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

中聯重科股份有限公司

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

(Stock Code: 1157)

**POSSIBLE DISCLOSEABLE TRANSACTIONS
AND POSSIBLE CONNECTED TRANSACTION
IN RELATION TO
POSSIBLE ACQUISITIONS OF 81% AGGREGATE
INTEREST IN AN INVESTEE**

INTRODUCTION

On 20 May 2025 (after trading hours), the Company has resolved to acquire the Sale Interest, representing in aggregate 81% of the registered capital in the Target, from the Sellers for a total cash consideration of no less than RMB1,627,290,200 (equivalent to approximately HK\$1,499,303,825.77).

Each of the Sellers is a state-owned enterprise and as such, the Sale Interest constitutes state-owned assets. The Possible Acquisitions will therefore be conducted by way of a public tender in accordance with applicable PRC laws and regulations.

POSSIBLE ACQUISITIONS

Subject matter

The Sale Interest comprises Sale Interest A and Sale Interest B, which represent 45% and 36% of the registered capital in the Target, respectively. The opening bid prices for Sale Interest A and Sale Interest B are RMB904,050,100 and RMB723,240,100, respectively.

As at the date of this announcement, the Company held 19% interest in the Target. The Possible Acquisitions, if they materialise, will result in the Company holding 100% interest in the Target and the consolidation of the Target's results into the Company's financial statements.

If the Company were successful in winning the bid for the Sale Interest, definitive agreement(s) would be entered into between it and the Seller(s) to document the terms of the sale (including as to the final purchase price). Completion of the Possible Acquisitions, if they materialise, is subject to (among other things) approval from the local financial supervision and administration bureau in Beijing, the PRC.

Opening bid prices

The respective minimum consideration payable for Sale Interest A and Sale Interest B has been determined based on a valuation by the Independent Valuer of the market value (ex-distribution) of the Target as at the Reference Date being RMB2,009,000,200. The opening bid prices of RMB904,050,100 for Sale Interest A and of RMB723,240,100 for Sale Interest B represent, respectively, no less than 45% and 36% of such appraised value.

The Company expects to finance the final purchase price payable for the Sale Interest using its internal resources.

INFORMATION ABOUT THE PARTIES

The Company and the Group

The Company is a joint stock company incorporated in the PRC with limited liability. The Group is a leading PRC-based construction machinery manufacturer providing diversified products, including concrete machinery, crane machinery and agricultural machinery, with a presence in Asia, Europe and other regions.

Seller A

Seller A is a company incorporated in the PRC with limited liability and is principally engaged in equity management, fund investment, asset management, financial services and cultivation of strategic emerging industries. Seller A is directly held as to 90% by Hunan SASAC and 10% by Hunan State-owned Assets Investment and Management Co., Ltd.* (湖南省國有資產投資經營有限公司). As at the date of this announcement, Seller A was interested in approximately 14.48% of the Company's registered capital and therefore a substantial shareholder of the Company.

Seller B

Seller B is a company incorporated in the PRC with limited liability and is principally engaged in equity investment and finance leasing business. Seller B is directly wholly-owned by Hunan Iron and Steel Group Co., Ltd.* (湖南鋼鐵集團有限公司).

Each of the Sellers is ultimately controlled by Hunan SASAC. Nevertheless, Hunan SASAC is a PRC Governmental Body (within the meaning of Rule 19A.04 of the Hong Kong Listing Rules) and therefore not a connected person of the Company by virtue of Rule 14A.10 of the Hong Kong Listing Rules.

INFORMATION ABOUT THE TARGET

The Target was incorporated in February 2002 as a limited liability company in the PRC and then held as to 90% by the Company. It became a wholly-owned subsidiary of the Company in December 2009. In June 2021, the Company sold 45% and 36% interest in the Target to Seller A and Seller B, respectively.

The Target is principally engaged in finance leasing business and the provision of insurance agency services.

Valuation approach and method

According to the valuation report dated 31 December 2024 prepared by the Independent Valuer using the asset-based approach, the market value (ex-distribution) of the Target as at the Reference Date was RMB2,009,000,200. Such figure was arrived at by subtracting from the Target's initial appraised value of RMB2,071,238,800 an amount equal to RMB62,238,600, which represents the amount of accumulated distributable profits distributed to the Target's existing shareholders subsequent to the Reference Date.

In selecting its valuation method, the Independent Valuer applied the “*Basic Standards for Asset Valuation*” published by the PRC Ministry of Finance and “*Asset Valuation Practice Standards – Enterprise Value*” published by the China Appraisal Society.

The Independent Valuer adopted the asset-based approach for the following reasons: (i) the on- and off-balance sheet items of the Target could be easily identified, (ii) to the extent necessary, relevant assets and liabilities subject to valuation can be physically inspected by the Independent Valuer and thus providing the requisite information for it to assess and calculate their appraised values, and (iii) the Target does not have any significant assets or liabilities that are difficult to identify and assess.

Book values and appraised values

Set out below are the book values and appraised values of the Target's assets and liabilities as at the Reference Date:

Item	Book value	Appraised value	Difference (RMB)	Rate (%)
Current assets	3,837,362,000	3,837,362,000	–	–
Non-current assets	3,246,410,000	3,253,621,900	721.19	0.22
<i>Long-term receivables</i>	2,969,254,700	2,969,254,700	–	–
<i>Fixed assets</i>	7,184,300	9,083,800	1,899,500	26.44
<i>Intangible assets</i>	2,950,000	8,262,500	5,312,400	180.08
<i>Deferred income tax assets</i>	267,021,000	267,021,000	–	–
Total assets	7,083,772,000	7,090,983,900	7,211,900	0.10
Current liabilities	2,107,549,000	2,108,317,500	768,600	0.40
Non-current liabilities	2,905,225,100	2,911,427,600	6,202,500	0.21
Total liabilities	5,012,774,000	5,019,745,100	6,971,000	0.14
Owners' equity	2,070,998,000	2,071,238,800	240,800	0.01

The appraised value of the Target's owners' equity is higher than its book value by an amount of RMB240,800, representing an increase of approximately 0.01%, of which:

1. the appraised value of fixed assets is higher than their book value by an amount of RMB1,899,500, representing an increase of approximately 26.44%. The reasons for the difference are as follows:

- a. the appraised value of building and construction assets is higher than their book value by an amount of RMB411,500, representing an increase of approximately 9.02%. Such difference is primarily attributable to the fact that the relevant buildings were recorded by the Target as fixed assets and their depreciation amount assessed on this basis, which amount is larger than the difference between the market value of the relevant buildings as at the Reference Date as compared to that at the time of their acquisition (pursuant to the enforcement of a security); and
 - b. the appraised value of equipment assets is higher than their book value by an amount of RMB1,488,000, representing an increase of approximately 56.74%. Such difference is primarily attributable to the fact that the economic life of relevant equipment is longer than their depreciation period as accounted for by the Target;
2. the appraised value of intangible assets is higher than their book value by an amount of RMB5,312,400, representing an increase of approximately 180.08%. Such difference is primarily attributable to the fact that the economic life of certain software is longer than their amortisation period as accounted for by the Target; and
 3. the appraised value of liabilities is higher than their book value by an amount of RMB6,971,000, representing an increase of approximately 0.14%. Such difference is primarily attributable to the fact that the valuation of non-current liabilities due within one year and long-term borrowings have taken into account the amount of interest accruing up to and therefore payable by the Target as at the Reference Date.

To calculate the Target's market value, the Independent Valuer identified and assessed the total value of its assets then subtracted from it the total value of liabilities. In arriving at the appraised value for each type of assets and liabilities, the Independent Valuer adopted the following methods:

1. *Money funds.* The Target's money funds are all bank deposits, which appraised value equals to their book value;
2. *Other credit assets.* The Target's other credit assets mainly consist of prepayments, other receivables, non-current assets due within one year and long-term receivables. The appraised values of such assets equal to their recoverable amounts, after considering the nature of the assets, aging and collection/settlement status as well as the use of funds by and business condition of major debtors;
3. *Building and construction assets.* Taking into account the characteristics, type of valuation (i.e., market value), actual conditions of the building and construction assets being appraised such as data collection and ability to conduct on-site visits, the Independent Valuer applied the market approach in appraising the value of the Target's real property assets.

The market method involves the selection of real estate transaction(s) within the same supply and demand circle and asset(s) of similar conditions or usage as the asset being appraised as comparables and then making a comparative assessment in terms of the nature of transaction, transaction date, location, physical conditions, ownership status and other conditions. The basic formula for computing market value is as follows:

$$\begin{array}{ccccccccc} \text{price of the} & & \text{correction} & & \text{correction} & & \text{correction} & & \text{correction} \\ \text{comparable} & \times & \text{coefficient} & \times & \text{coefficient for} & \times & \text{coefficient} & \times & \text{coefficient} \\ \text{real estate} & & \text{for nature of} & & \text{transaction date} & & \text{for physical} & & \text{for ownership} \\ & & \text{transaction} & & \text{location} & & \text{condition} & & \text{status} \end{array}$$

4. *Equipment.* The valuation assumes that the appraised assets will continue to be used *in situ* according to their current usage, adopting the cost approach. The basic formula for computing market value is as follows:

$$\text{full replacement cost} \times \text{integrated depreciation rate}$$

For certain electronic office equipment which have outlived their economic lives, the buying price or residual value and other factors are used to determine their market values;

5. *Intangible assets – software.* The Target's software is either (i) purchased from external parties or (ii) acquired after their development was outsourced and completed. In the case of (i), the market value (exclusive of tax) takes into consideration the software's main functions, characteristics and current utilisation as well as the terms and conditions of related purchase contracts. In the case of (ii), the market value takes into consideration the software's main functions, characteristics and current utilisation as well as the terms and conditions of related outsourcing contracts, with reference to their economic life and residual life. Software purchased externally but are not in use have no market value due to absence of usage;
6. *Intangible assets – copyrights of computer software.* The market value of such assets forms part of the appraised value of outsourced software, since all such assets were acquired in the course of software development;
7. *Deferred income tax assets.* The appraised value of such assets equals to their book value, after reviewing the Target's accounts and accounting vouchers, verifying and analysing the specific reason(s) giving rise to the deferred income tax assets and, on such basis; and
8. *Liabilities.* The Target's liabilities primarily comprise short-term borrowings, accounts payables, salaries payables, tax payables, other payables, non-current liabilities due within one year, other current liabilities, long-term borrowings and long-term payables. The appraised value of such assets equals to the actual amount of liabilities bearable by the Target as at the Reference Date.

Assumptions used in the calculation of appraised values

The valuation is subject to the following assumptions:

Basic assumptions

1. *Transaction assumption.* That the Target and its assets and liabilities are in the transaction process, and the valuation is conducted based on a simulated market including the conditions of the transaction;
2. *Open market assumption.* That all parties to the transaction are on equal footing and have had the opportunity and time to obtain sufficient market information to make a sound judgment about the function, use and price of an asset. It assumes that the subject asset can be openly traded in the market;
3. *Asset's going concern assumption.* That the subject asset will continue to be used in a manner consistent with its current functions and use in terms of method, scale, frequency and environment or will be used based on specified changes thereto, in determining the valuation method, parameters and basis;
4. *Enterprise's going concern assumption.* That the Target will continue to operate in a manner consistent with its present operations;

General assumptions

5. that there are no material changes in political, economic, social and other macro environments in which the Target and its business are located;
6. except for any laws and regulations that have been promulgated (including those not yet implemented) by government authorities as at the Reference Date, that there are no major changes in the laws and regulations relevant to the Target's operations;
7. that any changes in exchange rates, interest rates, tax rates and inflation concerning the Target's operations would not have any significant impact on its operating condition;
8. that there are no force majeure or unforeseeable events affecting the Target's operations;
9. that the Target and its assets will continue to operate and be in use;
10. that the accounting policies adopted by the Target are consistent and comparable with those adopted as at the Reference Date in all material respects and are continuous;
11. that the Target's operations comply with and are not in violation of national laws and regulations;
12. that the Target's operator is accountable and its management is capable of fulfilling their responsibilities; that there will not be significant changes in the Target's key management and technical personnel that may affect its operations as compared to that as at the Reference Date; that there is steady development to the management team and no occurrence of any major changes in the management system that could impact the Target's operations;

13. that the information provided by the Target and relevant parties are true, complete and accurate, and there is no other information regarding defects or contingent events that could impact the conclusion of the Independent Valuer which ought to have been provided but was not, and that could not have been known to the Independent Valuer even after it performs the requisite appraisal procedures; and
14. that the Target has no litigation, mortgages, guarantees and other contingent events that could significantly impact its business performance.

Financial information

Set out below is a summary of the audited financial information of the Target:

	For the year ended 31 December	
	2023	2024
		<i>(RMB)</i>
Net profits before taxation	149,228,431.28	64,533,682.89
Net profits after taxation	111,828,728.73	48,324,716.46

The audited net asset value of the Target as at 31 December 2024 was RMB2,032,852,287.10.

REASONS FOR AND BENEFITS OF THE POSSIBLE ACQUISITIONS

Conducive to enhancing the synergy between industry and finance

The Possible Acquisitions will result in the Company holding a controlling stake in the Target, which is conducive to enhancing the synergy between industry and finance, creating a package of “equipment and service” solutions, initiating comprehensive service for the entire equipment lifecycle, enhancing the Company to promote the competitiveness of its products and services, and fostering the sustainable development of customers’ business.

Conducive to promoting the digital management strategy

After obtaining a controlling interest in the Target, the Company will further enhance its business management model, perform “digital” and “end-to-end” business management across the entire chain and processes, and develop an intelligent decision-making model utilising big data from both industry and finance, so as to better control the quality of business operation, improve profitability and strengthen the overall risk control capabilities of the Company.

Conducive to reducing related party transactions

Currently, the Target is principally engaged in the finance leasing of the Company’s tower cranes. The Possible Acquisitions can help reduce the Group’s related party transactions.

Mr. He Liu abstained from voting on the relevant resolution(s) of the Board in light of his positions in Seller A as its legal representative, chairman of the board and general manager. Save for Mr. He, no Directors have a material interest in the Possible Acquisitions and were required to abstain from voting.

POSSIBLE IMPLICATIONS UNDER HONG KONG LISTING RULES

As one of more of the applicable percentage ratios (on an aggregate basis) in respect of the Possible Acquisitions exceeds 5% but all are less than 25% based on the opening bid prices for the Sale Interest, the Possible Acquisitions (if materialised) are expected to constitute discloseable transactions of the Company under Chapter 14 of the Hong Kong Listing Rules and be subject to reporting and announcement requirements but exempt from shareholders' approval.

Since Seller A is a substantial shareholder of the Company, Possible Acquisition A (if materialised) will constitute a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. As one or more of the applicable percentage ratios in respect of Possible Acquisition A exceeds 0.1% but all are less than 5% based on the opening bid price for Sale Interest A, Possible Acquisition A (if materialised) may be subject to reporting and announcement requirements but is expected to be exempt from independent shareholders' approval.

The original acquisition cost of Sale Interest A to Seller A was RMB903,862,700.

As the Possible Acquisitions may or may not proceed, shareholders and investors of the Company are advised to exercise caution when dealing in the Company's securities. Further announcement(s) will be made by the Company as and when required by the Hong Kong Listing Rules.

DEFINITIONS

Unless the context otherwise requires, the following terms have the following meanings in this announcement:

“Board”	the board of Directors
“Company”	中聯重科股份有限公司(Zoomlion Heavy Industry Science and Technology Co., Ltd.*), a joint stock company incorporated in the PRC with limited liability
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People's Republic of China
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hunan SASAC”	State-owned Assets Supervision and Administration Commission of Hunan Provincial People's Government
“Independent Valuer”	Vocation (Beijing) International Certified Public Valuer Co., Ltd.* (沃克森(北京)國際資產評估有限公司), an independent valuer

“Possible Acquisition A”	the possible acquisition of Sale Interest A by the Company from Seller A
“Possible Acquisitions”	the possible acquisitions of the Sale Interest by the Company from the Sellers
“PRC” or “China”	People’s Republic of China which, for the purpose of this announcement, excludes Taiwan, Hong Kong and Macao Special Administrative Region of the People’s Republic of China
“Reference Date”	31 August 2024
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	Sale Interest A and Sale Interest B
“Sale Interest A”	45% of the registered capital of the Target held by Seller A
“Sale Interest B”	36% of the registered capital of the Target held by Seller B
“Seller A”	Hunan Xingxiang Investment Holding Group Co., Ltd.
“Seller B”	Hunan Dice Venture Capital Co., Ltd.* (湖南迪策投資有限公司)
“Sellers”	Seller A and Seller B
“subsidiary”	has the meaning ascribed to it under the Hong Kong Listing Rules
“substantial shareholder”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Target”	Zoomlion Finance and Leasing (Beijing) Co., Ltd.* (中聯重科融資租賃(北京)有限公司)
“%”	per cent.

In this announcement, amounts in RMB are translated into HK\$ on the basis of HK\$1 = RMB0.92135. The conversion rate is for illustration purpose only and should not be taken as a representation that RMB could be converted into HK\$ at such rate or at all.

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

Changsha, the PRC, 20 May 2025

As at the date of this announcement, the executive Director is Dr. Zhan Chunxin; the non-executive Directors are Mr. He Liu and Mr. Wang Xianping; and the independent non-executive Directors are Mr. Zhang Chenghu, Mr. Huang Guobin, Mr. Wu Baohai and Ms. Huang Jun.

* For identification purpose only