eco-friendliness” of products to innovate, created industry-leading technologies and high-end products, accelerated the development of new energy technologies and products and supported the Company’s sustainable development.

(1) The Company continuously promoted core technological breakthroughs and created high-end products in the industry

During the Reporting Period, the Company accelerated the innovation and upgradation of digitalisation, intelligentisation and eco-friendliness, and carried out 267 technology projects in respect of digitalisation, intelligentisation and eco-friendliness, among which two projects, namely “key engineering technologies for complete vehicles of hydrogen-fuel-powered engineering machinery” and “the R&D of high-efficient and intelligent agricultural machinery and equipment applicable to hilly and mountainous areas”, were selected as “Top Ten Technological Breakthrough Projects of Hunan Province in 2023”. 150 new key products were launched, equipped with 48 advanced and mature technologies related to “digitalisation, intelligentisation and eco-friendliness”, which enhanced market competitiveness of the products.

The Company accelerated the productization of intelligent technologies, realised small batch application of technologies to several intelligent and autonomous operations, and completed the sample machine demonstration tests of a number of industry-leading core technologies featuring man-machine coordination and coordination among machines. For example, the one-key control technology for concrete pump truck boom, the key technologies of intelligent driving and operation for concrete mixers and other technologies have realised small batch application; the key technology of Digital Twin visualization for the intelligent construction system, the key technology of anti-collision decision-making in large space and other technologies have completed sample machine demonstration tests; and the R&D of core technologies such as intelligent multi-machine construction dispatching system 2.0 has been carried out.

Management Discussion and Analysis

The Company developed the world's largest tower crane with the rated lifting moment of 20,000 ton-metre, a maximum duty of lifting 720 tonnes and a maximum lifting height of 400 meters, which improved the efficiency of engineering construction and promoted the construction of bridges and other major engineering projects to achieve large-scale modularization. The Company developed the world's tallest 72.3-metre telescopic boom MEWPs, breaking the world record once again and filling in gaps in terms of working at the height of 70 metres or above with boom aerial machinery and equipment in the world. Our ZCC17000 crawler crane was the first crawler crane in the industry to realise hoisting of wind turbines at the height of 190 metres, with a rated duty of lifting 185 tonnes and the world's longest telescopic boom of 204 meters. ZCC17000 could realise maximum duty hoisting of wind turbines, which filled in gaps in the field of wind turbines hoisting for crawler cranes and met the industry's future demand of 7~10MW wind turbine hoisting. The Company managed to develop the industry's first qualified pump truck with a tonnage of 55 tonnes and a vertical reach of 72 metres. With the application of various new technologies in the world, the pump truck broke the world's longest boom record for pump truck with a tonnage of 55 tonnes and realised the perfect combination of construction machinery and cutting-edge material science, creating a new model of lightweight pump trucks with a higher degree of intelligence, stability and reliability.

(2) The Company accelerated the development of new energy products, leading the green development of the industry

In the fields of lithium battery, electric drive, hydrogen energy, overall unit and other fields, we innovated in multiple dimensions, fully opened up the three technological chains of new energy and a new green prospect. The Company had products in every category of new energy key components. We lead the development of engineering machinery powered by new energy by launching a series of products.

During the Reporting Period, 106 green technology projects were carried out, and 28 new energy products were launched, such as new multi-functional electric crawler crane with a tonnage of 75 tonnes, five-axle lightweight hybrid pump truck with a vertical reach of 70 metres, the pure electric spider boom lift with a work height of 23 metres, and the electric counterbalanced forklift with a tonnage of 7 tonnes.

Up to now, Zoomlion has launched 153 new energy products, covering concrete pump trucks, concrete mixers, truck-mounted cranes, MEWPs, excavators, mining dump trucks, forklifts, emergency vehicles, agricultural machinery, etc. The new energy forms consist of pure electric, hybrid power and hydrogen fuel, and a full range of new energy products has been taking shape. Electric telescopic boom lift series MEWP products were sold on a large scale, and they were in the leading position in the industry.

Management Discussion and Analysis

(3) High-value patents and standards led the innovation and development of the industry

During the Reporting Period, the Company focused on making an overall arrangement for intellectual property rights in respect of “digitalisation, intelligentisation and eco-friendliness” and new industries, recording a year-on-year increase of 44.7% in the number of invention patent applications. The patent of “boom monitoring method and system, engineering machinery readable storage medium” won the 24th China Patent Gold Award, and another 4 patents, namely “engineering machinery and the method, device and system for determining its safety state”, “control circuit and method of hydraulic valve spool”, “mobile elevated working platforms” and “a kind of crop divider, agricultural machinery with the divider and methods of preventing crop losses”, won the 24th China Patent Excellence Award. The growth of high-value patents accelerated and remained at the forefront of the industry.

During the Reporting Period, the international standard “Cranes – Safe use – Part 1: General” (ISO 12480-1) prepared under the lead of the Company was approved by voting for Draft International Standard (DIS); three national standards, including “Cranes – Design principles for loads and load combinations – Part 2: Mobile cranes” prepared under the lead of the Company, completed submission for approval; and five national green product assessment group standards, including “Technical specifications for green-design product assessment – crawler cranes” and “Technical specifications for green-design product assessment – Concrete pump trucks” prepared under the lead of the Company, completed the draft for comments. The number of green product standards released or under research by the Company ranked first in the industry.

5. Accelerating the development of overseas business in an all-round way

Adhering to its international development strategy with Zoomlion’s characteristics, the Company made full use of Internet thinking to form an end-to-end, digital and localized overseas business system and achieved leapfrogging development of overseas business, under the strategic development theme of “global village, end-to-end and twin platform”.

- (1) Overseas business kept on breaking records of growth. During the Reporting Period, the Company’s overseas revenue showed a year-on-year increase rate of 115%, with strong growth in overseas business and effective breakthroughs in key markets. Remarkable results of localisation development strategies were achieved in the United Arab Emirates, Saudi Arabia, Turkey, Russia, Kazakhstan, Brazil and other key countries, and the sales showed a year-on-year increase rate of over 200%. Engineering cranes under our brand owned the biggest market share in the Middle East and Russian-speaking regions. The Company maintained its No. 1 position in the markets of Turkey, India and South Korea in terms of construction cranes.

Among them, for engineering cranes, ZAT8000V863 set a record for the largest tonnage crane exported to the South American market by China, and ZAT8000H7 set a record for the largest tonnage crane exported to the Philippines by China. T2850-120 was exported to Mali, setting a record for the largest tonnage tower crane to Africa. The earthmoving machinery ZE1250G set a record for the largest tonnage excavator exported to Russia by Zoomlion. The first batch of tractors RS1304 was delivered to Thailand KTIS Group, the world’s largest sugar manufacturer, breaking the situation that European and American agricultural machinery were dominated in the region.

Management Discussion and Analysis

(2) Promoting the reform of overseas business management in depth. The Company established a global operation management system, completed the construction of localised business and operation systems in 32 key countries by improving its localisation management in terms of people, funds, materials, software and hardware, and created a professional and efficient localised talent team. The Company facilitated end-to-end digital workflow, established a visualized overseas business system, developed the capability of multi-language system support, and formed a globalized end-to-end, digital and localised business management system for overseas business, so as to promote the continuous improvement of overseas performance and lay a solid foundation for the global layout and comprehensive expansion in respect of overseas business.

(3) Further promoting the expansion and upgradation of overseas manufacturing bases.

CIFA (headquartered in Italy) was expanded and upgraded to a comprehensive global company covering engineering cranes, construction cranes and other kind of products, on top of enhancing the main business of concrete. The Company accelerated the assimilation of M-tec mathis Technik GmbH's technology to foster and develop new materials industry; it also accelerated the assimilation and transformation of WILBERT TowerCranes GmbH's technology to consolidate the presence of construction cranes and other related products in high-end market; and the Company strengthened the synergy between Rabe, the world's leading agricultural machinery manufacturer, in sectors of agricultural machinery and engineering cranes.

6. Continuous improvement of operation and management quality and efficiency

During the Reporting Period, the Company strengthened risk control, kept on improving its supply chain, after-sales service and human resource management level, escorting the Company's high-quality development.

(1) Comprehensively strengthening risk control. The Company improved its risk control end-to-end management system, built up solid defenses, used the "risk intelligent early warning platform with perception and thinking" to actively identify operational risks, firmly grasp the key points of risk control and help the steady growth of business.

(2) Strengthening the construction of a supply chain system. The Company kept on promoting collective procurement and integration of bulk, general and standard materials and the strategic purchase of critical materials, optimised the supply chain ecology and achieved cost-effective.

(3) Creating the ultimate service capability. The Company kept on promoting the digital and intelligent upgradation of services, promoted the refined management of services and achieved the improvement of service efficiency, customer satisfaction and service quality.

Management Discussion and Analysis

- (4) Strengthening the construction and motivation of talent teams. To keep pace with its strategic development and meet business needs, the Company made every effort to deepen its talent development, thoroughly motivate its talents and improve its talent management. It took multiple measures to develop the key talent team and build a future-oriented talent team to help its stable operation and sustainable development. During the Reporting Period, the Company completed the implementation of share repurchase, and all of the repurchased shares shall be used to implement the Employee Stock Ownership Plan, further mobilising the enthusiasm of teams, boosting the Company's digital transformation, upgradation, internationalisation and rapid development of emerging businesses and promoting the Company's long-term healthy development.

II · Analysis of Financial Results and Financial Position

1. Analysis of operating income and profit

In the first half of 2023, the economic growth of the developed economies slowed down, while the emerging markets and developing economies maintained stable growth. The domestic market demand in China gradually recovered and the overall economy resumed growth. Due to the decline in the number of infrastructure projects and real estate projects under construction and shortage of funds, the demand of the construction machinery industry in the domestic market continued to drop, but the decline gradually narrowed. On the other hand, the demand in overseas markets continued to increase and the overseas competitiveness of Chinese brands improved, and thus the export sales volume of the construction machinery industry maintained a high growth rate. Under the guidance of the concept of "building up enterprises with Internet thinking and producing products by pushing everything to the limit", the Company closely focused on the goal of high-quality development, accelerated the transformation and upgradation of digitalisation, intelligentisation and eco-friendliness, sped up the development of emerging sectors, promoted the expansion of overseas markets and enhanced the development tenacity and endogenous momentum of the Company, achieving an unparalleled business quality in the industry.

During the Reporting Period, the Company achieved operating income amounting to RMB24,075 million, representing a year-on-year increase of 13.03%, and net profit attributable to equity shareholders of the Company amounting to RMB2,056 million, representing a year-on-year increase of 18.43%. Among which, revenue from concrete machinery and crane machinery products was RMB14,603 million, representing a year-on-year increase of 0.56%, and revenue from agricultural machinery products was RMB1,103 million, representing a year-on-year increase of 0.73%.

2. Cash flow and capital expenditure

The Company finances its operations primarily through bank loans and borrowings. As at 30 June 2023, the Company had RMB14,796 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

For the six months ended 30 June 2023, net cash generated from operating activities was RMB733 million derived primarily from the profit before taxation of RMB2,485 million in total, adjusted to reflect interest expense of RMB377 million, interest income of RMB387 million, depreciation and amortisation of RMB676 million, net realized and unrealised losses on financial assets at fair value through profit or loss ("FVPL") of RMB61 million, gains on disposal of property, plant and equipment and intangible assets of RMB14 million, share incentive scheme expenses of RMB38 million, share of profit or loss of associates of RMB75 million, loss on disposal of trade receivables and receivables under finance lease of RMB197 million and added back the effect of (i) the increase in trade and other payables of RMB5,157 million and (ii) the increase in contract liabilities of RMB30 million, and net off the following items: (i) the increase of receivables under finance lease of RMB160 million; (ii) the increase in inventories of RMB6,821 million; (iii) the increase in trade and other receivables of RMB288 million; and (iv) income tax payment of RMB591 million.

(2) Investing activities

For the six months ended 30 June 2023, net cash used in investing activities was RMB343 million, consisting primarily of: (i) proceeds from disposal of financial assets at FVPL of RMB4,965 million; (ii) interest received of RMB196 million; (iii) proceeds from disposal of property, plant and equipment and intangible assets of RMB28 million; (iv) increase in pledged deposits of RMB142 million, and offset by the following items: (i) investment into financial assets at FVPL of RMB4,514 million; (ii) payment for purchase of property, plant and equipment, right-of-use assets and intangible assets of RMB934 million; and (iii) payment for acquisition of financial assets at FVOCI of RMB267 million.

(3) Financing activities

For the six months ended 30 June 2023, net cash generated from financing activities was RMB539 million, consisting primarily of: repayments of bank and other borrowings of RMB8,849 million, proceeds from bank and other borrowings of RMB10,574 million, payment for repurchase of own shares of RMB1,085 million, capital contributions from non-controlling shareholders of subsidiaries of RMB349 million and interest payment of RMB366 million.

III. Employees

As at 30 June 2023, the Company had employed a total of 27,821 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 2022.

IV. Dividend

The Board recommended not to declare any interim dividend.

Management Discussion and Analysis

V. Proceeds Brought Forward from Issue of Equity Securities Made in Previous Financial Year(s)

Non-public issuance of A shares

On 27 October 2020, the shareholders of the Company approved a non-public issuance of new A shares under general mandate. On 5 February 2021, the Company issued and allotted a total of 511,209,439 new A shares to eight subscribers at the issue price of RMB10.17 per A share, and raised a total amount of RMB5,199 million in gross proceeds and a total amount of RMB5,146 million in net proceeds respectively. As at 30 June 2023, a total amount of RMB1,511 million of the net proceeds remained unutilised and will be applied as follows:

No.	Purpose	Proposed allocation of net proceeds (RMB million)	Amount utilised during the Reporting Period (RMB million)	Unutilised amount as at 30 June 2023 (RMB million)	Expected timeline of full utilisation
1	Excavating machinery intelligent manufacturing project ⁽¹⁾	2,400.00	160.06	845.58	2023 2H
2	Project for upgrading of intelligent manufacturing of mixer product ⁽¹⁾	350.00	36.49	43.72	2023 2H
3	Key components intelligent manufacturing project	1,300.00	225.46	624.83	2023 2H
4	Liquidity replenishment	1,095.69	—	—	—
	TOTAL	<u>5,145.69</u>	<u>422.01</u>	<u>1,511.29</u>	

Note 1: As of 30 June 2023, construction of the project has been substantially completed and the project is in a ready-for-use state as scheduled. The low utilisation of funds is mainly because the conditions of settlement of certain final payment of construction costs and instalment payments of equipment had not yet satisfied as agreed in relevant agreements, as at 30 June 2023. The Company will continue to make payments in accordance with relevant agreements.

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

Management Discussion and Analysis

VI. Events after the Reporting Period

On 5 February 2023, the Board resolved to approve the proposed spin-off and separate listing of Hunan Zoomlion Intelligent Aerial Work Machinery Co., Ltd.* (湖南中聯重科智能高空作業機械有限公司) (the “Proposed Spin-off”). On 10 July 2023, the Board resolved to approve further details relating to the Proposed Spin-off.

On 2 August 2023, the Proposed Spin-off was approved by Shareholders in general meeting. On 23 August 2023, the listing application for the Proposed Spin-off was accepted by Shenzhen Stock Exchange. As at the date of this interim report, the Proposed Spin-off remains under consideration by relevant regulatory authorities. For details, please refer to the Company’s circular dated 17 July 2023 and announcements dated 2 August 2023 and 24 August 2023.

VII. Changes in directors and supervisors

On 29 June 2023, the Company’s shareholders approved the appointment of each of Mr Zhang Chenghu, Mr Guobin Huang, Mr Wu Baohai and Ms Huang Jun as independent non-executive director. Please refer to the Company’s circular dated 6 June 2023 for their biographies and other details disclosed under Rule 13.51(2) of the Listing Rules. On the same date, Mr Zhao John Huan retired as non-executive director and each of Mr Zhao Songzheng, Mr Lai Kin Keung, Ms Liu Guiliang and Mr Yang Changbo retired as independent non-executive director.

On 29 June 2023, the Company’s shareholders approved the appointment of each of Ms Yan Mengyu and Mr Xiong Yanming as supervisor. Please refer to the Company’s circular dated 6 June 2023 for their biographies and other details disclosed under Rule 13.51(2) of the Listing Rules. On the same date, each of Mr Wang Minghua and Mr He Jianming retired as supervisor.

On 2 August 2023, the Company’s shareholders approved the appointment of Mr Wang Xianping as non-executive director. Please refer to the Company’s circular dated 17 July 2023 for his biography and other details disclosed under Rule 13.51(2) of the Listing Rules.

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

Save as disclosed, the Company’s current information in relation to those matters set out in paragraph 32 of Appendix 16 to the Listing Rules has not changed materially from the information disclosed in its 2022 annual report (as supplemented by the Company’s announcement dated 30 August 2023).

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

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

The Company has adopted the rules governing the securities transactions by directors set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry to all its directors and supervisors, and all of its directors and supervisors have confirmed that they have fully complied with the Model Code throughout the Reporting Period. The Company has not identified any non-compliance with the Model Code by any of its directors or supervisors.

3. Audit Committee

The audit committee of the Company has discussed the accounting principles and practices adopted by the Company with the management and reviewed this report, including the interim financial report of the Group for the six months ended 30 June 2023 prepared in accordance with the International Accounting Standard No. 34.

Changes in Share Capital and Shareholders

1. Changes in Share Capital

Unit: share

	Before this change		Increase/Decrease in this change (+,-)		After this change	
	Number	Percentage	Other	Sub-total	Number	Percentage
I. Shares subject to sales restriction	27,300,705	0.31%	2,634,361	2,634,361	29,935,066	0.34%
II. Shares not subject to sales restriction	8,650,691,531	99.69%	-2,634,361	-2,634,361	8,648,057,170	99.66%
Ordinary shares denominated in RMB	7,068,726,983	81.46%	-2,634,361	-2,634,361	7,066,092,622	81.43%
Overseas listed foreign invested shares	1,581,964,548	18.23%			1,581,964,548	18.23%
III. Total number of shares	<u>8,677,992,236</u>	<u>100.00%</u>			<u>8,677,992,236</u>	<u>100.00%</u>

2. Number and Shareholdings of the Shareholders of the Company

Unit: share

Name of shareholder	Percentage of shares held	Number of shares held at the end of the reporting period	Changes during the Reporting period
HKSCC NOMINEES LIMITED	18.19%	1,578,256,161	-339,340
Hunan Xing Xiang Investment Holding Group Co., Ltd.	14.48%	1,256,337,046	3,022,170
Changsha Zoomlion and Yisheng Investment Partnership (LLP)	7.86%	682,201,864	0
Zoomlion Heavy Industry Science and Technology Co., Ltd – Phase I Employee Stock Ownership Plan	4.50%	390,449,974	50
Hong Kong Securities Clearing Company Limited	3.27%	283,858,882	81,570,334
China Securities Finance Co., Ltd.	2.69%	233,042,928	0
Real Smart International	1.94%	168,635,602	0
Urumqi Phoenix Cornerstone Equity Investment Management Limited Partnership – Maanshan Xuanyuan Cornerstone Equity Investment Partnership (Limited Partnership)	1.72%	148,869,223	0
Urumqi Phoenix Cornerstone Equity Investment Management Limited Partnership – Phoenix Cornerstone Tongli Private Equity Investment Fund	0.86%	74,434,611	0
Ning Chen	<u>0.52%</u>	<u>44,787,259</u>	<u>78,400</u>

Changes in Share Capital and Shareholders

3. Substantial Shareholders' Interests in the Shares and Underlying Shares of the Company

As at 30 June 2023, so far as the Company's directors 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	Type of shares	Number of shares ⁽¹⁾	Percentage of type of shares issued (%)	Percentage of total issued shares (%)
State-owned Assets Supervision and Administration Commission of Hunan Provincial People's Government ⁽²⁾	Interest in a controlled corporation	A shares	1,256,337,046 (L)	17.70	14.48
Changsha Zoomlion and Yisheng Investment Partnership (LLP) ⁽³⁾	Beneficial owner	A shares	682,201,864 (L)	9.61	7.86
Zoomlion Heavy Industry Science and Technology Co., Ltd. – Employee Stock Ownership Plan (Phase I) ⁽⁴⁾	Beneficial owner	A shares	390,449,974 (L)	5.50	4.50
Changsha Hesheng Science and Technology Investment Co., Ltd. ⁽⁵⁾	Interest in a controlled corporation	H shares	193,757,462 (L)	12.25	2.23
Schroders PLC ⁽⁶⁾	Investment manager	H shares	125,142,600 (L)	7.91	1.44

Notes:

(1) L represents long position
S represents short position
P represents lending pool

(2) Such interest is held by the State-owned Assets Supervision and Administration Commission of Hunan Provincial People's Government via its wholly-owned subsidiary, Hunan Xing Xiang Investment Holding Group Co., Ltd.

(3) Changsha Zoomlion and Yisheng Investment Partnership (LLP) is an investment entity controlled and owned by the Group's management.

Changes in Share Capital and Shareholders

- (4) Zoomlion Heavy Industry Science and Technology Co., Ltd. – Employee Stock Ownership Plan (Phase I) is a stock ownership plan for core management adopted by the Company on 6 January 2020.
- (5) Changsha Hesheng Science and Technology Investment Co., Ltd. is an investment entity controlled and owned by the Group's management. Such interest is held by Changsha Hesheng Science and Technology Investment Co., Ltd. via its wholly-owned subsidiary, Cherry Sun (HK) Investment Management Limited.
- (6) The disclosure is based on information available on the website of the Hong Kong Stock Exchange (www.hkexnews.com.hk). As stated in the form of disclosure of shareholder's interests submitted by Schroders PLC on 6 April 2023, these shares are held via its affiliates.

Save as disclosed above, as at 30 June 2023, so far as the Company's directors 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.

4. Purchase, Sale or Redemption of Shares by the Company and its Subsidiaries

During the Reporting Period, the Company repurchased a total of 164,093,583 A shares on Shenzhen Stock Exchange for RMB1,084,353,135.69 (excluding stamp duty, brokerage fee and transaction levies). Details are set out below.

Month	Number of A shares repurchased	Highest price paid per A share (RMB)	Lowest price paid per A share (RMB)	Total consideration (RMB)
February	105,632,225	6.85	6.50	694,769,887.65
March	58,461,358	6.85	6.49	389,583,248.04
Total	164,093,583			1,084,353,135.69

All such repurchased A shares will be applied toward the Company's new employee share ownership scheme, when it is implemented. As such, none of the A shares have been cancelled.

Save as disclosed, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the Reporting Period.

Directors, Supervisors and Senior Management

I. Changes in Directors, Supervisors and Senior Management

Name	Post	Type	Date	Reason
Zhang Chenghu	Independent Director	Elected	29 June 2023	General election
Huang Guobin	Independent Director	Elected	29 June 2023	General election
Wu Baohai	Independent Director	Elected	29 June 2023	General election
Huang Jun	Independent Director	Elected	29 June 2023	General election
Yan Mengyu	Chairman of the Board of Supervisors	Elected	29 June 2023	General election
Xiong Yanming	Supervisor	Appointment and removal	29 June 2023	General election, change of post
Wang Yongxiang	Co-President	Appointment and removal	29 June 2023	Re-appointment, change of post
Luo Kai	Co-President	Appointment and removal	29 June 2023	Re-appointment, change of post
Tang Shaofang	Co-President	Appointment and removal	29 June 2023	Re-appointment, change of post
Du Yigang	Chief Financial Officer	Appointment and removal	29 June 2023	Re-appointment, change of post
Chen Peiliang	Vice President	Appointed	29 June 2023	Re-appointment
Hu Keman	Vice President	Appointed	29 June 2023	Re-appointment
Wang Furong	Assistant President	Appointed	29 June 2023	Re-appointment
Dong Jun	Assistant President	Appointed	29 June 2023	Re-appointment
Yuan Ye	Assistant President	Appointed	29 June 2023	Re-appointment
Zhao John Huan	Director	Departure upon expiration of term	29 June 2023	Expiry of term
Lai Kin Keung	Independent Director	Departure upon expiration of term	29 June 2023	Expiry of term
Zhao Songzheng	Independent Director	Departure upon expiration of term	29 June 2023	Expiry of term
Liu Guiliang	Independent Director	Departure upon expiration of term	29 June 2023	Expiry of term
Yang Changbo	Independent Director	Departure upon expiration of term	29 June 2023	Expiry of term
Wang Minghua	Chairman of the Board of Supervisors	Departure upon expiration of term	29 June 2023	Expiry of term
He Jianming	Supervisor	Departure upon expiration of term	29 June 2023	Expiry of term
Guo Xuehong	Vice President	Departure upon expiration of term	29 June 2023	Expiry of term

Directors, Supervisors and Senior Management

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

As at 30 June 2023, the directors, supervisors and chief executive of the Company who have interest or a short position in the shares, underlying shares or debentures of the Company or associated corporation (as defined in Part XV of the SFO) which are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or required to be disclosed to the Company and SEHK under the Model Code were as follows:

Name of Directors/ Supervisors	Nature of interest	Type of shares	Number of shares ⁽¹⁾	Percentage of the total share capital of the same type
Zhan Chunxin	Beneficiary owner	A share	10,929,076	0.1540%
	Interest in a controlled corporation ⁽²⁾	H share	5,250,000 (L)	0.3318%
He Jianming ⁽³⁾	Beneficiary owner	A share	946,347	0.0133%
Liu Xiaoping	Beneficiary owner	A share	326,840	0.0046%
Xiong Yanming ⁽⁴⁾	Beneficial owner	A share	<u>2,991,051 (L)</u>	<u>0.0421%</u>

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.
- (3) He Jianming retired as supervisor at the conclusion of the Company's annual general meeting held on 29 June 2023.
- (4) Mr Xiong Yanming was appointed a supervisor with effect from the conclusion of the Company's annual general meeting held on 29 June 2023.

As at 30 June 2023, save as disclosed above, none of the directors, supervisors or chief executive officer has any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and SEHK pursuant to the Model Code.

As at 30 June 2023, none of the directors, supervisors, or chief executive officers or their respective spouse or children under 18 years of age has any rights to acquire the shares or debentures of the Company or any of its associated corporations nor exercise any of these rights.

Review Report



To the board of directors of Zoomlion Heavy Industry Science and Technology Co., Ltd.

(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 28 to 76 which comprises the consolidated statement of financial position of Zoomlion Heavy Industry Science and Technology Co., Ltd. (the "Company") as of 30 June 2023, 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 enquiries, 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 2023 is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

KPMG

Certified Public Accountants

8/F Prince's Building

10 Chater Road

Hong Kong, China

30 August 2023

Consolidated Statement of Comprehensive Income (Unaudited)

For the six-month period ended 30 June 2023
(Expressed in RMB)

	Note	For the six-month period ended 30 June	
		2023 RMB millions	2022 RMB millions
Revenue	3	24,075	21,299
Cost of sales and services		<u>(17,359)</u>	<u>(16,873)</u>
Gross profit		6,716	4,426
Other net income	4	145	692
Sales and marketing expenses		(1,695)	(1,156)
General and administrative expenses		(1,039)	(819)
Expected credit losses		(255)	(219)
Research and development expenses		<u>(1,585)</u>	<u>(1,122)</u>
Profit from operations		2,287	1,802
Net finance income	5(a)	123	225
Share of profits less losses of associates		<u>75</u>	<u>68</u>
Profit before taxation	5	2,485	2,095
Income tax	6	<u>(249)</u>	<u>(316)</u>
Profit for the period		<u>2,236</u>	<u>1,779</u>

The notes on pages 40 to 76 form part of the interim financial report.

Consolidated Statement of Comprehensive Income (Unaudited)

For the six-month period ended 30 June 2023
(Expressed in RMB)

	Note	For the six-month period ended 30 June	
		2023 RMB millions	2022 RMB millions
Profit attributable to:			
Equity shareholders of the Company		2,056	1,736
Non-controlling interests		<u>180</u>	<u>43</u>
		<u>2,236</u>	<u>1,779</u>
Profit for the period		<u>2,236</u>	<u>1,779</u>
Earnings per share (cents)			
Basic	7	<u>24.95</u>	<u>20.46</u>
Diluted	7	<u>24.72</u>	<u>20.28</u>

The notes on pages 40 to 76 form part of the interim financial report.

Consolidated Statement of Comprehensive Income (Unaudited)

For the six-month period ended 30 June 2023
(Expressed in RMB)

	Note	For the six-month period ended 30 June	
		2023 RMB millions	2022 RMB millions
Profit for the period		2,236	1,779
Other comprehensive income for the period (after tax):			
<i>Item that will not be reclassified to profit or loss:</i>			
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		(162)	(84)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of subsidiaries outside PRC		182	(201)
Total other comprehensive income for the period		20	(285)
Total comprehensive income for the period		2,256	1,494
Total comprehensive income attributable to:			
Equity shareholders of the Company		2,076	1,451
Non-controlling interests		180	43
Total comprehensive income for the period		2,256	1,494

The notes on pages 40 to 76 form part of the interim financial report.

Consolidated Statement of Financial Position (Unaudited)

At 30 June 2023
(Expressed in RMB)

	Note	As at 30 June 2023 RMB millions	As at 31 December 2022 RMB millions
Non-current assets			
Property, plant and equipment		16,072	13,903
Right-of-use assets		3,898	3,995
Investment properties		159	161
Intangible assets		1,983	1,926
Goodwill	8	2,644	2,562
Interests in associates	9	4,503	4,476
Other financial assets	10	2,475	2,263
Contract assets		70	–
Trade and other receivables	11	13,945	11,829
Receivables under finance lease	12	6,173	6,456
Loans and advances	11	399	277
Pledged bank deposits		80	160
Deferred tax assets		2,256	1,907
Total non-current assets		54,657	49,915
Current assets			
Inventories	13	21,184	14,203
Other current assets		875	1,040
Financial assets at fair value through profit or loss (“FVPL”)	14	3,505	4,011
Trade and other receivables	11	31,890	33,962
Receivables under finance lease	12	4,793	4,717
Loans and advances	11	215	170
Pledged bank deposits		1,646	1,708
Cash and cash equivalents	15	14,796	13,791
Total current assets		78,904	73,602
Total assets		133,561	123,517

The notes on pages 40 to 76 form part of the interim financial report.

Consolidated Statement of Financial Position (Unaudited)

At 30 June 2023

(Expressed in RMB)

	Note	As at 30 June 2023 RMB millions	As at 31 December 2022 RMB millions
Current liabilities			
Loans and borrowings	16(a)	8,777	11,018
Derivative financial instruments		96	–
Trade and other payables	17	42,555	35,259
Contract liabilities		1,922	1,892
Lease liabilities		141	117
Income tax payable		160	107
Total current liabilities		<u>53,651</u>	<u>48,393</u>
Net current assets		<u>25,253</u>	<u>25,209</u>
Total assets less current liabilities		<u>79,910</u>	<u>75,124</u>
Non-current liabilities			
Loans and borrowings	16(b)	15,072	10,962
Lease liabilities		293	355
Deferred tax liabilities		838	842
Other non-current liabilities		7,849	6,026
Total non-current liabilities		<u>24,052</u>	<u>18,185</u>
NET ASSETS		<u>55,858</u>	<u>56,939</u>

The notes on pages 40 to 76 form part of the interim financial report.

Consolidated Statement of Financial Position (Unaudited)

At 30 June 2023
(Expressed in RMB)

	As at 30 June 2023 RMB millions	As at 31 December 2022 RMB millions
CAPITAL AND RESERVES		
Share capital	8,678	8,678
Reserves	<u>44,517</u>	<u>46,027</u>
Total equity attributable to equity shareholders of the Company	53,195	54,705
Non-controlling interests	<u>2,663</u>	<u>2,234</u>
TOTAL EQUITY	<u>55,858</u>	<u>56,939</u>

Approved and authorised for issue by the board of directors on 30 August 2023.

Zhan Chunxin
Chairman and Chief Executive Officer

Du Yigang
Chief Finance Officer

The notes on pages 40 to 76 form part of the interim financial report.

Consolidated Statement of Changes in Equity (Unaudited)

For the six-month period ended 30 June 2023
(Expressed in RMB)

Note	Attributable to equity shareholders of the Company									
	Share capital	Capital reserve	Statutory		Fair value			Retained earnings	Non-controlling interests	Total equity
			surplus	Exchange	reserve	(non-	Other			
			reserve	reserve	recycling)	reserves				
RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	
millions	millions	millions	millions	millions	millions	millions	millions	millions	millions	
Balance at 31 December 2021 and 1 January 2022										
	8,678	19,601	4,384	(1,472)	11	260	25,369	56,831	1,429	58,260
Changes in equity for the six-month period ended 30 June 2022:										
Profit for the period	-	-	-	-	-	-	1,736	1,736	43	1,779
Other comprehensive income	-	-	-	(201)	(71)	-	(13)	(285)	-	(285)
Total comprehensive income	-	-	-	(201)	(71)	-	1,723	1,451	43	1,494
Cash dividends	18(a)	-	-	-	-	-	(2,777)	(2,777)	-	(2,777)
Share incentive scheme										
– Restricted share scheme	18(b)	-	80	-	-	-	-	80	-	80
Acquisition of a subsidiary	8	-	-	-	-	-	-	-	383	383
Acquisition of non-controlling interests in subsidiaries		-	(626)	-	-	-	-	(626)	(256)	(882)
Contribution from non-controlling shareholders in a subsidiary		-	13	-	-	-	-	13	85	98
Dividends declared by subsidiaries to non-controlling interests		-	-	-	-	-	-	-	(12)	(12)
Safety production fund	23(b)	-	-	-	-	-	21	(21)	-	-
Balance at 30 June 2022		8,678	19,068	4,384	(1,673)	(60)	281	24,294	1,672	56,644

The notes on pages 40 to 76 form part of the interim financial report.

Consolidated Statement of Changes in Equity (Unaudited)

For the six-month period ended 30 June 2023

(Expressed in RMB)

	Attributable to equity shareholders of the Company									Total equity
	Share capital	Capital reserve	Statutory				Fair value		Non-controlling interests	
			surplus reserve	Exchange reserve	reserve (non-recycling)	Other reserves	Retained earnings			
								Total		
RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	
Balance at 30 June 2022 and 1 July 2022	8,678	19,068	4,384	(1,673)	(60)	281	24,294	54,972	1,672	56,644
Changes in equity for the six-month period ended 31 December 2022:										
Profit for the period	–	–	–	–	–	–	611	611	36	647
Other comprehensive income	–	–	–	130	10	–	(19)	121	–	121
Total comprehensive income	–	–	–	130	10	–	592	732	36	768
Repurchase of ordinary shares	–	(1,556)	–	–	–	–	–	(1,556)	–	(1,556)
Share incentive scheme										
– Restricted share scheme	–	84	–	–	–	–	–	84	–	84
Contribution from non-controlling shareholders in a subsidiary	–	473	–	–	–	–	–	473	540	1,013
Dividends declared by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	(14)	(14)
Safety production fund	–	–	–	–	–	21	(21)	–	–	–
Balance at 31 December 2022	8,678	18,069	4,384	(1,543)	(50)	302	24,865	54,705	2,234	56,939

The notes on pages 40 to 76 form part of the interim financial report.

Consolidated Statement of Changes in Equity (Unaudited)

For the six-month period ended 30 June 2023

(Expressed in RMB)

	Note	Attributable to equity shareholders of the Company									Total equity RMB millions
		Share capital RMB millions	Capital reserve RMB millions	Statutory		Fair value			Retained earnings RMB millions	Non-controlling interests RMB millions	
				surplus	Exchange	reserve	Other	Total			
				reserve	reserve	(non-recycling)	reserves	interests			
		RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	
Balance at 31 December 2022 and 1 January 2023		8,678	18,069	4,384	(1,543)	(50)	302	24,865	54,705	2,234	56,939
Changes in equity for the six-month period ended 30 June 2023:											
Profit for the period		-	-	-	-	-	-	2,056	2,056	180	2,236
Other comprehensive income		-	-	-	182	(161)	-	(1)	20	-	20
Total comprehensive income		-	-	-	182	(161)	-	2,055	2,076	180	2,256
Cash dividends	18(a)	-	-	-	-	-	-	(2,641)	(2,641)	-	(2,641)
Repurchase of ordinary shares	18(c)	-	(1,085)	-	-	-	-	-	(1,085)	-	(1,085)
Share incentive scheme											
- Restricted share scheme	18(b)	-	50	-	-	-	-	-	50	-	50
Contribution from non-controlling shareholders in a subsidiary		-	90	-	-	-	-	-	90	259	349
Dividends declared by subsidiaries to non-controlling interests		-	-	-	-	-	-	-	-	(16)	(16)
Disposal of interests in a subsidiary		-	-	-	-	-	-	-	-	6	6
Safety production fund	23(b)	-	-	-	-	-	17	(17)	-	-	-
Balance at 30 June 2023		8,678	17,124	4,384	(1,361)	(211)	319	24,262	53,195	2,663	55,858

The notes on pages 40 to 76 form part of the interim financial report.

Consolidated Cash Flow Statement (Unaudited)

For the six-month period ended 30 June 2023
(Expressed in RMB)

	Note	For the six-month period ended 30 June	
		2023 RMB millions	2022 RMB millions
Operating activities			
Profit before taxation		2,485	2,095
Adjustments for:			
Depreciation of property, plant and equipment	5(c)	493	349
Depreciation of right-of-use assets	5(c)	103	90
Amortisation of intangible assets	5(c)	80	80
Share of profits less losses of associates		(75)	(68)
Interest income	5(a)	(387)	(501)
Interest expenses	5(a)	377	497
Loss/(gain) on disposal of property, plant and equipment and right-of-use assets	4	14	(8)
Net realised and unrealised loss/(gain) on financial assets at FVPL	4	61	(167)
Dividends income from financial assets measured at fair value through other comprehensive income (FVOCI)	4	(13)	(10)
Loss on troubled debt restructurings	4	33	6
Loss on disposal of trade receivables and receivables under finance lease	4	197	30
Share incentive scheme expenses	5(b)	38	85
		<u>3,406</u>	<u>2,478</u>
Increase in inventories		(6,821)	(1,961)
Increase in trade and other receivables		(288)	(759)
Increase in receivables under finance lease		(160)	(1,437)
Increase in trade and other payables		5,157	3,516
Increase in contract liabilities		30	117
Cash generated from operations		1,324	1,954
Income tax paid		<u>(591)</u>	<u>(356)</u>
Net cash generated from operating activities carried forward		<u>733</u>	<u>1,598</u>

The notes on pages 40 to 76 form part of the interim financial report.

Consolidated Cash Flow Statement (Unaudited)

For the six-month period ended 30 June 2023
(Expressed in RMB)

	Note	For the six-month period ended 30 June	
		2023 RMB millions	2022 RMB millions
Net cash generated from operating activities brought forward		<u>733</u>	<u>1,598</u>
Investing activities			
Payment for purchase of property, plant and equipment		(909)	(719)
Payment for purchase of right-of-use assets		(18)	(237)
Payment for purchase of intangible assets		(7)	(37)
Dividends from associates		25	25
Payment for investments in associates		(40)	(14)
Proceeds from disposal of an associate		20	–
Payment for acquisition of financial assets at FVOCI		(267)	–
Payment for acquisition of financial assets at FVPL		(4,514)	(7,736)
Proceeds from disposal of financial assets at FVPL		4,965	8,414
Dividend income from financial assets at FVOCI	4	13	10
Proceeds from disposal of property, plant and equipment, intangible assets and right-of-use assets		28	69
Proceeds from disposal of financial assets at FVOCI		23	22
Payment for acquisition of a subsidiary, net of cash acquired	8	–	(724)
Interest received		196	257
Decrease in pledged bank deposits		<u>142</u>	<u>382</u>
Net cash used in investing activities		<u>(343)</u>	<u>(288)</u>

The notes on pages 40 to 76 form part of the interim financial report.

Consolidated Cash Flow Statement (Unaudited)

For the six-month period ended 30 June 2023

(Expressed in RMB)

	Note	For the six-month period ended 30 June	
		2023 RMB millions	2022 RMB millions
Financing activities			
Payment for acquisition of non-controlling interests of subsidiaries		–	(886)
Proceeds from disposal of non-controlling interest in a subsidiary		6	–
Payment for repurchase of own shares	18(c)	(1,085)	–
Proceeds from loans and borrowings		10,574	9,697
Repayment of loans and borrowings		(8,849)	(6,675)
Capital contributions from non-controlling shareholders of subsidiaries		349	89
Dividends paid to equity shareholders		–	(48)
Interest paid		(366)	(326)
Dividends paid by subsidiaries to non-controlling interests		(16)	(10)
Capital element of lease rentals paid		(63)	(51)
Interest element of lease rentals paid		(11)	(9)
Net cash generated from financings activities		<u>539</u>	<u>1,781</u>
Net increase in cash and cash equivalents		929	3,091
Cash and cash equivalents at the beginning of the period		13,791	13,190
Effect of foreign exchange rate changes		<u>76</u>	<u>(27)</u>
Cash and cash equivalents at the end of the period	15	<u>14,796</u>	<u>16,254</u>

The notes on pages 40 to 76 form part of the interim financial report.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2023

1 Principal activities of reporting entity

Zoomlion Heavy Industry Science and Technology Co., Ltd. (the “Company”) and its subsidiaries (collectively, referred to as the “Group”) are principally engaged in the research, development, manufacturing and sale of construction machinery and agricultural machinery, as well as the provision of finance leasing services.

2 Basis of preparation

- (a) This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”). It has been reviewed by the audit committee of the Company and approved for issue on 30 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 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 2022 annual financial statements. The interim financial report 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 the following amendments to IFRSs and new standard that are first effective for the current accounting period of the Group:
- IFRS 17, Insurance contracts
 - Amendments to IAS 8, Definition of Accounting Estimates
 - Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction
 - Amendments to IAS 12, International tax reform – Pillar Two model rules
 - Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure of Accounting Policies

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 2023

3 Revenue and segment reporting

(a) Disaggregation of revenue

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

	For the six-month period ended 30 June	
	2023 RMB millions	2022 RMB millions
Revenue from contracts with customers within the scope of IFRS 15, all recognised at point in time		
Disaggregated by major products of service lines		
Construction machinery		
– Concrete machinery	4,555	4,702
– Crane machinery	9,979	9,635
– Aerial machinery	3,355	2,409
– Earth working machinery	2,932	1,476
– Others	1,849	1,554
Agricultural machinery	1,101	1,095
	<u>23,771</u>	<u>20,871</u>
Revenue from other sources		
Rental income from construction machinery		
– Concrete machinery	–	1
– Crane machinery	69	183
– Aerial machinery	4	–
– Others	2	5
Rental income from agricultural machinery	2	–
	<u>77</u>	<u>189</u>
Financial services	227	239
	<u>304</u>	<u>428</u>
	<u>24,075</u>	<u>21,299</u>

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2023

3 Revenue and segment reporting (continued)

(b) Information about profit or loss

	For the six-month period ended 30 June	
	2023	2022
	RMB millions	RMB millions
Reportable segment profit:		
Construction machinery		
– Concrete machinery	1,057	986
– Crane machinery	2,978	1,881
– Aerial machinery	885	551
– Earth working machinery	885	299
– Others	600	407
Agricultural machinery	94	69
Financial services	217	233
	<u>6,716</u>	<u>4,426</u>

(c) Reconciliations of segment profit

	For the six-month period ended 30 June	
	2023	2022
	RMB millions	RMB millions
Total reportable segment profit	6,716	4,426
Other net income	145	692
Sales and marketing expenses	(1,695)	(1,156)
General and administrative expenses	(1,039)	(819)
Expected credit losses	(255)	(219)
Research and development expenses	(1,585)	(1,122)
Net finance income	123	225
Share of profits less losses of associates	75	68
	<u>2,485</u>	<u>2,095</u>

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2023

4 Other net income

	For the six-month period ended 30 June	
	2023	2022
	RMB millions	RMB millions
Government grants	384	532
(Loss)/gain on disposal of property, plant and equipment, intangible assets and right-of-use assets	(14)	8
Net realised and unrealised (loss)/gain on financial assets at FVPL	(61)	167
Dividend income from financial assets at FVOCI	13	10
Loss on disposal of trade receivables and receivables under finance lease	(197)	(30)
Loss on troubled debt restructurings	(33)	(6)
Others	53	11
	<u>145</u>	<u>692</u>

5 Profit before taxation

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

(a) Net finance income:

	For the six-month period ended 30 June	
	2023	2022
	RMB millions	RMB millions
Interest income	(387)	(501)
Interest expense on loans and borrowings	366	488
Interest expense on lease liabilities	11	9
Net exchange gain	(113)	(221)
	<u>(123)</u>	<u>(225)</u>

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2023

5 Profit before taxation (continued)

(b) Staff costs:

	For the six-month period ended 30 June	
	2023 RMB millions	2022 RMB millions
Salaries, wages and other benefits	2,268	1,772
Contributions to retirement schemes	334	269
Share incentive scheme expense	38	85
	<u>2,640</u>	<u>2,126</u>

(c) Other items:

	For the six-month period ended 30 June	
	2023 RMB millions	2022 RMB millions
Cost of inventories sold	17,359	16,873
Depreciation charge		
– owned property, plant and equipment	493	349
– right-of-use assets	103	90
Amortisation of intangible assets	80	80
Loss/(gain) on disposal of property, plant and equipment, intangible assets and right-of-use assets	14	(8)
Product warranty costs	104	98
Expected credit losses		
– trade receivables (Note 11(b))	157	106
– receivables under finance lease (Note 12(c))	95	75
– other receivables	(2)	51
– loans and advances	5	1
– financial guarantee issued	–	(14)
Provision of inventories	18	1
Loss on disposal of trade receivables and receivables under finance lease	197	30

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2023

6 Income tax

(a) Taxation charged to profit or loss:

	For the six-month period ended 30 June	
	2023	2022
	RMB millions	RMB millions
Current tax – PRC income tax	581	256
Current tax – Income tax in other tax jurisdictions	16	4
Deferred taxation	(348)	56
	<u>249</u>	<u>316</u>
Tax expenses	<u>249</u>	<u>316</u>

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

	For the six-month period ended 30 June	
	2023	2022
	RMB millions	RMB millions
Profit before taxation	<u>2,485</u>	<u>2,095</u>
Notional tax on profit before taxation, calculated at the statutory income tax rate applicable to the jurisdictions concerned (Note (a))	621	524
Tax effect of non-deductible expenses	35	67
Current year loss for which no deferred tax asset was recognised	67	53
Tax effect of non-taxable income	(54)	(90)
Tax effect of tax concessions (Note (b))	(174)	(112)
Additional deduction for qualified research and development expenses (Note (c))	(225)	(126)
Others	(21)	–
	<u>249</u>	<u>316</u>
Actual income tax expenses	<u>249</u>	<u>316</u>

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2023

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% (2022: 25%).

The Company's subsidiaries in the Hong Kong Special Administrative Region (HKSAR) are subject to Hong Kong Profits Tax at 16.5% (2022: 16.5%) in respect of assessable profits arising in or derived from Hong Kong. For the six-month period ended 30 June 2023, 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 15.0% to 28.4% (2022: 15.0% to 28.4%).

- (b) According to the income tax law and its relevant regulations, entities that qualified as high and new technology enterprises under the tax law are entitled to a preferential income tax rate of 15%.
- (c) Under the income tax law and its relevant regulations, a 100% additional tax deduction is allowed for qualified research and development expenditure for the year ending 31 December 2023 (2022: 100%).

7 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the six-month period ended 30 June 2023 is based on the profit attributable to equity shareholders of the Company of RMB2,056 million (six-month period ended 30 June 2022: RMB1,736 million), and the weighted-average number of ordinary shares in issue of 8,240 million shares (six-month period ended 30 June 2022: 8,484 million shares).

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six-month period ended 30 June 2023 is based on the profit attributable to equity shareholders of the Company of RMB2,056 million (six-month period ended 30 June 2022: RMB1,736 million), and the weighted-average number of ordinary shares in issue of 8,317 million shares (six-month period ended 30 June 2022: 8,561 million shares) after adjusting for the vested restricted shares for the reporting period.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2023

8 Goodwill and business combination

	2023	2022
	RMB millions	RMB millions
Balance at 1 January	2,562	1,908
Addition	–	616
Effect of exchange rate difference	82	38
Balance at 30 June/31 December	<u>2,644</u>	<u>2,562</u>

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

On 23 February 2022, the Group completed the acquisition of 29.99% of the issued share capital of Shenzhen Luchang and obtained the ability to direct the relevant activities of Shenzhen Luchang. The Group commenced consolidation of Shenzhen Luchang from the date of acquisition, and determined that the fair value of net identifiable assets acquired to be approximately RMB547 million, mainly comprising of property, plant and equipment of RMB191 million, investment properties of RMB164 million, intangible assets of RMB88 million, trade and other receivables of RMB156 million, cash and cash equivalents of RMB56 million, trade and other payables of RMB122 million, contract liabilities of RMB28 million, deferred tax liabilities of RMB28 million, non-controlling interest of RMB383 million, arising from this business combination, resulting in a goodwill of RMB616 million.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2023

9 Interests in associates

	30 June 2023 RMB millions	31 December 2022 RMB millions
Carrying amount of the individually material associate in the consolidated financial statements Infore Environment Technology Group Co., Ltd. ("Infore Environment")	<u>3,127</u>	<u>3,132</u>
Aggregate carrying amount of individually material associates in the consolidated financial statements	<u>3,127</u>	<u>3,132</u>
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	<u>1,376</u>	<u>1,344</u>
Total	<u>4,503</u>	<u>4,476</u>

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

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		
				Group's effective interest	Held by the Company	Principal activities
Infore Environment Technology Group Co. Ltd. ("Infore Environment") (Note)	Incorporated	China	RMB3,179	12.56%	12.56%	Environmental construction and project operation

Note: Infore Environment is listed on the main board of Shenzhen Stock Exchange. On 30 June 2023, the quoted market price of Infore Environment was RMB5.05 (31 December 2022: RMB4.51) per share and the fair value of the investment in Infore Environment was RMB2,016 million (31 December 2022: RMB1,800 million).

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2023

10 Other financial assets

	Note	30 June 2023 RMB millions	31 December 2022 RMB millions
Financial assets at FVOCI			
Equity securities	(i)	2,312	2,186
Financial assets at FVPL			
Listed equity securities	(ii)	43	77
Private equity fund		120	–
Total		2,475	2,263

(i) The equity securities comprise listed equity securities and other unlisted equity securities. The aggregate fair value of listed equity securities and other unlisted equity securities was RMB285 million and RMB2,027 million, respectively, as at 30 June 2023 (31 December 2022: RMB12 million and RMB2,174 million). The Group designated these investments at FVOCI (non-recycling), as these investments are held for strategic purposes. Dividends of RMB13 million (six-month period ended 30 June 2022: RMB10 million) were received from these investments in equity securities during the six-month period ended 30 June 2023 (see Note 4). A loss accumulated in the fair value reserve (non-recycling) of RMB1 million in relation to disposal of equity securities was transferred to retained earnings during the six-month period ended 30 June 2023 (six-month period ended 30 June 2022: loss of RMB13 million).

(ii) The listed equity securities represent the Group's investments in shares of companies listed in the Stock Exchanges of Hong Kong and the PRC. The aggregate fair value of these investments was RMB43 million, based on their quoted market prices as at 30 June 2023 (31 December 2022: RMB77 million).

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2023

11 Trade and other receivables

	As at 30 June 2023 RMB millions	As at 31 December 2022 RMB millions
Trade receivables	44,192	44,764
Less: loss allowance for doubtful debts (Note (b))	<u>(5,365)</u>	<u>(5,260)</u>
	38,827	39,504
Less: trade receivables due after one year	<u>(13,945)</u>	<u>(11,829)</u>
	24,882	27,675
Bills receivable (Note (c))	<u>1,045</u>	<u>1,239</u>
	25,927	28,914
Amounts due from related parties (Note 22(b))	507	240
Prepayments for purchase of raw materials	1,044	735
Prepaid expenses	249	215
Prepayments for acquisition of land use right (Note (d))	1,703	1,703
Value-added tax recoverable	1,452	1,458
Deposits	78	99
Others	<u>930</u>	<u>598</u>
	<u>31,890</u>	<u>33,962</u>

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2023

11 Trade and other receivables (continued)

(a) Ageing analysis of trade receivables

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

	As at 30 June 2023 RMB millions	As at 31 December 2022 RMB millions
Within 1 year	23,980	22,232
Over 1 year but less than 2 years	7,094	10,614
Over 2 years but less than 3 years	3,545	2,652
Over 3 years but less than 5 years	1,586	1,990
Over 5 years	2,622	2,016
	<u>38,827</u>	<u>39,504</u>

Trade receivables under credit sales arrangement are generally due within 1 to 6 months (2022: 1 to 3 months) from the date of billing, and customers are normally required to make an upfront payment ranging from 30% to 50% (2022: 30% to 50%) of the product price. For sales under instalment payment method that has instalment payment periods generally ranging from 6 to 60 months (2022: 6 to 60 months), customers are normally required to make an upfront payment ranging from 10% to 50% (2022: 20% to 50%) of the product price.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2023

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 2023 RMB millions	31 December 2022 RMB millions
Balance at 1 January		5,260	4,937
Impairment losses recognised		157	292
Reclassification from loss allowance of receivables under finance lease	12(c)	41	284
Uncollectible amounts written off		(88)	(244)
Written off upon sale of trade receivables		(5)	(9)
Balance at 30 June/31 December		<u>5,365</u>	<u>5,260</u>

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2023

11 Trade and other receivables (continued)

- (c) As at 30 June 2023, bills receivable of RMB868 million (31 December 2022: RMB952 million) including bank acceptance bills and digital bills receivable, whose fair values approximate to their carrying values were classified as financial assets at FVOCI under IFRS 9. The fair value changes of these bills receivable measured at FVOCI were insignificant during the six-month period ended 30 June 2023.

Other bills receivable of RMB177 million (31 December 2022: RMB287 million) are measured at amortised cost, including bank and commercial acceptance bills.

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 2023, 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 2023, 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 RMB517 million (31 December 2022: RMB658 million).

As at 30 June 2023, bills receivable of RMB1,206 million (31 December 2022: RMB1,362 million) was discounted to banks or other financial institutions without recourse, where substantially all the risks and rewards of ownership had been transferred. Since the Group does not have continuing involvement in the transferred assets, these discounted bills receivable were therefore derecognised.

- (d) **Prepayments for acquisition of land use right**

These related to prepaid land costs while relevant land use right certificates have not been obtained as at 30 June 2023 for subsidiaries of the Group engaged in real estate development.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2023

11 Trade and other receivables (continued)

(e) Loans and advances

	2023 RMB millions	2022 RMB millions
Loans and advances	630	458
Less: loss allowance	<u>(16)</u>	<u>(11)</u>
	<u>614</u>	<u>447</u>
Less: loans and advances due after one year	<u>(399)</u>	<u>(277)</u>
Loans and advances due within one year	<u>215</u>	<u>170</u>

The Group began to provide loan services to customers purchasing machinery products of the Group since 2021. Customers are normally required to make an upfront payment ranging from 20% to 50% (2022: 20% to 50%) of the product price. Loans and advances under these arrangements are generally due within 2 to 6 years (2022: 2 to 5 years).

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

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2023

12 Receivables under finance lease

	As at 30 June 2023 RMB millions	As at 31 December 2022 RMB millions
Gross investment	12,370	12,587
Unearned finance income	<u>(557)</u>	<u>(615)</u>
	11,813	11,972
Less: loss allowance for doubtful debts (Note(c))	<u>(847)</u>	<u>(799)</u>
	10,966	11,173
Less: receivables under finance lease due after one year	<u>(6,173)</u>	<u>(6,456)</u>
Receivables under finance lease due within one year	<u>4,793</u>	<u>4,717</u>

The Group provides equipment finance lease services to customers purchasing machinery products of the Group or other vendors through its leasing subsidiaries. Under the finance lease arrangement, the collectability of the minimum lease payments is reasonably predictable, there is no significant uncertainty surrounding the amount of unreimbursable cost yet to be incurred by the Group under the lease arrangement. The finance lease contracts entered into by the Group typically are for a period ranging from 1 to 6 years (2022: 1 to 6 years). Customers are normally required to make an upfront payment or security deposit ranging from 5% to 50% of the product price (2022: 5% to 50%). 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 2023

12 Receivables under finance lease (continued)

(a) Ageing analysis of receivables under finance lease

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

	As at 30 June 2023 RMB millions	As at 31 December 2022 RMB millions
Present value of the minimum lease payments		
Within 1 year	5,132	5,043
Over 1 year but less than 2 years	3,043	3,001
Over 2 years but less than 3 years	1,938	1,968
Over 3 years	1,700	1,960
	<u>11,813</u>	<u>11,972</u>
Unearned finance income		
Within 1 year	263	270
Over 1 year but less than 2 years	127	140
Over 2 years but less than 3 years	88	98
Over 3 years	79	107
	<u>557</u>	<u>615</u>
Gross investment		
Within 1 year	5,395	5,313
Over 1 year but less than 2 years	3,170	3,141
Over 2 years but less than 3 years	2,026	2,066
Over 3 years	1,779	2,067
	<u>12,370</u>	<u>12,587</u>

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2023

12 Receivables under finance lease (continued)

(b) Overdue analysis

Overdue analysis of receivables under finance lease at the end of reporting period is as follows:

	As at 30 June 2023 RMB millions	As at 31 December 2022 RMB millions
Not yet due	10,535	10,841
Within 1 year past due	1,120	929
Over 1 year but less than 2 years past due	136	176
Over 2 years past due	22	26
Total past due	<u>1,278</u>	<u>1,131</u>
Less: loss allowance	11,813 <u>(847)</u>	11,972 <u>(799)</u>
	<u>10,966</u>	<u>11,173</u>

Past due receivables refer to the amount remains unpaid after the relevant payment due date, including those receivables that are overdue for only one day.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2023

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	2023 RMB millions	2022 RMB millions
Balance at 1 January		799	954
Impairment losses recognised		95	157
Written off upon sale of receivables under finance lease		–	(19)
Reclassification to loss allowance of trade receivables	11(b)	(41)	(284)
Written off upon repossession of sold machinery		(6)	(9)
Balance at 30 June/31 December		847	799

13 Inventories

	Note	As at 30 June 2023 RMB millions	As at 31 December 2022 RMB millions
Raw materials		4,211	4,350
Work in progress		2,942	2,555
Finished goods		11,599	7,241
Land to be developed	(i)	2,432	57
		21,184	14,203

Note:

- (i) Land to be developed are related to land use rights owned by subsidiaries of the Group engaging in real estate development.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2023

14 Financial assets at fair value through profit or loss

	Note	As at 30 June 2023 RMB millions	As at 31 December 2022 RMB millions
Financial assets carried at fair value through profit or loss			
– Wealth management products and structured deposits	(i)	2,097	2,806
– Securities investment funds	(ii)	1,408	1,205
		<u>3,505</u>	<u>4,011</u>

Notes:

- (i) The Group invests its spare cash in wealth management products and structured deposits offered by banks and other financial institutions. These products generally have a pre-set maturity and expected return, with its underlying assets being a wide range of government and corporate bonds, central bank bills, money market funds as well as other listed and unlisted equity securities in the PRC.
- (ii) The Group invests its spare cash in securities investment funds offered by fund management institutions. The underlying assets of the investment 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 2023

15 Cash and cash equivalents

	As at 30 June 2023 RMB millions	As at 31 December 2022 RMB millions
Cash at bank and on hand		
– RMB denominated	12,410	12,182
– USD denominated	1,377	439
– EUR denominated	419	549
– HKD denominated	29	39
– Other currencies	561	582
	<u>14,796</u>	<u>13,791</u>

16 Loans and borrowings

(a) Short-term loans and borrowings:

	Note	As at 30 June 2023 RMB millions	As at 31 December 2022 RMB millions
Pledged short-term bank loans			
– RMB denominated	(i)	309	308
Unsecured short-term bank loans			
– RMB denominated	(ii)	4,500	3,750
– USD denominated	(iii)	1	133
– EUR denominated	(iv)	350	1,990
– THB denominated	(v)	20	20
		<u>5,180</u>	<u>6,201</u>
Add: current portion of long-term loans and borrowings	16(b)	<u>3,597</u>	<u>4,817</u>
		<u>8,777</u>	<u>11,018</u>

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2023

16 Loans and borrowings (continued)

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

Notes:

- (i) As at 30 June 2023, RMB denominated pledged short-term bank loans of RMB309 million (31 December 2022: RMB308 million) bore interest at rates ranging from 2.00% to 4.96% per annum were pledged by invention patents and bank acceptance bills and will be repayable in full from years 2023 to 2024.
- (ii) As at 30 June 2023, RMB denominated unsecured short-term bank loans of RMB4,500 million (31 December 2022: RMB3,750 million) bore interest at rates ranging from 1.50% to 3.70% per annum and will be repayable from years 2023 to 2024.
- (iii) As at 30 June 2023, USD denominated unsecured short-term bank loans of RMB1 million (31 December 2022: RMB133 million) bore interest at rate of 1.41% per annum and will be repayable in full in year 2023.
- (iv) As at 30 June 2023, EUR denominated unsecured short-term bank loans of RMB350 million (31 December 2022: RMB1,990 million) bore interest at rates ranging from 1.00% to 3.27% per annum and will be repayable from years 2023 to 2024. Such loans are subject to the fulfilment of certain financial covenants of the Group. As at 30 June 2023, the Group was in compliance with these financial covenants.
- (v) As at 30 June 2023, THB denominated unsecured short-term bank loans of RMB20 million (31 December 2022: RMB20 million) bore interest at rate of 2.49% per annum and will be repayable in full in year 2023.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2023

16 Loans and borrowings (continued)

(b) Long-term loans and borrowings:

	Note	As at 30 June 2023 RMB millions	As at 31 December 2022 RMB millions
Unsecured long-term bank loans			
– RMB denominated	(i)	17,014	12,350
– EUR denominated	(ii)	490	195
– USD denominated	(iii)	166	197
Secured long-term bank loans			
– EUR denominated	(iv)	18	18
RMB medium-term notes	(v)	51	50
Debentures	(vi)	930	2,969
		18,669	15,779
Less: current portion of long-term loans and borrowings	16(a)	(3,597)	(4,817)
		15,072	10,962

Notes:

(i) As at 30 June 2023, RMB denominated unsecured long-term bank loans of RMB14,421 million (31 December 2022: RMB10,571 million) bore interest at rates ranging from 2.65% to 3.50% per annum and will be repayable from years 2025 to 2030. Such loans are subject to the fulfilment of certain financial covenants of the Group. As at 30 June 2023, the Group was in compliance with these financial covenants.

As at 30 June 2023, RMB denominated unsecured long-term bank loans of RMB2,593 million (31 December 2022: RMB1,779 million) bore interest at rates ranging from 2.50% to 3.60% per annum and will be repayable within 12 months.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2023

16 Loans and borrowings (continued)

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

Notes: (continued)

(ii) As at 30 June 2023, EUR denominated unsecured long-term bank loans of RMB441 million (31 December 2022: RMB186 million) bore interest at rates ranging from 1.00% to 5.00% per annum and will be repayable from years 2025 to 2030. Such loans are subject to the fulfilment of certain financial covenants of the Group. As at 30 June 2023, the Group was in compliance with these financial covenants.

As at 30 June 2023, EUR denominated unsecured long-term bank loans of RMB49 million (31 December 2022: RMB9 million) bore interest at rates of 2.00% and 5.00% per annum and will be repayable within 12 months.

(iii) As at 30 June 2023, USD denominated unsecured long-term bank loans of RMB166 million (31 December 2022: RMB197 million) bore interest at rates ranging from 1.10% to 1.80% per annum and will be repayable from years 2025 to 2030.

(iv) As at 30 June 2023, EUR denominated secured long-term bank loans of RMB18 million (31 December 2022: RMB18 million) bore interest at of 2.14% per annum were secured by property, plant and equipment, and will be repayable in year 2028.

(v) 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 2018. By December 2021, the note holders have the right to demand partial or full repayment of the medium-term notes. In December 2021, the Company redeemed these notes in the principal amount of RMB2,450 million. As at 30 June 2023, the medium-term notes including accrued interest with amount of RMB51 million will be repayable in December 2023.

(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 2018. In December 2021, the Company redeemed the bonds in the principal amount of RMB1,113 million. As at 30 June 2023, the balance of the debentures including accrued interest was RMB904 million and will be repayable in December 2023.

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 July 2024. Interest on the debentures will be payable yearly in arrears in July, beginning from July 2019. In July 2022, the Company redeemed the debentures in the principal amount of RMB975 million. As at 30 June 2023, the outstanding balance of the debentures including accrued interest was RMB26 million and will be repayable in July 2024.

(c) Except as disclosed in Notes 16(a)(iv), 16(b)(i) and 16(b)(ii) above, none of the Group's loans and borrowings contains any financial covenants.

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For the six-month period ended 30 June 2023

17 Trade and other payables

	As at 30 June 2023 RMB millions	As at 31 December 2022 RMB millions
Trade creditors	15,430	13,075
Digital bills payable	6,993	5,260
Bills payable	<u>8,964</u>	<u>8,159</u>
Trade creditors and bills payable	31,387	26,494
Amounts due to related parties (Note 22(b))	3	1
Payable for acquisition of property, plant and equipment	2,909	2,314
Accrued staff costs	613	834
Product warranty provision	139	126
Value-added tax payable	1,115	1,120
Sundry taxes payable	57	66
Security deposits	927	774
Financial guarantees issued (Note 21)	57	68
Dividends payable (Note 18(a))	2,641	–
Other accrued expenses and payables	<u>2,707</u>	<u>3,462</u>
	<u>42,555</u>	<u>35,259</u>

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

	As at 30 June 2023 RMB millions	As at 31 December 2022 RMB millions
Due within 1 month or on demand	5,220	2,386
Due after 1 month but within 3 months	13,297	14,624
Due after 3 months but within 6 months	9,060	6,026
Due after 6 months but within 12 months	<u>3,810</u>	<u>3,458</u>
	<u>31,387</u>	<u>26,494</u>

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2023

18 Capital, reserves and dividends

(a) Dividends

Pursuant to the shareholders' approval at the Annual General Meeting held on 29 June 2023, a final cash dividend of RMB0.32 per share based on 8,254 million ordinary shares in issue, totaling RMB2,641 million in respect of the year ended 31 December 2022 was declared. As at 30 June 2023, RMB2,641 million of such dividends were not paid.

Pursuant to the shareholders' approval at the Annual General Meeting held on 2 June 2022, a final cash dividend of RMB0.32 per share based on 8,678 million ordinary shares in issue, totaling RMB2,777 million in respect of the year ended 31 December 2021 was declared which was fully paid by 31 December 2022.

(b) Share incentive scheme

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

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

During the six-month period ended 30 June 2023, 117,134,977 restricted shares were vested (six-month period ended 30 June 2022: 117,134,977 restricted shares vested) and there were no restricted shares outstanding at 30 June 2023 (31 December 2022: 117,134,977 restricted shares outstanding).

During the six-month period ended 30 June 2023, share incentive scheme expenses of RMB38 million (six-month period ended 30 June 2022: RMB85 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 2023

18 Capital, reserves and dividends (continued)

(c) Repurchase of own shares

During the six-month period ended 30 June 2023, the Company repurchased its own shares on the Shenzhen Stock Exchange as follows:

Month/year	Number of shares repurchased	Highest price paid per share RMB	Lowest price paid per share RMB	Aggregated price paid RMB millions
February to March/2023	164,093,583	6.85	6.49	1,085

The total amount paid for the repurchased shares of RMB1,085 million was paid wholly out of capital reserve.

19 Fair value measurement of financial instruments

(a) Financial instruments measured at fair value

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.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2023

19 Fair value measurement of financial instruments (continued)

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

Fair value hierarchy (continued)

	Fair value at 30 June 2023	Fair value measurements as at 30 June 2023		
		Level 1	Level 2	Level 3
Recurring fair value measurements				
Financial assets:				
Fair value through other comprehensive income				
– Bills receivable	868	–	–	868
– Unlisted equity securities	2,027	–	–	2,027
– Listed equity securities	285	285	–	–
Fair value through profit or loss				
– Wealth management products and structured deposits	2,097	–	1,531	566
– Listed equity securities	43	43	–	–
– Private equity fund	120	–	–	120
– Securities investment funds	1,408	1,408	–	–
Financial liabilities:				
Fair value through profit or loss				
– Derivatives	(96)	–	–	(96)

	Fair value at 31 December 2022	Fair value measurements as at 31 December 2022		
		Level 1	Level 2	Level 3
Recurring fair value measurements				
Financial assets:				
Fair value through other comprehensive income				
– Bills receivable	952	–	–	952
– Unlisted equity securities	2,174	–	–	2,174
– Listed equity securities	12	12	–	–
Fair value through profit or loss				
– Wealth management products and structured deposits	2,806	–	2,294	512
– Listed equity securities	77	77	–	–
– Securities investment funds	1,205	1,205	–	–

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2023

19 Fair value measurement of financial instruments (continued)

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

Fair value hierarchy (continued)

The Group holds an investment in equity shares Horizon Construction Development Limited with a fair value of RMB274 million at 30 June 2023 (31 December 2022: RMB218 million). The fair value of this investment was categorised as Level 3 at 31 December 2022 as the shares were not listed and there were no recent observable arm's length transactions of the shares at 31 December 2022.

During the six-month period ended 30 June 2023, Horizon Construction Development Limited's equity shares became listed on the Main Board of the Stock Exchange of Hong Kong Limited. The equity shares now have a quoted price in an active market, so its fair value measurement was transferred from Level 3 to Level 1 of the fair value hierarchy at 30 June 2023.

Information about Level 3 fair value measurements

Financial assets measured at fair value categorised into Level 3 include unlisted equity securities, bills receivable and some wealth management products. For unlisted equity securities without an active market, the Group establishes 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, price/earnings ratios and price/book value ratios of comparable listed companies adjusted for lack of marketability discount, and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity-specific inputs. The significant unobservable input is the discount for lack of marketability, and the fair value measurement is negatively correlated to the discount for lack of marketability. The fair value of bills receivable is determined using the market approach and the significant unobservable input used in the fair value measurement is the discount for lack of marketability. The fair value measurement is negatively correlated to the discount for lack of marketability. The fair value of wealth management products categorised into Level 3 is determined using the cost method and the significant unobservable input used in the fair value measurement is the expected yield. The fair value measurement is positively correlated to the expected yield.

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For the six-month period ended 30 June 2023

19 Fair value measurement of financial instruments (continued)

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

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:

	30 June 2023 RMB millions	30 June 2022 RMB millions
Unlisted equity securities:		
At 1 January	2,174	2,293
Disposal	(2)	(37)
Net unrealised gains or losses recognised in other comprehensive income during the period	46	(80)
Transfer to Level 1	(191)	–
At 30 June	<u>2,027</u>	<u>2,176</u>

	30 June 2023 RMB millions	30 June 2022 RMB millions
Bills receivable:		
At 1 January	952	1,882
Disposal	(84)	(639)
At 30 June	<u>868</u>	<u>1,243</u>

	30 June 2023 RMB millions	30 June 2022 RMB millions
Wealth management products and structured deposits:		
At 1 January	512	–
Acquisition	44	–
Net unrealised gains or losses recognised in profit or loss during the period	10	–
At 30 June	<u>566</u>	<u>–</u>

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2023

19 Fair value measurement of financial instruments (continued)

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

Information about Level 3 fair value measurements (continued)

	30 June 2023 RMB millions	30 June 2022 RMB millions
Derivatives:		
At 1 January	–	–
Net unrealised gains or losses recognised in profit or loss during the period	(96)	–
At 30 June	(96)	–

	30 June 2023 RMB millions	30 June 2022 RMB millions
Private Equity fund:		
At 1 January	–	–
Acquisition	120	–
At 30 June	120	–
Total gains or losses for the period included in profit or loss for assets/liabilities held at the end of the reporting period	(73)	10

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 2023

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 2023 and 31 December 2022 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	Carrying amount at 30 June 2023	Fair value at 30 June 2023 categorised into level 1	Carrying amount at 31 December 2022	Fair value at 31 December 2022 categorised into level 1
RMB medium-term notes	51	52	50	50
Debentures	930	933	2,969	2,979

20 Commitments

(a) Capital commitments

As at 30 June 2023, the Group had capital commitments as follows:

	30 June 2023 RMB millions	31 December 2022 RMB millions
Authorised and contracted for		
– purchase of property, plant and equipment	5,039	5,716
– Private equity fund	180	–

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2023

21 Financial guarantee issued and payment commitments

(a) Financial guarantees issued

Certain customers of the Group from time to time may finance their purchase of the Group's machinery products through bank loans, and the Group provides guarantees to the banks for the amount drawn by customers. Under the guarantee arrangement, in the event of customer default, the Group is required to repossess the machinery collateralising the bank loans, and is entitled to sell the machinery and retain any net proceeds in excess of the guarantee payments made to the banks. As at 30 June 2023, the Group's maximum exposure to such guarantees was RMB4,311 million (31 December 2022: RMB5,649 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 2023, the Group made payments of RMB65 million (six-month period ended 30 June 2022: RMB57 million) to the banks for repossession of machinery under the guarantee arrangement as a result of customer default.

Certain customers of the Group finance their purchase of the Group's machinery products through finance leases provided by third-party leasing companies. Under the third party leasing arrangement, the Group provides guarantee to the third-party leasing companies that in the event of customer default, the Group is required to make payment to the leasing companies for the outstanding lease payments due from customers. At the same time, the Group is entitled to repossess and sell the leased machinery, and retain any net proceeds in excess of the guarantee payments made to the leasing companies. As at 30 June 2023, the Group's maximum exposure to such guarantees was RMB873 million (31 December 2022: RMB529 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 2023, the Group made payment of RMB1 million for repossession of machinery incurred (six-month period ended 30 June 2022: RMB1 million) under the guarantee arrangement as a result of customer default.

Certain customers of the Group finance their purchase of the Group's agricultural machinery products and industrial vehicle products through cargo-backed loans in the form of bank acceptance notes provided by the banks. The Group undertakes the joint liability guarantee for the customers. In the event of customer default, the Group is required to make payments to the banks for the outstanding amount due from the customers when the bank acceptant notes are due. As at 30 June 2023, the Group's maximum exposure to such guarantees was RMB6 million (31 December 2022: RMB15 million). For the six-month period ended 30 June 2023, the Group made no payments (six-month period ended 30 June 2022: RMB2 million) to the banks for repossession of machinery under the guarantee arrangement as there is no customer default.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2023

21 Financial guarantee issued and payment commitments (continued)

(b) Payment commitments

During years 2020 and 2023, the Group issued 3-year Asset-backed Securities (“ABS”) and Asset-backed Notes (“ABN”) for some of the trade and other receivables and receivables under finance lease (“Underlying Assets”) with a face value of RMB8,431 million which bear interest at rates ranging from 2.4% to 4.2% per annum for priority tranches and 8% to 10% per annum for inferior tranches. The Group undertakes to provide payment to the ABS&ABN plans should any shortage, between actual cash inflows from the Underlying Assets and the planned cash inflows of RMB8,431 million. The payment for the shortage will be compensated by future cash inflows from the Underlying Assets. As at 30 June 2023, the outstanding planned payment due to the ABS&ABN plans was approximately RMB1,972 million (31 December 2022: RMB3,118 million), none of which has any cashflow shortage as at 30 June 2023 (31 December 2022: Nil).

During years 2019 and 2020, Zoomlion Finance and Leasing (Beijing) Co., Ltd. (referred to as “Beijing Leasing”) issued 3-year Asset-backed Securities (“ABS”) for some of receivables under finance lease (“Underlying Assets”) with a face value of RMB2,299 million which bear interest at rates ranging from 2.5% to 4.3% per annum for priority tranches and 8% to 10% per annum for inferior tranches. Beijing Leasing undertakes to provide payment to the ABS plans should any shortage, between actual cash inflows from the Underlying Assets and the planned cash inflows of RMB2,299 million, and the Group provides guarantee to Beijing Leasing for this shortage commitment. The payment for the shortage will be compensated by future cash inflows from the Underlying Assets. As at 30 June 2023, the outstanding planned payment due to the ABS plans was approximately RMB47 million (31 December 2022: RMB156 million), none of which has any cashflow shortage as at 30 June 2023 (31 December 2022: Nil).

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2023

22 Related party transactions

(a) Transactions with related parties

	For the six-month period ended 30 June	
	2023 RMB millions	2022 RMB millions
Transactions with associates:		
Sales of products	58	158
Purchase of raw materials	8	12
Transactions with Beijing Leasing:		
Finance lease service provided through Beijing Leasing	1,849	1,903
Repossession of machinery	160	61
Transactions with other related parties:		
Factoring of accounts receivable	497	–

The directors of the Company are of the opinion that the above transactions with related parties were conducted in the ordinary course of business and in accordance with the agreements governing such transactions which are comparable to normal commercial terms.

(b) Outstanding balances with related parties

Amounts due from/to related parties are arising in the Group's normal course of business and are included in the account captions of trade and other receivables and trade and other payables, respectively. These balances bear no interest, are unsecured and are repayable in accordance with the agreements governing such transactions which are comparable to credit period with third-party customers/suppliers.

(c) Directors' and supervisors' emoluments

	For the six-month period ended 30 June	
	2023 RMB millions	2022 RMB millions
Directors' and supervisors' emoluments	16	14

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2023

23 Reconciliation of financial information prepared under PRC GAAP to IFRSs

(a) Reconciliation of total equity of the Group

	As at 30 June 2023 RMB millions	As at 31 December 2022 RMB millions
Total equity reported under PRC GAAP	55,895	56,976
– Acquisition-related costs incurred on prior year business combination	<u>(37)</u>	<u>(37)</u>
Total equity reported under IFRSs	<u>55,858</u>	<u>56,939</u>

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

	For the six-month period ended 30 June 2023 RMB millions	2022 RMB millions
Total comprehensive income for the period reported under PRC GAAP	2,239	1,473
– Safety production fund (Note)	<u>17</u>	<u>21</u>
Total comprehensive income for the period reported under IFRSs	<u>2,256</u>	<u>1,494</u>

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 2023

24 Non-adjusting events after the reporting period

Spin-off and restructuring of Zoomlion Aerial Machinery Co., Ltd.

On 10 July 2023, resolutions were passed at the first extraordinary meeting in 2023 of the seventh session of the board of directors, which approved the proposal for the spin-off and restructuring of Zoomlion Aerial Machinery Co., Ltd. (the "Proposed Spin-off"). On 2 August 2023, resolutions were passed at the first extraordinary general meeting of the Company's shareholders in 2023 to further approve the proposal. On 23 August 2023, the application for the Proposed Spin-off was accepted by Shenzhen Stock Exchange.

As at the issuance date of this interim financial report, the Proposed Spin-off has not been completed.

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