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

中联重科股份有限公司

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

(Stock Code: 1157)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

- Revenue from continuing operations of the Group for the year ended 31 December 2021 amounted to RMB67,131 million, representing an increase of RMB2,022 million or 3.11% from 2020.
- Profit attributable to equity shareholders of the Company for the year ended 31 December 2021 amounted to RMB6,303 million, representing a decrease of RMB993 million or 13.61% from 2020.
- Basic earnings per share for the year ended 31 December 2021 amounted to RMB75.78 cents, representing a decrease of RMB21.97 cents compared with basic earnings per share of RMB97.75 cents in 2020. Diluted earnings per share for the year ended 31 December 2021 amounted to RMB75.29 cents, representing a decrease of RMB21.44 cents compared with diluted earnings per share of RMB96.73 cents in 2020.
- The Board proposed a final dividend of RMB0.32 per share for the year ended 31 December 2021.

The board of directors (the “**Board**”) of Zoomlion Heavy Industry Science and Technology Co., Ltd.* (the “**Company**”) hereby announces the audited results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2021 (the “**Reporting Period**”) together with the comparative figures for 2020:

FINANCIAL RESULTS

Financial information extracted from the audited financial statements for 2021 prepared in accordance with International Financial Reporting Standards (“**IFRSs**”):

Consolidated statement of comprehensive income

For the year ended 31 December 2021

(Expressed in RMB)

	<i>Note</i>	2021 RMB <i>millions</i>	2020 <i>RMB</i> <i>millions</i>
Revenue	3	67,131	65,109
Cost of sales and services		(51,280)	(46,492)
Gross profit		15,851	18,617
Other income		1,413	1,462
Sales and marketing expenses		(3,473)	(4,046)
General and administrative expenses		(1,983)	(2,366)
Impairment loss on trade and other receivables and receivables under finance lease	4(c)	(746)	(1,682)
Research and development expenses		(3,865)	(3,345)
Profit from operations		7,197	8,640
Net finance income/(costs)	4(a)	6	(154)
Share of profits less losses of associates		154	182
Profit before taxation	4	7,357	8,668
Income tax	5	(938)	(1,297)
Profit for the year		6,419	7,371

	<i>Note</i>	2021 <i>RMB</i> <i>millions</i>	2020 <i>RMB</i> <i>millions</i>
Profit attributable to:			
Equity shareholders of the Company		6,303	7,296
Non-controlling interests		116	75
		<u>6,419</u>	<u>7,371</u>
Profit for the year		<u>6,419</u>	<u>7,371</u>
Earnings per share (cents)			
Basic	7	<u>75.78</u>	<u>97.75</u>
Diluted	7	<u>75.29</u>	<u>96.73</u>

	2021 RMB millions	2020 RMB millions
Profit for the year	6,419	7,371
Other comprehensive income for the year (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)	(52)	(89)
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of subsidiaries outside mainland PRC	(172)	(32)
Total other comprehensive income for the year	(224)	(121)
Total comprehensive income for the year	6,195	7,250
Total comprehensive income attributable to:		
Equity shareholders of the Company	6,079	7,175
Non-controlling interests	116	75
Total comprehensive income for the year	6,195	7,250

Consolidated statement of financial position
At 31 December 2021
(Expressed in RMB)

	<i>Note</i>	2021 RMB millions	2020 RMB millions
Non-current assets			
Property, plant and equipment		9,740	7,342
Right-of-use assets		4,113	3,068
Intangible assets		1,850	1,965
Goodwill		1,908	2,054
Interests in associates	8	4,190	3,388
Other financial assets	9	2,418	2,703
Trade and other receivables	11	16,353	14,131
Receivables under finance lease	12	7,206	13,008
Loans and advances		140	—
Pledged bank deposits		202	175
Deferred tax assets	15(b)	1,148	1,453
Total non-current assets		49,268	49,287
Current assets			
Inventories		13,501	14,652
Other current assets		1,156	1,374
Financial assets at fair value through profit or loss	10	6,408	4,284
Trade and other receivables	11	32,108	23,972
Receivables under finance lease	12	4,496	10,365
Loans and advances		80	—
Pledged bank deposits		1,775	2,223
Cash and cash equivalents		13,190	10,086
Total current assets		72,714	66,956
Total assets		121,982	116,243
Current liabilities			
Loans and borrowings		11,011	2,964
Trade and other payables	13	36,600	40,387
Contract liabilities		1,874	2,777
Lease liabilities		93	90
Income tax payable	15(a)	97	710
Total current liabilities		49,675	46,928
Net current assets		23,039	20,028
Total assets less current liabilities		72,307	69,315

	<i>Note</i>	2021 RMB <i>millions</i>	2020 <i>RMB</i> <i>millions</i>
Non-current liabilities			
Loans and borrowings		7,894	16,337
Lease liabilities		320	320
Deferred tax liabilities	<i>15(b)</i>	405	490
Other non-current liabilities		5,428	4,318
		<hr/>	<hr/>
Total non-current liabilities		14,047	21,465
		<hr/>	<hr/>
NET ASSETS		58,260	47,850
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Share capital		8,678	7,938
Reserves		48,153	38,768
		<hr/>	<hr/>
Total equity attributable to equity shareholders of the Company		56,831	46,706
		<hr/>	<hr/>
Non-controlling interests		1,429	1,144
		<hr/>	<hr/>
TOTAL EQUITY		58,260	47,850
		<hr/>	<hr/>

Consolidated statement of changes in equity
For the year ended 31 December 2021
(Expressed in RMB)

	Attributable to equity shareholders of the Company								Non-	Total
	Share capital	Capital reserve	Statutory surplus reserve	Exchange reserve	Fair value reserve (non-recycling)	Other reserves	Retained earnings	Total	controlling interests	equity
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
	millions	millions	millions	millions	millions	millions	millions	millions	millions	millions
Balance at 31 December 2019 and 1 January 2020	7,875	11,214	3,555	(1,268)	14	43	17,394	38,827	670	39,497
Changes in equity for 2020										
Profit for the year	—	—	—	—	—	—	7,296	7,296	75	7,371
Other comprehensive income	—	—	—	(32)	(2)	—	(87)	(121)	—	(121)
Total comprehensive income	—	—	—	(32)	(2)	—	7,209	7,175	75	7,250
Appropriation for surplus reserve	—	—	369	—	—	—	(369)	—	—	—
Cash dividends	—	10	—	—	—	—	(1,662)	(1,652)	—	(1,652)
Share incentive scheme										
— Share option scheme	66	250	—	—	—	—	—	316	—	316
— Restricted share scheme	(3)	1,804	—	—	—	—	—	1,801	—	1,801
Acquisition of non-controlling interests in subsidiaries	—	7	—	—	—	—	—	7	(7)	—
Dividends declared by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	—	(35)	(35)
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	173	173
Contribution from non-controlling shareholders in a subsidiary	—	232	—	—	—	—	—	232	268	500
Safety production fund	—	—	—	—	—	16	(16)	—	—	—
Balance at 31 December 2020	7,938	13,517	3,924	(1,300)	12	59	22,556	46,706	1,144	47,850

Consolidated statement of changes in equity
For the year ended 31 December 2021 (continued)
(Expressed in RMB)

	Note	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
		Share capital	Capital reserve	Statutory surplus reserve	Exchange reserve	Fair value 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
Balance at 31 December 2020 and 1 January 2021		7,938	13,517	3,924	(1,300)	12	59	22,556	46,706	47,850
Changes in equity for 2021										
Profit for the year		—	—	—	—	—	—	6,303	6,303	6,419
Other comprehensive income		—	—	—	(172)	(1)	—	(51)	(224)	(224)
Total comprehensive income		—	—	—	(172)	(1)	—	6,252	6,079	6,195
Appropriation for surplus reserve		—	—	460	—	—	—	(460)	—	—
Issue of ordinary shares		705	5,383	—	—	—	—	—	6,088	6,088
Cash dividends	6	—	—	—	—	—	—	(2,778)	(2,778)	(2,778)
Share incentive scheme										
— Share option scheme	14	35	137	—	—	—	—	—	172	172
— Restricted share scheme	14	—	563	—	—	—	—	—	563	563
Dividends declared by subsidiaries to non-controlling interests		—	—	—	—	—	—	—	(19)	(19)
Disposal of a subsidiary		—	—	—	—	—	—	—	(7)	(7)
Contribution from non-controlling shareholders in a subsidiary		—	1	—	—	—	—	—	195	196
Appropriation for general risk reserve		—	—	—	—	—	169	(169)	—	—
Safety production fund	16(b)	—	—	—	—	—	32	(32)	—	—
Balance at 31 December 2021		8,678	19,601	4,384	(1,472)	11	260	25,369	56,831	58,260

Notes to the financial information

1 STATEMENT OF COMPLIANCE

The financial information contained in this preliminary announcement of annual results was extracted from the Group's consolidated financial statements. These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). IFRSs include all individual International Financial Reporting Standards, International Accounting Standards ("IASs") and related interpretations. These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance, and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2 CHANGES IN ACCOUNTING POLICIES

The Group has initially adopted Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) from 1 January 2021.

The Group applied the Phase 2 amendments retrospectively. However, in accordance with the exceptions permitted in the Phase 2 amendments, the Group has elected not to restate comparatives for the prior periods to reflect the application of these amendments. Since the Group had no transactions for which the benchmark rate had been replaced with an alternative benchmark rate as at 31 December 2020, there is no impact on opening equity balances as a result of retrospective application.

3 REVENUE AND SEGMENT REPORTING

The Group is principally engaged in three main operating segments, including (i) research, development, manufacturing and sale of construction machinery; (ii) research, development, manufacturing and sale of agricultural machinery; and (iii) finance lease services.

Revenue from sales and lease of the Group's machinery products is net of value added tax and after deduction of any trade discounts.

(a) Disaggregation of revenue

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

	2021 RMB millions	2020 RMB millions
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products of service lines		
Construction machinery		
— Concrete machinery	16,379	18,984
— Crane machinery	36,309	34,893
— Others	10,644	7,463
Agricultural machinery	2,907	2,644
	66,239	63,984
Revenue from other sources		
Rental income from construction machinery		
— Concrete machinery	1	1
— Crane machinery	185	4
— Others	5	38
	191	43
Financial services	701	1,082
	892	1,125
	67,131	65,109

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business sectors. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

a. Construction machinery segment consists of the following sub-segments:

Concrete machinery sub-segment primarily researches, develops, manufactures and sells various concrete machineries, including truck-mounted concrete pumps, trailer-mounted concrete pumps, dry mortar products, concrete placing booms, concrete mixing plants, truck-mounted concrete mixers, truck-mounted line concrete pumps and self-propelled boom concrete pumps.

Crane machinery sub-segment primarily researches, develops, manufactures and sells a variety of cranes, including truck cranes, all-terrain truck cranes, crawler cranes and various types of tower cranes.

Others primarily research, develop, manufacture and sell of other machinery products, including road construction and pile foundation machinery, earth working machinery, material handling machinery and systems, specialised vehicles and vehicle axles. None of these segments met any of the quantitative thresholds for determining reportable segments for the years ended 31 December 2021 and 2020.

- b. Agricultural machinery segment primarily researches, develops, manufactures and sells a wide range of agricultural machineries, including tractors, grain harvesters and drying machines.
- c. Financial services segment primarily provides finance lease services to customers for purchasing machinery products of the Group and from other vendors.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following basis:

The measure used for reporting segment profit is revenue less cost of sales and services.

A measurement of segment assets and liabilities is not provided regularly to the Group's most senior executive management and accordingly, no segment assets or liabilities information is presented.

Disaggregation of revenue from contracts with customers by timing of revenue recognition regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2021 and 2020 is set out below:

	2021			2020		
	Point in time	Over time	Total	Point in time	Over time	Total
	RMB	RMB	RMB	RMB	RMB	RMB
	millions	millions	millions	millions	millions	millions
		(Note)			(Note)	
Reportable segment revenue:						
Construction machinery						
— Concrete machinery	16,379	1	16,380	18,984	1	18,985
— Crane machinery	36,309	185	36,494	34,893	4	34,897
— Others	10,644	5	10,649	7,463	38	7,501
Agricultural machinery	2,907	—	2,907	2,644	—	2,644
Financial services	—	701	701	—	1,082	1,082
	<u>66,239</u>	<u>892</u>	<u>67,131</u>	<u>63,984</u>	<u>1,125</u>	<u>65,109</u>

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

(ii) *Information about profit or loss*

	2021 RMB millions	2020 RMB millions
Reportable segment profit:		
Construction machinery		
— Concrete machinery	3,968	5,000
— Crane machinery	8,501	10,825
— Others	2,297	1,271
Agricultural machinery	405	444
Financial services	680	1,077
	<u>15,851</u>	<u>18,617</u>

(iii) *Reconciliations of segment profit*

	2021 RMB millions	2020 RMB millions
Reconciliation of segment profit:		
Total reportable segment profit	<u>15,851</u>	<u>18,617</u>
Gross profit	15,851	18,617
Other income	1,413	1,462
Sales and marketing expenses	(3,473)	(4,046)
General and administrative expenses	(1,983)	(2,366)
Impairment loss on trade and other receivables and receivables under finance lease	(746)	(1,682)
Research and development expenses	(3,865)	(3,345)
Net finance income/(costs)	6	(154)
Share of profits less losses of associates	<u>154</u>	<u>182</u>
Profit before taxation	<u>7,357</u>	<u>8,668</u>

(iv) *Geographic information*

The following tables set out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment and right-of-use assets ("**specified non-current assets**"). The geographical location of revenue is based on the selling location. The geographical location of specified non-current assets is based on the physical location of the asset. No geographic information is presented for trademarks, technical know-how and goodwill as these assets are commonly used by the Group both in and outside PRC. All other non-current assets are physically located in the PRC, except for customer relationships acquired through business combination of CIFA S.p.A ("**CIFA**") and m-tec mathis technik GmbH ("**m-tec**"), which are determined to be outside PRC.

	2021 RMB <i>millions</i>	2020 <i>RMB</i> <i>millions</i>
Revenue from external customers		
— Mainland PRC	61,342	61,277
— Outside PRC	5,789	3,832
Total	67,131	65,109
	2021 RMB <i>millions</i>	2020 <i>RMB</i> <i>millions</i>
Specified non-current assets		
— Mainland PRC	12,951	9,560
— Outside PRC	902	850
Total	13,853	10,410

4 PROFIT BEFORE TAXATION

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

(a) Net finance (income)/costs

	2021 <i>RMB</i> <i>millions</i>	2020 <i>RMB</i> <i>millions</i>
Interest income	(970)	(596)
Interest on loans and borrowings	916	930
Interest on lease liabilities	7	12
Net exchange loss/(gain)	41	(192)
	<u>(6)</u>	<u>154</u>

(b) Staff costs:

	2021 <i>RMB</i> <i>millions</i>	2020 <i>RMB</i> <i>millions</i>
Salaries, wages and other benefits	3,913	3,761
Share incentive scheme expenses	427	598
Contributions to retirement schemes	628	631
	<u>4,968</u>	<u>4,990</u>

(c) Other items:

	2021 <i>RMB</i> <i>millions</i>	2020 <i>RMB</i> <i>millions</i>
Cost of inventories sold	51,280	46,492
Depreciation charge		
— owned property, plant and equipment	665	585
— right-of-use assets, land use rights	74	54
— right-of-use assets, plant, machinery and equipment	102	75
Amortisation of intangible assets	160	188
Gain on disposal of property, plant and equipment, intangible assets and right-of-use assets	186	267
Auditors' remuneration:		
— audit services	10	10
Product warranty costs	245	211
Impairment losses:		
— trade receivables	496	1,257
— receivables under finance lease	178	262
— other receivables	66	163
— loan and advance	6	—
— inventories	9	87
— intangible assets	—	6
	<u>—</u>	<u>6</u>

5 INCOME TAX

Income tax in the consolidated statement of comprehensive income represents:

(a) Taxation charged to profit or loss:

	2021 <i>RMB</i> <i>millions</i>	2020 <i>RMB</i> <i>millions</i>
Current tax — PRC income tax	670	1,470
Current tax — Income tax in other tax jurisdictions	26	13
Deferred taxation	242	(186)
	<u>938</u>	<u>1,297</u>
Tax expenses	<u>938</u>	<u>1,297</u>

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

	2021 <i>RMB</i> <i>millions</i>	2020 <i>RMB</i> <i>millions</i>
Profit before taxation	7,357	8,668
Notional tax on profit before taxation, calculated at the statutory income tax rate applicable to the jurisdictions concerned (Note (i))	1,839	2,167
Tax effect of non-deductible expenses	55	104
Current year loss for which no deferred tax assets was recognised	45	19
Tax effect of non-taxable income (Note (i))	(115)	(85)
Tax effect of tax concessions (Note (ii))	(481)	(725)
Additional deduction for qualified research and development expenses (Note (iii))	(405)	(183)
Actual income tax expenses	<u>938</u>	<u>1,297</u>

Notes:

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

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

The Company's overseas subsidiaries are subject to income tax at rates ranging from 15.0% to 28.4% (2020: 15.0% to 28.4%).

- (ii) According to the income tax law and its relevant regulations, entities that qualified as high-technology enterprises under the tax law are entitled to a preferential income tax rate of 15%. The Company and certain of its subsidiaries obtained or renewed its status as high-technology enterprises in 2021 and accordingly are subject to income tax at 15% for the years from 2021 to 2023.
- (iii) 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 ended 31 December 2021 (2020: 75%).

6 DIVIDENDS

(i) Dividends paid during year

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

Pursuant to the shareholders' approval at the third extraordinary general meeting held on 16 September 2020, an interim dividend in respect of the six-month period ended 30 June 2020 of RMB0.21 per share based on 7,919 million ordinary shares in issue, totaling RMB1,662 million was declared, in which RMB10 million was declared to restricted shareholders who are expected to be unlocked. The forfeited restricted shares will not be entitled to the declared dividends, and was fully paid by March 2021.

(ii) Dividends proposed after the balance sheet date

Pursuant to a resolution passed at the directors' meeting on 30 March 2022, a final dividend in respect of the year ended 31 December 2021 of RMB0.32 per share totaling RMB2,777 million (2020: RMB0.32 per share totaling RMB2,540 million) was proposed for shareholders' approval at the forthcoming Annual General Meeting. The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB6,303 million (2020: RMB7,296 million) and the weighted average of 8,317 million ordinary shares (2020: 7,464 million shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2021 <i>millions</i>	2020 <i>millions</i>
Issued ordinary shares at 1 January	7,547	7,427
Effect of issue of ordinary H shares	178	—
Effect of issue of ordinary A shares	460	—
Effect of restricted A shares unlocked	107	9
Effect of share options exercised	25	28
	<hr/>	<hr/>
Weighted average number of ordinary shares at 31 December	<u>8,317</u>	<u>7,464</u>

(b) **Diluted earnings per share**

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB6,303 million (2020: RMB7,296 million) and the weighted average number of ordinary shares of 8,372 million shares (2020: 7,543 million shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2021 <i>millions</i>	2020 <i>millions</i>
Weighted average number of ordinary shares at 31 December	8,317	7,464
Effect of deemed issue of restricted A shares	49	45
Effect of exercisable options	6	34
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted) at 31 December	8,372	7,543
	<hr/>	<hr/>

The unvested restricted shares are subject to vesting conditions including certain performance conditions, which are excluded in the calculation of diluted earnings per share.

8 INTERESTS IN ASSOCIATES

	2021 <i>RMB</i> <i>millions</i>	2020 <i>RMB</i> <i>millions</i>
Infore Environment Technology Group Co., Ltd. (“ Infore Environment ”)	3,110	3,040
	<hr/>	<hr/>
Aggregate carrying amount of individually material associates in the consolidated financial statements	3,110	3,040
	<hr/>	<hr/>
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	1,080	348
	<hr/>	<hr/>
Total	4,190	3,388
	<hr/>	<hr/>

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 (<i>millions</i>)	Proportion of ownership interest		Principal activities
				Group's effective interest	Held by the Company	
Infore Environment (<i>Note</i>)	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 31 December 2021, the quoted market price of Infore Environment was RMB7.33 (2020: RMB8.14) per share and the fair value of the investment in Infore Environment was RMB2,926 million (2020: RMB3,249 million).

	2021 <i>RMB</i> <i>millions</i>	2020 <i>RMB</i> <i>millions</i>
Amounts of the Group's share of Infore Environment		
Profit from operations	118	151
Other comprehensive income	—	—
Total comprehensive income	<u>118</u>	<u>151</u>

	2021 <i>RMB</i> <i>millions</i>	2020 <i>RMB</i> <i>millions</i>
Aggregate amounts of the Group's share of individually immaterial associates		
Profit from operations	36	31
Other comprehensive income	—	—
Total comprehensive income	<u>36</u>	<u>31</u>

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

Effect of disposal on the financial position of the Group

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

9 OTHER FINANCIAL ASSETS

	<i>Note</i>	2021 RMB <i>millions</i>	2020 <i>RMB</i> <i>millions</i>
Financial assets at FVOCI			
Equity securities	(i)	2,307	2,279
Financial assets at FVPL			
Listed equity securities	(ii)	111	271
Securities investment funds	(iii)	—	153
Total		2,418	2,703

Notes:

- (i) The equity securities comprises equity funds and other unlisted equity securities. The aggregate fair value of equity funds and unlisted equity securities was RMB1,690 million and RMB617 million respectively at 31 December 2021 (2020: RMB1,618 million and RMB661 million). The Group designated these investments at FVOCI (non-recycling), as the investments are held for strategic purposes. Dividends of RMB66 million (2020: RMB17 million) were received on investments in equity securities during the year ended 31 December 2021. An accumulated loss in the fair value reserve (non-recycling) of RMB51 million in relation to partial disposal of equity securities was transferred to retained earnings during the year (2020: an accumulated loss of RMB87 million).
- (ii) The listed equity securities represent the Group's investments in shares of listed companies in the PRC. The aggregate fair value of these investments was RMB111 million, based on their quoted market prices as at 31 December 2021 (2020: RMB271 million).
- (iii) The Group invests its spare cash in securities investment funds offered by fund management institutions. The underlying assets of the products are a wide range of government and corporate bonds, asset-backed securities, bond repurchases, bank deposits and other financial instruments

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RMB <i>millions</i>	2020 <i>RMB</i> <i>millions</i>
Financial assets carried at fair value through profit or loss:		
— Wealth management products (<i>Note</i>)	5,430	3,363
— Securities investment funds (<i>Note 9(iii)</i>)	978	921
	6,408	4,284

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

11 TRADE AND OTHER RECEIVABLES

	2021 <i>RMB</i> <i>millions</i>	2020 <i>RMB</i> <i>millions</i>
Trade receivables	47,823	37,475
Less: loss allowance	(4,937)	(4,943)
	42,886	32,532
Less: trade receivables due after one year	(16,353)	(14,131)
	26,533	18,401
Bills receivable	1,882	2,532
	28,415	20,933
Amounts due from related parties	265	185
Prepayments for purchase of raw materials	639	706
Prepaid expenses	408	366
VAT recoverable	1,070	938
Deposits	91	164
Financial assets at amortised cost	200	—
Others	1,020	680
	32,108	23,972

All of the trade and other receivables, except those described below, are expected to be recovered or recognised as expense within one year.

The Group generally allows certain customers with appropriate credit standing to make payments in instalments over a maximum period of 42 months (“**instalment payment method**”). Instalment payments with terms more than one year are discounted at a rate which approximates the debtor’s borrowing rate in transactions with an independent lender under comparable terms and conditions. For the year ended 31 December 2021, the weighted average discount rate was approximately 4.75% (2020: 4.75%) per annum. As at 31 December 2021, trade receivables due after one year of RMB16,353 million (31 December 2020: RMB14,131 million) were presented net of unearned interest of RMB1,861 million (31 December 2020: RMB1,559 million).

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:

	2021 <i>RMB</i> <i>millions</i>	2020 <i>RMB</i> <i>millions</i>
Within 1 year	34,721	25,143
Over 1 year but less than 2 years	3,768	3,460
Over 2 years but less than 3 years	1,448	1,273
Over 3 years but less than 5 years	1,308	1,681
Over 5 years	1,641	975
	42,886	32,532

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

As part of the Group's ongoing control procedures, management monitors the creditworthiness of customers to which it grants credit in the normal course of business. Credit exposure limits are established to avoid concentration risk with respect to any single customer.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2021 RMB millions	2020 RMB millions
Balance at 1 January	4,943	5,146
Impairment losses recognised	496	1,257
Reclassification from loss allowance of receivables under finance lease (<i>Note 12</i>)	554	232
Uncollectible amounts written off	(1,037)	(1,620)
Written off upon debt-equity swap	—	(46)
Written off upon sale of trade receivables (<i>Note</i>)	(19)	(26)
	<hr/> 4,937 <hr/>	<hr/> 4,943 <hr/>
Balance at 31 December	4,937	4,943

Note: During the year ended 31 December 2021, RMB19 million of loss allowance for trade receivables were written off due to disposal of certain receivables in a bulk sale (2020: RMB26 million).

As at 31 December 2021, bills receivable of RMB1,882 million (2020: RMB2,532 million) whose fair values approximate to their carrying values were classified as financial assets at fair value through other comprehensive income under IFRS 9. The fair value changes of these bills receivable at fair value through other comprehensive income were insignificant during the year.

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 endorses bills receivable to suppliers in order to settle trade payables.

As at 31 December 2021, 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 end of the reporting period. 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 31 December 2021, 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 RMB740 million (31 December 2020: RMB2,015 million).

As at 31 December 2021, bills receivable of RMB13 million (31 December 2020: RMB294 million) were discounted to banks or other financial institutions with recourse, where substantially the risks and rewards of ownership had not been transferred. Since the Group has continuing involvement in the transferred assets, these discounted bills receivable were therefore not derecognised. As at 31 December 2021, bills receivable of RMB730 million (31 December 2020: RMB873 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.

12 RECEIVABLES UNDER FINANCE LEASE

	2021 <i>RMB</i> <i>millions</i>	2020 <i>RMB</i> <i>millions</i>
Gross investment	13,344	26,112
Unearned finance income	(688)	(1,135)
	<u>12,656</u>	<u>24,977</u>
Less: loss allowance	(954)	(1,604)
	<u>11,702</u>	<u>23,373</u>
Less: receivables under finance lease due after one year	(7,206)	(13,008)
	<u>4,496</u>	<u>10,365</u>

The Group provides equipment finance lease services to customers purchasing machinery products of the Group or other vendors through its leasing subsidiaries. Under the finance lease arrangement, the collectability of the minimum lease payments is reasonably predictable, there is no significant uncertainty surrounding the amount of un-reimbursable cost yet to be incurred by the Group under the lease arrangement. The finance lease contracts entered into by the Group typically are for a period ranging from 1 to 6 years (2020: 2 to 5 years). Customers are normally required to make an upfront payment ranging from 5% to 50% of the product price (2020: 5% to 50%) and pay a security deposit ranging from 1% to 15% of the product price (2020: 1% to 15%). At the end of the lease term, the lessee has an option to purchase the leased machinery at nominal value and the ownership of the leased machinery is then transferred to the lessee. The leases do not provide any guarantee of residual values.

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

	2021 <i>RMB</i> <i>millions</i>	2020 <i>RMB</i> <i>millions</i>
<i>Present value of the minimum lease payments</i>		
Within 1 year	4,782	11,546
Over 1 year but less than 2 years	3,191	6,455
Over 2 years but less than 3 years	2,217	3,981
Over 3 years	2,466	2,995
	<u>12,656</u>	<u>24,977</u>
<i>Unearned finance income</i>		
Within 1 year	280	719
Over 1 year but less than 2 years	160	273
Over 2 years but less than 3 years	109	107
Over 3 years	139	36
	<u>688</u>	<u>1,135</u>
<i>Gross investment</i>		
Within 1 year	5,062	12,265
Over 1 year but less than 2 years	3,351	6,728
Over 2 years but less than 3 years	2,326	4,088
Over 3 years	2,605	3,031
	<u>13,344</u>	<u>26,112</u>

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

	2021 RMB <i>millions</i>	2020 <i>RMB</i> <i>millions</i>
Not yet due	11,299	21,986
Within 1 year past due	478	392
Over 1 year but less than 2 years past due	145	449
Over 2 years past due	734	2,150
	<hr/>	<hr/>
Total past due	1,357	2,991
	<hr/>	<hr/>
	12,656	24,977
Less: loss allowance	(954)	(1,604)
	<hr/>	<hr/>
	11,702	23,373
	<hr/> <hr/>	<hr/> <hr/>

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.

The movement in the loss allowance in respect of receivables under finance lease during the year, is as follows:

	<i>Note</i>	2021 RMB <i>millions</i>	2020 <i>RMB</i> <i>millions</i>
Balance at 1 January		1,604	1,646
Impairment losses recognised		178	262
Written off upon debt-equity swap		—	(39)
Written off upon sale of receivables under finance lease		(54)	(33)
Reclassification to loss allowance of trade receivables	<i>11</i>	(554)	(232)
Written off upon repossession of sold machinery		(28)	—
Disposal of a subsidiary		(192)	—
		<hr/>	<hr/>
Balance at 31 December		954	1,604
		<hr/> <hr/>	<hr/> <hr/>

The Group monitors the credit risk arising from finance lease arrangement through various control measures. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, finance income under finance lease is recognised in accordance with the accounting policies.

13 TRADE AND OTHER PAYABLES

	2021 <i>RMB</i> <i>millions</i>	2020 <i>RMB</i> <i>millions</i>
Trade creditors	14,709	13,663
Bills payable	15,223	18,921
Trade creditors and bills payable	29,932	32,584
Accrued staff costs	954	1,177
VAT payable	925	869
Sundry taxes payable	108	165
Security deposits	787	1,015
Dividends payable	—	263
Amounts due to non-controlling shareholders of certain subsidiaries	—	138
Payable for acquisition of property, plant and equipment	618	293
Product warranty provision	137	158
Interest payable	—	89
Financial guarantees issued	94	65
Amounts due to related parties	1	2
Other accrued expenses and payables	3,044	3,569
	36,600	40,387

All of the other trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

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

	2021 <i>RMB</i> <i>millions</i>	2020 <i>RMB</i> <i>millions</i>
Due within 1 month or on demand	6,078	5,989
Due after 1 month but within 3 months	10,188	13,327
Due after 3 months but within 6 months	8,040	9,591
Due after 6 months but less than 12 months	5,626	3,677
	29,932	32,584

14 SHARE INCENTIVE SCHEME

On 1 November 2017, a Share Incentive Scheme was considered and approved at the first extraordinary general meeting of 2017, the A shareholders' Class Meeting of 2017 and H shareholders' Class Meeting of 2017. On 7 November 2017, the Company adopted the Share Incentive Scheme and the related resolution was considered and passed at the seventh extraordinary meeting of the fifth session of the board of directors, pursuant to which the date of grant for the Share Incentive Scheme of the Company has been set for 7 November 2017, and 171,568,961 share options and 171,568,961 restricted shares were planned to be granted to 1,231 selected current employees (the **"Participants"**) of the Group (**"the First Grants"**). Each share option shall entitle its eligible holder to purchase one Zoomlion ordinary A share at an exercise price of RMB4.57, and the Participants are entitled to purchase Zoomlion restricted A shares at RMB2.29 each. The Participants of the Share Incentive Scheme included directors, senior executives and core technical employees. As a result, 168,760,911 share options and 168,760,911 restricted shares were granted to the Participants on 7 November 2017.

On 10 September 2018, the resolution in respect of the grant of additional options and additional restricted shares (the **"Second Grants"**) under the Share Incentive Scheme was passed at sixth extraordinary meeting of the fifth session of board of directors, pursuant to which the date of grant for the Share Incentive Scheme of the Company has been set for 10 September 2018 and 19,063,218 share options and 19,063,218 restricted shares were planned to be granted to 405 selected current employees of the Group (the **"Participants"**). Each share option shall entitle its eligible holder to purchase one Zoomlion ordinary A share at an exercise price of RMB3.96, and the Participants are entitled to purchase Zoomlion restricted A shares at RMB1.98 each. As a result, 18,554,858 share options and 18,554,858 restricted shares were granted to the Participants on 10 September 2018.

On 6 November 2018, the board of directors further resolved to approve the commencement of the first exercise period in respect of options granted under the First Grants. A total number of 65,471,398 share options and 65,877,838 restricted shares granted to the Participants under First Grants were vested or unlocked.

On 10 September 2019, the board of directors further resolved to approve the commencement of the first exercise period in respect of options granted under the Second Grants. A total number of 8,815,482 share options and 9,009,068 restricted shares granted to the Participants under Second Grants were vested or unlocked.

On 8 November 2019, the board of directors further resolved to approve the commencement of the second exercise period in respect of options granted under the First Grants. A total number of 44,640,739 share options and 45,408,457 restricted shares granted to the Participants under First Grants were vested or unlocked.

On 15 November 2019, an Employee Stock Ownership Plan (**"ESOP"**) was considered and approved at the seventh extraordinary meeting of the sixth session of the board of directors. On 6 January 2020, the ESOP and the related resolution were considered and passed at the first extraordinary general meeting of 2020, pursuant to which 390,449,924 restricted shares were planned to be granted to no more than 1,200 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 Participants 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.

(a) Share options

(i) *The terms and conditions of the share option are as follows:*

	Number of instruments	Vesting conditions	Contractual life of option
Options granted to directors: — on 1 November 2017	2,288,520	The first exercise period shall commence from trading day after expiry of the 12-month period from the date of grant. The share options shall be exercisable separately in the subsequent 3 exercise periods or tranches, whose percentages of options exercisable are 40%, 30% and 30% respectively, subject to certain performance conditions as the conditions of exercise.	0 years
Options granted to employees: — on 1 November 2017	166,472,391	The first exercise period shall commence from trading day after expiry of the 12-month period from the date of grant. The share options shall be exercisable separately in the subsequent 3 exercise periods or tranches, whose percentages of options exercisable are 40%, 30% and 30% respectively, subject to certain performance conditions as the conditions of exercise.	0 years
Options granted to employees: — on 10 September 2018	18,554,858	The first exercise period shall commence from trading day after expiry of the 12-month period from the date of grant. The share options shall be exercisable separately in the subsequent 2 exercise periods or tranches, whose percentages of options exercisable are 50% and 50% respectively, subject to certain performance conditions as the conditions of exercise.	0 years
	<u>187,315,769</u>		

(ii) *The number and weighted average exercise prices of share options are as follows:*

	2021		2020	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	RMB		RMB	
Outstanding at the beginning of the year	3.88	35,334,740	4.10	106,335,610
Exercised during the year	3.88	(35,334,740)	4.04	(65,948,050)
Forfeited during the year		—	4.13	(5,052,820)
Outstanding at the end of the year		<u>—</u>	3.88	<u>35,334,740</u>
Exercisable at the end of the year		<u>—</u>	3.88	<u>35,334,740</u>

(iii) *Fair value of share options and assumptions*

The fair value of the equity-settled share options granted on the date of the First Grants and the Second Grants is estimated using Black-Scholes model and conditions for the share options taken into account. The input variables under the applied model are as follow:

The First Grants	First tranche	Second tranche	Third tranche
Fair value at measurement date	0.57	0.76	0.91
Share price	4.55	4.55	4.55
Exercise price	4.57	4.57	4.57
Volatility	19.04%	19.04%	19.04%
Risk-free interest rate	2.10%	2.75%	2.75%

The Second Grants	First tranche	Second tranche
Fair value at measurement date	0.31	0.45
Share price	3.69	3.69
Exercise price	3.96	3.96
Volatility	16.92%	16.92%
Risk-free interest rate	2.10%	2.75%

The expected volatility is based on the historical volatility in the publicly available information.

(b) Restricted shares

The number of restricted shares are as follows:

	2021	2020
	Number	Number
	of restricted shares	of restricted shares
Outstanding at the beginning of the year	390,449,924	58,016,302
Vested during the year	(156,179,970)	(54,783,927)
Forfeited during the year	—	(3,232,375)
Granted during the year	—	390,449,924
Outstanding at the end of the year	<u>234,269,954</u>	<u>390,449,924</u>
Contractual life of restricted shares	0.5 years	1.23 years

The fair value of restricted share granted on 1 November 2017, 10 September 2018 and 3 April 2020 were RMB2.26, RMB1.71 and RMB3.00 per share, respectively, which is the difference between the market price of the ordinary share at the grant date and the proceeds received from the employees.

The terms and conditions of the restricted shares are substantially the same as that of share options, except for certain minor difference to individual's performance criteria.

(c) Expected demission rate of the Participants and share incentive scheme expenses

Management estimates the expected yearly percentage of the Participants that will leave the Group at the end of the vesting period/locking period in order to determine the amount of share incentive scheme expenses to be recognised in the consolidated statement of comprehensive income. As at 31 December 2021, the First Grants and the Second Grants are all excised. For ESOP, no matter Participants leave the Group or not at the end of the locking period, all share incentive scheme expenses are to be recognised in the consolidated statement of comprehensive income. In the year ended 31 December 2021, share incentive scheme expenses of RMB427 million (2020: RMB598 million) were recognised in the consolidated statement of comprehensive income.

15 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Income tax payable in the consolidated statement of financial position represents:

	2021 <i>RMB</i> <i>millions</i>	2020 <i>RMB</i> <i>millions</i>
Provision for PRC income tax (<i>Note</i>)	88	694
Provision for income tax in other tax jurisdictions	9	16
	<u>97</u>	<u>710</u>

Note: Income tax payable after one year is recognised in other non-current liabilities.

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are presented as follows:

Year ended 31 December 2021

	Balance at 31 December 2020 <i>RMB</i> <i>millions</i>	Credited/ (charged) to profit or loss <i>RMB</i> <i>millions</i>	Credited/ (charged) to reserves <i>RMB</i> <i>millions</i>	Balance at 31 December 2021 <i>RMB</i> <i>millions</i>
Deferred tax assets arising from:				
Receivables	732	(1)	—	731
Inventories	129	(47)	—	82
Accrued expenses	220	(126)	—	94
Tax losses	264	(98)	—	166
Others	108	(1)	(32)	75
	<u>1,453</u>	<u>(273)</u>	<u>(32)</u>	<u>1,148</u>
Deferred tax liabilities arising from:				
Property, plant and equipment	(32)	6	—	(26)
Intangible assets	(323)	31	—	(292)
Right-of-use assets	(39)	(1)	—	(40)
Others	(96)	(5)	54	(47)
	<u>(490)</u>	<u>31</u>	<u>54</u>	<u>(405)</u>
Total	<u>1,453</u>	<u>(273)</u>	<u>(32)</u>	<u>1,148</u>

Year ended 31 December 2020

	Balance at 31 December 2019 RMB millions	Credited/ (charged) to profit or loss RMB millions	Credited/ (charged) to reserves RMB millions	Balance at 31 December 2020 RMB millions
Deferred tax assets arising from:				
Receivables	714	18	—	732
Inventories	155	(26)	—	129
Accrued expenses	136	84	—	220
Tax losses	194	70	—	264
Others	72	—	36	108
Total	1,271	146	36	1,453
Deferred tax liabilities arising from:				
Property, plant and equipment	(45)	13	—	(32)
Intangible assets	(333)	15	(5)	(323)
Right-of-use assets	(40)	1	—	(39)
Others	(37)	11	(70)	(96)
Total	(455)	40	(75)	(490)

As at 31 December 2021, deferred tax assets in respect of tax losses totalling RMB270 million (31 December 2020: RMB258 million) were not recognised by certain subsidiaries of the Company, as it is not probable that sufficient future taxable profits will be available to utilise such tax benefits.

16 RECONCILIATION OF FINANCIAL INFORMATION PREPARED UNDER PRC GAAP TO IFRSS

(a) Reconciliation of total equity of the Group

	As at 31 December 2021 RMB millions	As at 31 December 2020 RMB millions
Total equity reported under PRC GAAP	58,297	47,887
— Acquisition-related costs incurred on prior year business combination	(37)	(37)
Total equity reported under IFRSs	58,260	47,850

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

	2021 RMB millions	2020 RMB millions
Total comprehensive income for the year reported under PRC GAAP	6,163	7,234
— Safety production fund (<i>Note</i>)	32	16
Total comprehensive income for the year reported under IFRSs	6,195	7,250

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 purchase 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.

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis was prepared based on our financial information prepared in accordance IFRSs

Revenue

Our revenue increased by 3.11% from RMB65,109 million for the year ended 31 December 2020 to RMB67,131 million for the year ended 31 December 2021.

Cost of Sales and Services

Due to the rise of raw materials prices, our cost of sales and services increased by 10.30% from RMB46,492 million for the year ended 31 December 2020 to RMB51,280 million for the year ended 31 December 2021.

Gross profit

Our gross profit decreased by 14.86% from RMB18,617 million for the year ended 31 December 2020 to RMB15,851 million for the year ended 31 December 2021. Our gross profit margin decreased from 28.59% for the year ended 31 December 2020 to 23.61% for the year ended 31 December 2021, which is mainly due to rise of raw materials prices and shipping fee.

Other income

Our other income decreased from the net gain of RMB14.62 million for the year ended 31 December 2020 to a net gain of RMB14.13 million for the year ended 31 December 2021.

Sales and marketing expenses

Our sales and marketing expenses decreased by 14.16% from RMB4,046 million for the year ended 31 December 2020 to RMB3,473 million for the year ended 31 December 2021 primarily due to the strengthened efforts of the Company in cost control.

General and administrative expenses

Our general and administrative expenses decreased from RMB2,366 million for the year ended 31 December 2020 to RMB1,983 million for the year ended 31 December 2021 primarily due to the strengthened efforts of the Company in cost reduction and efficiency enhancement.

Net finance income/costs

Our net finance costs for the year ended 31 December 2020 was RMB154 million and our net finance income for the year ended 31 December 2021 was RMB6 million. The fluctuation was due to the increase of interest income for the year.

Profit/Loss for the year

As a result of the foregoing, our profit for the year decreased by 12.92% from a profit RMB7,371 million for the year ended 31 December 2020 to a profit RMB6,419 million for the year ended 31 December 2021.

Operating activities

In 2021, net cash generated from operating activities was RMB2,189 million derived primarily from the profit of RMB7,357 million in total, adjusted to reflect interest expense of RMB923 million, interest income of RMB970 million, depreciation and amortisation of RMB1,001 million, net realized and unrealised gains on financial assets at fair value through profit or loss (“FVPL”) of RMB385 million, gain on disposal of fixed assets, intangible assets and other long-term assets of RMB186 million, share incentive scheme expenses of RMB427 million, share of profits less losses of associates of RMB154 million, gain on disposal of interests in subsidiaries and associates of RMB5 million, and added back the effect of (i) the increase in trade and other payables of RMB3,220 million and (ii) the increase in contract liabilities of RMB903 million, and net off the following items: (i) the increase of receivables under finance lease of RMB1,309 million; (ii) the increase in inventories of RMB1,548 million; (iii) the increase in trade and other receivables of RMB3,336 million; and (iv) income tax payment of RMB1,361 million.

Investing activities

In 2021, net cash used in investing activities was RMB1,397 million, consisting primarily of: (i) proceeds from disposal of financial assets at FVPL of RMB21,684 million; (ii) proceeds from proposed disposal of property, plant and equipment and right-of-use assets of RMB1,188 million; (iii) interest received of RMB436 million; (iv) proceeds from disposal of property, plant and equipment and intangible assets of RMB161 million; and (v) proceeds from disposal of financial assets at fair value through other comprehensive income (“FVOCI”) of RMB889 million, (vi) proceeds from disposal of interests in subsidiary of RMB1,444 million; and (vii) decrease in pledged bank deposits of RMB421 million and offset by the following items: (i) payment for acquisition of financial assets of RMB23,110 million; (ii) payment for purchase of property, plant and equipment, right-of-use assets and intangible assets of RMB2,915 million; and (iii) payment for acquisition of financial assets at FVOCI of RMB1,189 million.

Financing activities

In 2021, net cash generated from financing activities was RMB2,420 million, consisting primarily of: (i) repayments of loans and borrowings assets of RMB62,951 million; (ii) cash dividends paid to equity shareholders of RMB3,041 million; and (iii) interest payments of RMB1,907 million and added (i) proceeds from loans and borrowings of RMB63,027 million; (ii) proceeds from exercise of share options of RMB136 million; (iii) proceeds on contributions from non-controlling shareholders of RMB196 million; and (iv) proceeds from issuance of new shares of RMB6,088 million.

BUSINESS REVIEW AND PROSPECT

1. Operation Review of 2021

In 2021, with the rate of vaccination speeding up globally, the world economy gradually recovered. The domestic economy continued to recover soundly and steadily and make progress while achieving a good start for the “14th Five-Year Plan”.

In 2021, the construction machinery industry in the domestic market performed steadily. The export volume of the industry was growing rapidly, and rigid demand for China’s construction machinery from the international market continued to increase. Reinforced by factors such as policy support and many others, the agricultural machinery industry will continue to move along the path of structural adjustment for large and medium-sized and intelligent products.

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

During the Reporting Period, the Company achieved revenue of RMB67,131 million, representing a year-on-year increase of 3.11%; net profit attributable to the parent company amounted to RMB6,303 million, representing a year-on-year decrease of 13.61%.

The major work carried out by the Company during the Reporting Period was as follows:

1. Strive to make a breakthrough in the industrial echelon

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

(1) Continued stabilization and improvement in construction machinery

Throughout the year, sales revenue of the Company’s construction machinery products amounted to RMB63,523 million, representing a year-on-year increase of 3.49%.

(1) Continued to maintain a leading market position for leading products

Based on the premise of adhering to the business strategy of maintaining superior product quality and implementing stringent control of business risks, the competitiveness of its three major products, namely concrete machinery, construction cranes, and construction crane machinery continues to strengthen, and its market position was consolidated.

The product of truck cranes continued to lead the market. The sale volume of 30-ton and above truck cranes ranked first in the industry and the sales volume of large-tonnage truck cranes increased by more than 30% year-on-year; our domestic market share of large-tonnage crawler crane ranked first in the industry.

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

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

(2) Potential businesses continued to make breakthroughs and achievements

The Company had accomplished the dual manufacturing base layout of “Weinan + Changsha” for earth moving machinery, continued to increase investment in research and development, polishing products with ingenuity and realized a more comprehensive coverage of product profile and focused on the product quality and service quality. Through continuously adjusting sales structure, the Company achieved significant growth in the sales of mid-large excavator product, which had a higher profitability. The overall market shares have been increased steadily and the operational quality has continued to improve.

The product list of work-at-height machinery has realized whole coverage from 4 to 68 meters, being the most comprehensive work-at-height machinery manufacturer in China. The four alternating current (“AC”) series products of electric scissors, namely AC, AC-Li, HA, HA-Li, were launched. The world’s highest straight-arm product was launched with mass sales. The world’s highest electric arm car with a work-at-height of 40 meters was developed. The Company completed the development of various new products, such as aerial sucker car, road-rail arm car and telescopic forklift. The market performance of product and reputation among customers have continuously increased and the market share ranked among the top three in the industry. In 2021, the Company realized sales of work-at-height machinery of RMB3,351 million, representing a substantial year-on-year increase by 310.76%. The overseas sales of stacker have covered 58 countries and regions within five continents. Our products have successively entered the high-end markets of 18 European countries, United States, Canada and Australia. The Company cooperated with large-scale leasing companies and end customers at worldwide areas successively.

With the mining machinery gaining momentum, the Company accelerated the new product development of equipment for open mining and gradually realized the bulk manufacturing of mine plough, mining trucks and gravel equipment, accelerating the construction of the most complete set of mining equipment in China.

(3) Accelerated the repeated operations updates by key components industry

In terms of the key components industry such as axles for construction vehicles, intelligence technology and hydraulic valves and hydraulic cylinders pipes, technology repeated operations and process upgrades were accelerated. The Company has enhanced the self-made rate of core components year by year and continuously optimized the layout of the industrial chain to create a “professional, refined and special” new “little giant”. Hunan Hydraulic Valve Enterprise Technology Center established by Changde Zoomlion Hydraulic Pressure Co., Ltd.*, a subsidiary of the Company, was recognized as a national “professional, refined and special” new “little giant” enterprise certification.

(2) *Accelerated the quality improvement, transformation and upgrade of agricultural machinery industry*

Adhering to the strategic direction of “Smartwin, quality improvement, focus and breakthrough”, the Company has optimized the product structure of agricultural machinery and channelled greater energy to promote product upgrading and to achieve model unification, and strengthened management and control on the manufacturing process to produce “exquisite” equipment. Leveraging on expediting the commercialization process of intelligent agricultural machinery, the reliability of harvesting machinery and power machinery products are fully upgraded and empowered with a higher intelligentization level. Focusing on core areas, main products and high-quality channels, the Company has achieved steady growth in scale. The domestic market shares of wheat machine, dryer, rotary tiller, baler, and seedling thrower remained at the forefront of the industry.

The commercialization of intelligent agriculture is implemented through leveraging the first mover advantage of the digitalized farmland technology. To establish the national demonstration benchmark of “Zhong Lian Eqiao Unmanned Smart Farming” and create the brand of “Zhong Lian Digital Rice”, we accelerated the demonstration and promotion of intelligent agriculture in Hunan, Henan and Jiangxi. With quick formation of a commercialized and intelligentized agriculture cloud platform for small-scale farmers, large-scale farmers and the government, the Company has consolidated the brand foundation of being the leader of the intelligent agriculture industry.

(3) Development of the dry mortar industry layout in full swing

The dry mortar equipment business maintained a sustainable and steady growth, and its market share ranked in the No. 1 echelon in the domestic market steadily. Adhere to leading the market with technology, customers' current demands was combined with future layout for new materials as guidance. The Company continued to make effort in the technological innovation of dry mortar's core components, and prepared for supporting the business expansion of new materials in advance.

The new material business of dry mortar is under rapid progression and a full technical team has been duly formed. 5 major product systems including Green Wall, Green Umbrella, Green Road, Green Space and Green Protection have been established, and research and development projects of 96 products have been conducted. In order to achieve efficient, automatic and environmental-friendly trial production of materials, A product line for pilotscale experience of multi-materials with an annual production capacity of 7,000 tons was built, thus forming a strict and efficient production system. The Company has undertaken a number of key projects with industry demonstration significance. Machine spraying plastering mortar has completed a number of key project trials and is well received by key project customers. The construction of factory in He County, Maanshan City, Anhui Province has already started.

2. Accelerate the progression of digitalized transformation

Based on the nature of industry, the industrial internet empowers enterprises and accelerates the comprehensive digital transformation. The Company has entered into strategic collaborations with Huawei and China Mobile respectively, thereby continuing to focus on core business scenarios. The comprehensive mobilization of business management accelerates the development of overseas business and the construction of end-to-end digital management of earthwork operations. The aforesaid also accelerated the breakthrough and innovation of traditional management mode and business mode.

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

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

3. *Fruitful results in intelligent manufacturing*

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

- (1) Rapid development in intelligent manufacturing. The host park and key component park of various product lines in Smart Industry City have constructed in full scale. The first medium to large excavators in the excavating park with the intelligent production lines have started operations, and the project of “Excavation Machinery Intelligent Manufacturing Demonstration Plant” was shortlisted to the “National Intelligent Manufacturing Pilot Demonstration Factories”. The second phase of the tower crane smart factory has operated in the industrial park, forming the production structure of one “smart factory”, two “lighthouse workshops”, three “smart warehouses” and four “lights-out production lines” and consolidating the Company’s industry foundation of being world number one in the tower crane. Changde Key Hydraulic Components (Hydraulic Valves) Intelligent Industrial Park has completed construction and put into production, which enhanced the independently controllable production capacity in the production of high-end hydraulic valves. Mixer Truck Intelligent Manufacturing Park at the international leading level has operated. Intelligent Manufacturing Parks such as High-end Hydraulic Oil Cylinders, Axles for Construction Vehicles, Changde Agricultural Machinery and Maanshan Infrastructure Construction Machinery were under construction successively according to schedule.
- (2) Accelerated the transformation and application of intelligent manufacturing technologies. Flexible intelligent production lines were built through integrating artificial intelligence (“AI”) technology and smart devices. An effective and synergic business chain was built through integrating intelligent control algorithm and digital system. We continuously facilitated the application of more than 150 industry leading advance intelligent manufacturing technologies. 56 key technologies of whole manufacturing process were successfully deployed in the intelligent production line, which accelerated the intelligent upgrading of manufacturing. Among which, more than 25 advance technologies were first initiated in the industry, which comprehensively facilitated the intelligent development of the Company to play a leading role in the industry.

4. *Creating an innovative technological highland by “triple” integration*

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

(1) Develop nationally valuable industry and marched into the unknown area of scientific and technological innovation

Regarding construction machinery, the latest development of the Company was the world's largest 2,000 tons all-terrain crane, which made a breakthrough of key technologies like precision and safety control of high cranes with large load, thus continuously leading the development of wind-driven crane. The Company developed the biggest tower crane in the world W12000-450 with rated load moment of 12,000 ton meters, which was the first top slewing tower crane with a maximum load moment greater than 10,000 ton meters. As a tailor-made crane for the Changzhou-Taizhou Yangtze River Bridge manufacturing by the Company, it is the world's largest road and rail cable stayed bridge. The Company independently developed LW2340-180 and LW2460-200 wind power arm tower crane, which reached the record high of the world's largest wind power arm tower crane. By applying core technologies like inverting slew control technology and closed-loop jack lifting control technology with double cylinders, the Company solved a series of problems faced by the wind power industry, such as difficulty in disassembling and assembling of wind turbines over 100 meters and high cost. The innovative development of the 63-meter carbon fiber boom pump truck realized the domestic manufacturing of carbon fiber raw materials and equipments, and was successful in the world's first original technology of design-calculation-manufacturing-test for carbon fiber composite materials. The Company was the pioneer in launching intelligent mining robots with human-machine interaction system. Such technology was appeared in the headline of CCTV News and was highly recognized by the community. The project of "Key Technologies and Applications of Intelligent Operation of Construction Machinery with Large Flexibility" won the first prize of China Machinery Industry Science and Technology Award. "Intelligent Electro Hydraulic of Multiple Valve Project" was listed in the top ten technology in Hunan in 2021. "The world's largest 2,340 tons wind power arm tower crane" and "the first domestic carbon fiber boom pump truck within the industry" ranked first in the top ten science and technology news in Hunan in 2021.

(2) Build intelligent agricultural system and lead the technological transformation of the industry

Regarding agricultural machinery, the Company established an overall strategy based on intelligent agricultural machinery and intelligent agriculture. By focusing on agricultural machinery product upgrading and technology research and development, we further developed high-end products and channels. In order to accelerate the transformation and upgrading as a high-tech agricultural machinery enterprises and continued to promote the high-quality development, the Company nurtured and introduced talents in an orderly manner. AI wheat harvester machine has already been promoted in small scale, which continued to be a technological leader in the industry. CL2404 continuously variable transmission tractor has gone offline to fill the gap in domestic market. The orchard operating platform is at the leading level in China, while 12kg combine harvester farm machine is suitable for the harvest of various crops in China and has become the benchmark of large harvesters. The deployment of intelligent agriculture has achieved remarkable results, and an intelligent agriculture technology team with 100 members covered agriculture, Internet of Things and AI research. The Company established the national demonstration benchmark of “Zhong Lian Eqiao Unmanned Smart Farming” and created the brand of “Zhong Lian Digital Rice”. In order to facilitate the development of high-end intelligent agricultural machinery by intelligent agriculture, the Company built a leading digital agricultural research center in China and explored replicable business model with large state-owned farms, which promote intelligent agriculture throughout China and improve the awareness of the Company’s intelligent agriculture.

(3) Major breakthroughs in new energy products

In November 2021, the Company held the press conference of “New Energy Products and New Carbon Fiber Composite Material Technology” with the theme of “Green Intelligent Manufacturing Leading a New Dual Carbon Future”, and released 16 new energy products in 8 series, including the world’s first pure electric concrete pump truck, the world’s first 60-meter hybrid pump truck, the world’s first 40m-level electric straight-arm aerial work platform, the largest domestic pure electric wide-body dump truck, 7.5-tonne pure electric excavator and hydrogen fuel cell chassis, which were first in the world and the first in the industry in many fields.

As of 31 December 2021, more than 50 new energy products have been launched in total, covering concrete pump trucks, concrete mixer trucks, truck cranes, aerial work platforms, excavators, mining trucks, forklifts, emergency vehicles, agricultural machinery and other fields. The new energy form covers pure electric, hybrid power, and hydrogen fuel, and the whole series of new energy products have been basically formed.

(4) Standards and patents leading the innovation and development of the industry

The Company is the first domestic construction machinery enterprise to lead the formulation of international standards. There are 19 international standardization registered experts, and a total of 9 international standards, 414 national and industrial standards, and 22 group standards have been issued. In 2021, the Company led the formulation of three national standards, namely GB/T6068-2021 “Test Specifications for Truck Cranes and Tyre Cranes”, GB/T9142-2021 “Concrete Mixers for Construction Machinery and Equipment” and GB/T19924-2021 “Determination of Mobile Crane Stability”, which were officially released. The Company led the formulation and issue of the green evaluation group standard of T/CMIF 138-2021 “Green Design Products Evaluation and Technical Specifications for Tower Cranes” and participated in the formulation and issue of two international standards, achieving the standard leading the innovation and development of the industry.

During the Reporting Period, the number of patent applications increased by 62% year-on-year, of which the number of invention patent applications increased by 48% year-on-year. During the year, a total of 727 patents were granted, representing a year-on-year increase of 99.2%. The Company won 1 China Patent Gold Award and two China Patent Excellence Awards. The invention patents of “boom vibration control method, control device, control system and engineering machinery” won the China Patent Gold Award, the measurement method, device and system of boom flexibility, and The “vibration control method of the machinery arm, control device, control system, and construction machinery” invention patent won the Chinese Patent Gold Award, which fully demonstrates strong R&D and innovation capabilities of the Company.

5. Deepen the global “localization” strategy

The Company accelerated the use of global village to promote overseas reforms, continued to focus on key countries and regions, and built an end-to-end, digital and localized overseas business system, achieving breakthroughs in overseas markets.

(1) The overseas market of construction machinery products continued to grow rapidly.

During the Reporting Period, the Company’s overseas revenue increased by more than 51.05% year-on-year. The large-tonnage crawler crane products were exported to overseas markets in batches. The export order of 2000-ton crawler crane is the largest tonnage crane exported to overseas countries by China, gradually making breakthroughs the global high-end crawler crane market. The Company participated in the construction of the Jakarta-Bandung High-speed Railway Project with its concrete and crane equipment, assisting in the construction of the “Belt and Road” project. The aerial work machinery distribution network has covered key markets in the five continents of the world, successfully achieving the breakthrough of “agents + major customers + end customers”, and gradually establishing a global sales network and service outlets. An European factory was officially completed in Italy. Tower cranes, truck cranes, and arial operating machinery realized the production and sales of local languages, helping the in-depth expansion of the European market.

- (2) Accelerating the promotion of overseas management reform. The Company reformed its overseas business model with Internet mindset, classified the aviation ports, deeply cultivated the lower-tier cities and radiated the areas. The Company rapidly integrated local language-oriented employees, empowered training, and stimulated vitality. The end-to-end management has been mapped and interlocked. The whole line has been accelerated to build a brand-new overseas business system based on end-to-end, digitization and localization. The construction of local language-oriented business and operation system in 17 key countries has been completed, and breakthroughs have been made in overseas markets. The Company completed the construction of local language-oriented business and operation systems in 17 key countries, and made breakthroughs in overseas markets.
- (3) Accelerating the expansion and upgrading of overseas manufacturing bases. CIFA S.p.A., a subsidiary of the Company in Italy expands and upgrades into a comprehensive global company covering concrete, engineering and construction products. Integrate the synergy between the world's leading agricultural machinery manufacturer, Labe (a subsidiary of the Company), and the agricultural machinery sector to accelerate the "going out" of agricultural machinery; the base in Belarus is in full operation, bringing radiation effect to Eastern Europe and Central Asia, creating new overseas business growth points. The construction of the industrial park in India has commenced, bringing radiation effect to the markets such as the Middle East and South Asia.

6. *Continuous improvement of quality and efficiency of operation and management*

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

- (1) Promoting end-to-end management in depth. The common business integration was fully applied to realize information exchange and process interconnection, and improve the decision-making efficiency of the entire business chain. We will improve the end-to-end risk control management system, build a solid risk control defense line, create a risk intelligent early warning platform with perception and thinking, deepen the application of artificial intelligence technology, actively discover business risks, and promote the steady growth of business.
- (2) Strengthening the construction of supply chain system. The Company continued to promote the centralized procurement and integration of common materials in multiple categories and strategic procurement of key materials, optimized the layout of the supply chain, promoted the localization of overseas suppliers and local suppliers in other provinces on the premise of ensuring the resource advantages, optimized the layout of the supply chain, ensured the safety of supply, and achieved cost reduction and efficiency enhancement.

- (3) To create excellent service capabilities. We will coordinate and promote the strategic layout of smart services, make efforts to build a smart service platform, promote the digital and intelligent upgrading of services, strengthen service standardization and refined management, establish a comprehensive guarantee for customers, build a service brand of “sincere service and care”, improve customer satisfaction and loyalty, and make customer experience smoother and more efficient.
- (4) Strengthening the construction of talent team. Adhering to the human resources management concept of “keeping strategy at the same frequency and business at the same time”, the Company will focus on the development direction of the Company, introduce high-quality talents with the concept of “inducing phoenix to build a nest”, and provide targeted remuneration and development platform, so as to attract, retain and make good use of talents. We will innovate the human resources management mechanism, optimize the training model and management platform, start the organization to improve efficiency, continuously enrich the back line’s resource guarantee, and build a talent “pool” to help the Company achieve high performance and high-quality development.

2. Business Outlook of the Group

(1) Industry development trend and market outlook

1. Construction machinery market

In 2022, the State adheres to the general tone of seeking progress while maintaining stability, focusing on stabilizing the macro-economic situation and maintaining the economic operation within a reasonable range. Cross-cyclical and counter-cyclical macro-control policies should be organically combined. Infrastructure investment should be carried out moderately ahead of schedule. Prudent monetary policy should be flexible and appropriate, to maintain reasonable and sufficient liquidity.

Supported by the “moderately advanced” infrastructure policy to support the economy, the Group will continue to release the domestic demand of the construction machinery industry by releasing special bonds to ease the funds of downstream customers. In 2022, the domestic market of the construction machinery industry will show a trend of “low before high”. With the gradual relaxation of effective control of the overseas epidemic, countries will increase their efforts in infrastructure construction to restore the economy, and the release of China’s construction machinery will be accelerated. The industry export is expected to continue to grow in 2022.

2. *Agricultural machinery market*

At present, China attaches great importance to the development of agriculture, and the agricultural industry will usher in major development opportunities. In February 2021, the No. 1 Document of the Central Committee of the Communist Party of China (the “CCCPC”) proposed to “comprehensively promote rural revitalization and accelerate the modernization of agriculture and rural areas”, highlighting the great importance of the CCCPC on the work of agriculture and rural areas in the new development stage. On 5 January 2022, the Ministry of Agriculture and Rural Affairs officially issued the “Fourteenth Five-Year National Agricultural Mechanization Development Plan”, which proposes to further promote the supply-side structural reform of agricultural mechanization, focus on making up for shortcomings, strengthen weaknesses, and promote coordination, vigorously promote the integration of mechanization and agricultural art system, intelligent information technology, agricultural operation mode and farmland construction, lead and promote the innovation and development of agricultural machinery and equipment, expand and strengthen the industrial chain of agricultural mechanization industry, and accelerate the high-quality and efficient development of agricultural mechanization.

(2) *Operation initiatives in 2022*

1. Continue to strengthen scientific research and innovation. Adhering to the philosophy of “product is the root and technology is the foundation”, the Company will continue to further promote the product 4.0A project, do well in green, digital and intelligent special projects, maintain the leading advantages of product technology performance, maintain the ability advantages of new technology empowerment and rapid incubation of new industries, and maintain the advantages of industry technology voice. The Company will continue to improve the incentive mechanism of the product platform, further enhance the innovation momentum of technical personnel, maintain the mechanism advantages of research and development, and make technological innovation as the source power for the sustainable development of the Company.
2. To achieve market breakthroughs in a steady manner. Adhering to the philosophy of “pursuing quality, efficiency, scale and sustainability”, the Company will grasp the direction, pace and strength of its strategies to achieve a dynamic balance between scale and efficiency. The Company will re-establish the dominant position in market competition based on the four extreme standards of technology, quality, cost and service. The Company will deepen the end-to-end market and performance partnership system, realize the flattening of organizational structure, and fully activate the vitality of front-line teams.

3. Accelerating the development of overseas business. The Company will continue to promote the reform and development of overseas business with the “mindset of global village”, and fully replicate the model of “airport + ground force”; deeply cultivate the market with the local language-oriented team, accelerate the construction of local language-oriented business and operation system through the integration of organization, resources, technology and operation mode; continue to deepen the development of overseas key markets with the differentiated marketing strategy of “one country, one policy” and “one region, one policy”.
4. Consolidate and strengthen the industrial echelon. On the basis of strengthening and optimizing the construction machinery segment, we will accelerate the cultivation of new building materials, intelligent agricultural machinery and intelligent agriculture segments to create new performance growth points.
5. Accelerating digital transformation. The Company will promote the digital transformation of corporate operation and management, improve the level of refined management, reduce costs and increase efficiency potential, and risk prevention and control capabilities. We will continue to deepen the end-to-end transformation of management, open up the research, production, supply, sales and service of enterprises, and establish a future-oriented digital management system.
6. Strengthening the construction of talent team. The Company will continue to increase the introduction of high-end talents with the concept of “inducing phoenix to build a nest” to build a good career platform for talents, so as to attract, retain and make good use of talents, and help the Company to achieve high-performance and high-quality development.
7. Accelerating the construction of smart industrial city. We will build a core carrier for advanced enterprises in the future, realize the comprehensive connection and intelligent collaborative utilization of production factors with digital technology, build a world-class lighthouse factory of “facing the future and leading in the following 3 decades”, and build a smart industrial city into an important state of advanced manufacturing industry and a scientific and technological innovation highland with core competitiveness.

FINAL DIVIDEND AND ANNUAL GENERAL MEETING

Pursuant to a resolution passed at the Board meeting on 30 March 2022, a final dividend for the year ended 31 December 2021 of RMB0.32 per share was proposed, totaling RMB2,777 million. The final dividend is calculated based on the total share capital of the Company as of 31 December 2021, and adjusted accordingly based on the total share capital at the date of record when profit distribution is made. The specific amount is subject to actual distribution. Such proposal is subject to shareholders’ approval at the forthcoming annual general meeting of the Company. The proposed final dividend is expected to be paid to the shareholders of the Company on or about 8 July 2022. Information regarding the record date and book close date to determine the entitlement to the final dividend and attendance of the annual general meeting will be announced in due course.

COMPLIANCE WITH THE CODE PROVISIONS IN THE CODE ON CORPORATE GOVERNANCE PRACTICES AND THE CORPORATE GOVERNANCE CODE AS SET OUT IN APPENDIX 14 TO THE LISTING RULES

The Board has adopted all code provisions in Part 2 of the Corporate Governance Code (the “**Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as the code of the Company. During the year ended 31 December 2021, the Company complied with all the applicable code provisions set out in Part 2 of 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 formulation and implementation of business strategies of the Company, and that through the supervision of the Board and the independent non-executive directors as well as the internal check-and-balance system, the balance of power and authority between the Board and management of the Company will not be affected. The Board believes that this arrangement is in the interests of the Company and its business.

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

The Company has adopted the rules governing the securities transactions by directors set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry to all directors and supervisors, and all its directors and supervisors have confirmed that they complied with the Model Code throughout the year ended 31 December 2021. The Company has not identified any non-compliance with the Model Code by any of its directors or supervisors.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities in the year ended 31 December 2021.

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee of the Company is primarily responsible for making recommendation to the Board on the appointment and removal of external auditors and their remuneration and terms of engagement; monitoring internal control system of the Company and its implementation; reviewing financial information of the Company and its disclosure, including monitoring the integrity and accuracy of financial statements, annual report and accounts, half-year report and quarterly reports, and review significant financial reporting judgments contained therein; reviewing the financial controls, internal control and risk management systems of the Company; and reviewing material connected transactions of the Company.

The Audit Committee comprises three members, including two independent non-executive directors and one non-executive director. It is currently chaired by Ms. Liu Guiliang with Mr. He Liu and Mr. Zhao Songzheng as members. The Audit Committee satisfies the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee held four meetings during the year considering the annual results of the Company for the year ended 31 December 2020 and its interim results for the six months ended 30 June 2021. The Audit Committee has reviewed the audited annual financial statements of the Company for the year ended 31 December 2021 and the accounting principles and practices adopted by the Company and discussed matters relating to internal control and financial reporting.

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

Changsha, the PRC, 30 March 2022

As at the date of this announcement, the executive directors of the Company is Dr. Zhan Chunxin; the non-executive directors are Mr. He Liu and Mr. Zhao John Huan; and the independent non-executive directors are Mr. Zhao Songzheng, Mr. Lai Kin Keung, Ms. Liu Guiliang and Mr. Yang Changbo.

* For identification purpose only